

## MEDUSA MINING MAR QTR 09: KEY EXPANSION PLANS ON TRACK AND FULLY FUNDED

	Mar Qtr	Dec Qtr	Change
Production (oz)	12,716	12,158	5%
Head Grade (g/t)	13.05	15.84	-18%
<b>Average Price (US\$/oz)</b>	<b>925</b>	<b>800</b>	<b>16%</b>
Cash Operating Cost (US\$/oz)	211	215	-2%
Development Cost (US\$/oz)	223	239	-7%
<b>Total Cost (US\$/oz)</b>	<b>434</b>	<b>454</b>	<b>-4%</b>
<b>Gross Margin (US\$/oz)</b>	<b>491</b>	<b>346</b>	<b>42%</b>
<b>Other Investment Activities</b>			
Capital Works (US\$/oz)	139.3	81.9	
Exploration/Evaluation (US\$/oz)	169.3	183.8	
<b>Total Other Investment (US\$/oz)</b>	<b>308.5</b>	<b>265.6</b>	
<b>Cash Suplus (Deficit) (US\$/oz)</b>	<b>182.6</b>	<b>80.6</b>	<b>127%</b>
Cash Balance (A\$m)	27.6	5.8	373%
Interest Bearing Loans (US\$m)	-	-	
Hedging Liability (US\$m)	-	-	
Shares Outstanding (m)	166.6	146.3	-14%
Share Price (A\$) (End of Qtr)	1.80	0.66	173%

Development costs and capital works were taken from the Appendix 5B. Please note these costs may not relate specifically to the quarter in question due to timing differences associated with payment. The exchange rates used to convert AUD to USD were: 31 Dec 08: US\$0.693, and 31 Mar 09: US\$0.6835. In addition 2,700 oz of gold produced in the Mar quarter were sold in April and not reflected in the cash balance.

Medusa Mining (ASX:MML) has backed up a record December quarter with an equally impressive March quarter. Production increased 5% to 12,716 oz despite an 18% fall in head grade to 13.05g/t. Phase 1 of the expansion plan is nearing completion and is expected to raise gold production to 60,000 oz per annum by the September 09 quarter. The second phase of the expansion plan continues to run independently of phase 1 and is on schedule to increase annual production levels from 60,000 oz to 100,000 oz by early 2010. Medusa successfully completed a placement in March, which saw A\$24.5m raised at \$1.21 per share. This ensures the company is well funded to complete its expansion plans and deal with any adverse events which may disrupt production.

Looking closer at the operational performance, we see operating cash costs reduced marginally to US\$211/oz as did the development costs which came in at US\$223/oz versus US\$239/oz the previous quarter. Total cash costs including development came in at US\$434/oz, with the gross margin increasing 42% to US\$491/oz thanks largely to higher gold prices. Capital works increased to US\$139/oz and were largely associated with the ongoing expansion activity. Expectations are that ongoing capital works and development costs will moderate considerably as Phase 2 of the expansion plan is completed early in 2010.

Exploration was more or less in line with the previous quarter, with resource drilling continuing at depth and along strike around the Co-O mine. 6 surface rigs have been deployed with drilling progressing to the east of the Agsao River and 350m east of the Agsao shaft. A drilling update is expected in June 09 with a revised

resource/reserve calculation expected July/August 09. Exploration was also undertaken at the Lingig Porphyry copper project which yielded encouraging results including:

- 125m @ 0.26% Cu from 71m
- 267m @ 0.62% Cu from 2m
- 224m @ 0.77% Cu from surface

Medusa, via the capital raising, has grown its cash position to a very healthy \$27.6m, effectively eliminating the risk of funding constraints associated with their ongoing expansion plans. The company continues to have no debt and no hedging. Medusa appears on track to achieve the production milestones they have set themselves. The market obviously likes what it sees with the share price rising a staggering 177% from A\$0.66 to \$1.80 during just the March quarter. We look forward to following this company's progress over the coming months.

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