Medusa Mining Limited: Quarterly Activities Report Period Ended 30 September 2011

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TORONTO, ONTARIO -- (Marketwire - Oct. 24, 2011) - Medusa Mining Limited (ASX: MML) (LSE: MML) -

Snapshot of Medusa:

- Un-hedged, low cost, dividend paying gold producer focused on organic growth in the Philippines

- Growth path to production of 400,000 ozs per year by end of 2015

- Growth underpinned by strong cashflow from Co-O Mine (narrow vein underground)
-- FY 2011/12: target 100,000 to 110,000 ozs at cash costs circa US$200/oz

- Current Mineral Resources comprise
-- Co-O Mine: Indicated 616k ozs at 12.0 g/t gold; Inferred 1344k ozs at 8.8 g/t gold
-- Bananghilig: Inferred 650k ozs at 1.3 g/t gold

- Current Probable Reserves : Co-O Mine 502k ozs @ 10.1 g/t gold

- Co-O Mine Resources and Reserves to be maintained at current levels

- Conceptual exploration target size (ii) of Co-O Mine of 3 to 7 million ozs

- Excellent exploration upside: high grade vein and disseminated bulk gold targets, plus seven copper targets

- 820 km2 of tenements and exploration budget for FY 2011/12 of US$27M

Board of Directors:
Geoffrey Davis (Non-executive Chairman)
Peter Hepburn-Brown (Managing Director)
Ciceron Angeles (Non-executive Director)
Robert Weinberg (Non-executive Director)
Andrew Teo (Non-executive Director)

Capital Structure:
Ordinary shares: 188,827,911
Unlisted options: 785,000

Listings:
ASX and LSE (Code: MML)

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OVERVIEW:

Co-O MINE PRODUCTION & DEVELOPMENT

- New Co-O mill with capacity for 200,000 ounces per year (750,000 tonnes per year): all long lead time items ordered. Permitting has been delayed due to successive typhoons in Manila in September and October.

- As advised 22 June 2011, due to Agsao Shaft refurbishment to increase the haulage capacity and accelerating development, quarterly productio was reduced to 10,510 ounces at a recovered grade of 8.33 g/t gold and cash costs of US$291 per ounce

- Saga Shaft: currently at 145 metres and on schedule to reach Level 6 late in the December quarter

Co-O MINE DRILLING

- Drilling is continuing with six surface and five underground rigs

- Drill results include 1.40 metres at 28.02 g/t gold, 1.45 metres at 56.23 g/t gold, 2.50 metres at 72.80 g/t gold, 1.00 metre at 21.53 g/t gold, 2.35 metres at 10.61 g/t gold and 2.05 metres at 15.97 g/t gold

TAMBIS AREA - BANANGHILIG DEPOSIT

- Successful resource validation drilling and extensional drilling with six rigs continuing

- Drill results include 18.30 metres at 2.23 g/t gold, 18.85 metres at 2.05 g/t gold, 23.40 metres at 2.33 g/t gold, 12.35 metres at 2.74 g/t gold, 11.65 metres at 4.87 g/t gold, 8.25 metres at 8.67 g/t gold and 5.30 metres at 20.14 g/t gold

- IP and ground magnetics programme completed

SAUGON PROJECT

- Drilling reduced to one rig for last scout drilling hole

- IP survey preparation in progress

ANOLING

- Drilling with two rigs commencing

CORPORATE & FINANCIALS (unaudited)

- Total cash and cash equivalent in gold on metal account at end of quarter of approximately US$80.9 million

(ii)The potential target size and grade is conceptual in nature, and there has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being defined as a mineral resource. Refer to Stock Exchange announcement dated 18 January 2010.

PROJECT OVERVIEW

The locations of the Company's projects are shown on Figures 1 and 2.

To view "Figure 1. Location diagram showing the Company's tenement areas and prominent East-West structures", please visit the following link:
http://media3.marketwire.com/docs/738186_fig_1.pdf

To view "Figure 2. Regional tenement map showing mines and prospects", please visit the following link:
http://media3.marketwire.com/docs/738186_fig_2r.pdf

Co-O MINE

Gold Production

The production statistics for the September 2011 quarter with comparatives for the previous four quarters are summarised in Table I below.

Table I. Gold production statistics

Period	Unit	Qtr ended 30 Sep 11	Qtr ended 30 Jun 11	Qtr ended 31 Mar 11	Qtr ended 31 Dec 10	Qtr ended 30 Sep 10
Tonnes mined	WMT	41,596	69,562	71,060	61,621	60,367
Ore milled	DMT	42,152	76,365	71,747	66,038	52,463
Recovered grade	gpt	8.33	11.05	11.58	13.09	15.77
Recovery	%	93%	93%	94%	94%	94%
Gold produced	ozs	10,510	25,233	25,114	26,123	25,004
Cash costs (1)	US$/oz	$291	$194	$191	$185	$187
Gold sold	ozs	15,446	21,423	25,911	23,224	25,659
Average gold price received	US$	$1,587	$1,518	$1,401	$1,384	$1,208

Note:
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(1) Net of development costs and includes royalties and local business taxes

Gold production for the quarter was 10,510 ounces, at an average recovered grade of 8.33 g/t gold and cash costs of US$291 per ounce, inclusive of royalties and local business taxes.

As advised to the ASX on 22 June 2011, the mine is pre-dominantly in development mode to prepare for the future production increase and all development ore mined has been treated through the mill. The increased amount of development ore treated is the main reason for the lower recovered grade during the quarter.

The Company also carried out refurbishment and upgrading of the Agsao shaft during the quarter which reduced haulage capacity and resulted in the lower mill throughput.

With the current accelerated development program proceeding, the Company expects to meet its production guidance of 100,000 ounces for the full year.

Whilst cash costs per ounce for the quarter have increased due to a significant drop in production, the Company anticipates, that the unit costs will average US$200 per ounce for the year as production increases in the latter quarters.

Medusa, an un-hedged gold producer, sold 15,446 ounces of gold at an average price of US$1,587 per ounce during the quarter.

Preliminary Development Timetable

Graph 2 has been extracted from the May 2011 Investor Presentation and shows the Preliminary Development Timetable for the new Co-O Mill followed by the Bananghilig Project.

New Co-O Plant

In November 2010, the Board approved the construction of a new plant with capacity to produce 200,000 ounces of gold per year based on processing up to 750,000 tonnes per year at the current reserve grade of the Co-O Mine. The estimated Capex is US$70 million.

Extensive remodelling of the current mill site which would maximise the use of the existing facilities is about to commence.

The application to upgrade the Environmental Clearance Certificate for the current Co-O Mill to 2,500 tonnes

per day has been delayed due to successive typhoons in September and early October which affected government departmental offices, and is now expected shortly.

Preliminary works commenced in July 2011 for the replacement and transferral of buildings and facilities around the current mill to make room for the expansion. The orders for the jaw crusher and SAG mill have been placed and delivery is scheduled in December 2011 and mid-2012 respectively.

Operations

Mine Development

Major renovations are underway at the Co-O Mine to modernise the mine for its expected long life.

As part of this process, as advised on 22 June 2011, the Agsao Shaft was shut down for extensive refurbishment in July and August with a consequent reduction in production for the period. Concurrent with the refurbishment, a larger winder and skip were installed increasing the haulage capacity of the shaft to more than 400 tonnes per day. Commissioning commenced on 01 September 2011.

In order to open up more levels and develop more working faces, acceleration of the lateral development is on-going to ensure the underground infrastructure and on-vein development will be in place as the Saga Shaft reaches Level 6, then Level 8. This accelerated development will increase to approximately 800 metres per month and will continue for at least the next 18 months and is consequently increasing the proportion of development ore supplied to the mill which is expected comprise the majority of the mill feed during this accelerated development period.

During the quarter sinking of the Saga Shaft progressed smoothly and is currently at 145 metres depth. Completion is estimated to Level 6 late in the December quarter and ore haulage from Level 6 anticipated to commence late in the first quarter of CY 2012. The new winder for the Saga Shaft has been ordered and is due on site in December 2011.

Development on Level 6 is continuing mainly to the east from the Sabor Shaft. A second internal shaft between Levels 5 and 6 is nearing completion and will enhance production from Level 6.

Mine Production

Production has continued uninterrupted at the mine except for the Agsao Shaft as described above. All surface stockpiles have been depleted and underground broken ore is approximately 54,000 tonnes. Ore trucked to the mill during the quarter was predominantly development ore, low grade stockpiles and some stope ore.

Mill Expansion

Preparations for the new mill expansion are in progress. The expansion will involve

- Replacement of some of the existing leach tanks with larger tanks, upgrading of the thickener and the elution circuit

- Construction of new crushing and grinding sections separate from the current crushing and grinding sections

- Connection of the new crushing and grinding sections to the leaching section in 2013 which is expected to result in a period of 2-3 weeks of mill down time

Health and Safety

Lost time accident frequency rate (LTAFR) for the quarter was 0 and the rolling 12 month LTAFR is 1.48 including exploration. By comparison, the latest West Australian gold mining industry figure available to December 2010 was 3.10, excluding exploration statistics of 6.70.

There were no breaches of any of the project's operating regulations during the quarter.

To view "Graph 2. Preliminary Development Timetable", please visit the following link: http://media3.marketwire.com/docs/738186_graph_2.pdf

Reserve Estimate

A new reserve estimate was undertaken by Carras Mining Pty Ltd of Perth, Western Australia was contracted to undertake the reserve estimation based on the resource wireframe model provided by Cube Consulting Pty Ltd. Updated Indicated and Inferred Resources were announced on 27 July 2011.

The Probable Reserve, as at 30 June 2011, now stands at 502,000 ounces contained in 1,500,000 tonnes at 10.1 g/t gold.

The Probable Reserve was estimated from an Indicated Resource of 1,601,000 tonnes at 12.0 g/t gold containing 616,000 ounces of gold. The estimate was based on a gold price of US$1000 per ounce, a minimum stope width of 1.2 metre and a stope cut-off grade of 3.0 g/t gold.

Mine Resource Drilling

Detailed information is contained in the announcement dated 18 October 2011 which lists intersections down to 0.2 metres downhole width since 30 June 2011.

Figure 3 (attached) shows the locations of the new Co-O Mine EXP 087-110 holes comprising 24 holes for a total of 16,824 metres. Assays are available for EXP 087 to EXP 101. The MD series of holes has been discontinued.

Table II lists the EXP surface diamond drill hole results greater than or equal to 3 g/t gold over greater than or equal to 0.5 metres downhole.

Figure 4 (attached) shows the recently completed underground drilling totalling 6,900 metres in 33 holes.

Table III lists underground drill hole results greater than or equal to 3 g/t gold over greater than or equal to 0.5 metres downhole for 8 out of 33 holes. Assays are awaited for holes L2-042 and 43, L2-046, L5-068 to 083, L6-003 to 010 and LM 001.

Table II. Surface drill hole results greater than or equal to 3 g/t gold and greater than or equal to 0.5 metres downhole for new holes EXP 087 to EXP 101.

Hole number	East	North	Dip (degrees)	Azimuth (degrees)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 087	614291	912989	-45	180	357.65	1.00	9.13 (i)
					424.80	1.40	28.02 (i)
EXP 088	614066	913152	-57	160	469.70	0.55	4.26 (i)
					523.55	1.00	3.37 (i)
EXP 089	614542	912901	-55	180	345.95	6.60	6.54 (i)
EXP 091	614217	913473	-50	160	627.00	0.50	8.57 (i)
					738.65	2.20	8.88 (i)
EXP 092	614575	913323	-50	160	113.75	0.75	4.53 (i)
					286.75	1.45	56.23 (i)
					501.70	0.50	10.03 (i)
					579.00	1.55	33.55 (i)
EXP 093	614595	912950	-55	180	371.00	1.00	21.53 (i)
					496.70	2.50	72.80 (i)
					660.60	0.60	9.30 (i)
EXP 094	614758	913452	-50	160	725.10	1.10	14.73 (i)
EXP 095	614066	913152	-47	160	162.35	1.00	4.81 (i)
					403.15	1.00	4.33 (i)
					431.10	2.20	4.98 (i)
					452.90	0.50	3.27 (i)
					499.65	2.35	10.61 (i)
					510.30	1.20	6.46 (i)
					533.50	3.40	6.53 (i)
					581.20	1.35	3.50 (i)
					609.80	2.05	15.97 (i)
					648.45	2.35	7.69 (i)
					657.80	0.70	4.38 (i)
EXP 097	614589	913104	-52	160	285.60	5.10	5.22 (i)
					448.20	1.15	5.92 (i)
					519.55	0.50	24.30 (i)
					536.45	1.95	9.74 (i)

Notes:
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(1) Intersection widths are downhole drill widths not true widths;
(2) Assays denoted by (i) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
(3) Grid coordinates based on the Philippine Reference System 92.

Table III. Underground drill hole results greater than or equal to 3 g/t gold and greater than or equal to 0.5 metres downhole.

Hole number	East	North	Dip (degrees)	Azimuth (degrees)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
LEVEL 2							
L2-044	613416	912949	0	322	3.80	0.60	11.17 (i)
L2-047	614057	913020	0	231	72.05	0.75	6.50 (i)
LEVEL 4							
L4-024	613985	912881	0	152	108.55	2.40	24.34 (i)
LEVEL 5							
L5-067	613945	912889	-58	138	60.45	0.80	5.87 (i)

Notes:
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(1) Intersection widths are downhole drill widths not true widths;
(2) Assays denoted by (i) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
(3) Grid co-ordinates based on the Philippine Reference System 92.

Co-O Drill Hole Sampling and Assaying Procedures

Samples are taken from mainly HQ sized (hole outside diameter 96 mm, hole inside diameter 63.5mm) and some NQ sized (hole outside diameter 75.8 mm, hole inside diameter 47.6 mm) drill core. The selected sample intervals are halved by diamond saw and half the core is bagged, numbered and sent to the Company laboratory. In a small number of cases to confirm the geological logging, the selected interval was re-split and 1/4 core re-submitted for assay.

Initial sample preparation and assaying is undertaken at the Company's on-site laboratory. Samples are dried at 105 degrees C for 6 to 8 hours, crushed to less than 1.25 cm by jaw crusher, re- crushed to less than 3 mm using a secondary crusher followed by ring grinding of 700 to 800 grams of sample to nominal particle size of less than 200 mesh. Barren rock wash is used between samples in the preparation equipment. The samples are assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5 g/t gold are re-assayed using gravimetric fire assay techniques on a 30 gram sample.

Check assaying of approximately 50% of samples used in the yearly resource estimates is undertaken by McPhar Geoservices Phils Inc ("McPhar"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps are airfreighted to McPhar who fire assay 30 grams of samples using AAS finish and a selected number of samples are checked using gravimetric fire assay techniques. Duplicate samples and standards are included in each batch of check samples. When reporting results, where available, the assays of McPhar as an independent laboratory have been given priority over the Company laboratory's results.

To view "Figure 3. Map of the Co-O Mine Level 6 plan showing the locations of drill holes EXP087 to EXP110", please visit the following link:
http://media3.marketwire.com/docs/738186_fig_3.pdf

To view "Figure 4. Map of the Co-O Mine Level 6 plan showing the location of the underground drill holes",

please visit the following link:
http://media3.marketwire.com/docs/738186_fig_4.pdf

TAMBIS REGION

The Tambis project, currently comprising the Bananghilig Gold Deposit and the Kamarangan copper-molybdenum porphyry prospect (Fig. 5), is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement ("MPSA") 344-2010-XIII which covers 6,262 hectares.

BANANGHILIG GOLD DEPOSIT

In July 2010, new regional and detailed mapping and drilling programmes were commenced with the aim of validating the current resource of 650,000 ounces of gold and extending it to provide a reserve of approximately 1,000,000 ounces. This reserve would form the basis for a feasibility study which would target production of 200,000 ounces of gold per year from a new milling facility.

TAMBIS REGIONAL GEOLOGICAL SETTING

The Tambis regional geology, termed the Tambis intrusive-breccia complex, typifies a structurally complex intermediate-sulphidation, epithermal gold, breccia-type system, including disseminated gold overprinting the host Tertiary-age igneous package which had been emplaced into an andesitic volcanic basement. The fertile igneous suite comprises a multi-phase calc-alkaline, high level, sub-volcanic intrusive package cut by extensive bodies of phreatomagmatic diatremes and hydrothermal breccias.

Laboratory studies including fluid inclusions have indicated that the Tambis area is only shallowly eroded with an estimated 500 to 950 metres of material stripped from the original surface.

The Tambis intrusive-breccia complex is overlain by younger marine limestones and basal mudstones to the south and the east. The extent of the complex below this younger cover is yet to be determined.

LOCAL GEOLOGICAL SETTING

Figure 5 shows the geological setting which is characterised by a shallowly eroded, extensive volcanic and sub-volcanic intrusive, multi-phase diatreme complex which is similar to the well known Philippine gold districts of Surigao in northern Mindanao, and Baguio and Mankayan in northern Luzon. The Baguio District is recognised as producing 28 million ounces of gold and is far from mined out.

The intrusive complex comprises predominantly andesite porphyry, feldspar porphyry, porphyritic andesite with smaller stock-like bodies of dioritic and dacitic composition. Figure 5 also shows radiometric anomalies and aeromagnetic features, the copper prospects and generalised gold prospects and vein systems.

Figure 6 shows the zones and names of the main mineralised quartz veins and stockwork areas which appear to be controlled by structural corridors which are orthogonal to the northwest- trending Barobo and Lianga Faults which in turn are sub-parallel to the Philippine Rift Fault direction. The main designated mineralised areas within the northeast corridor are Supon - Bananghilig, Malinao, Tagabaca, Canugas and Lansang which are discussed below except Malinao which will be discussed in the update on drilling in the September quarter.

To view "Figure 5. Tambis District showing the regional geology and the Tambis intrusive complex", please visit the following link:
http://media3.marketwire.com/docs/738186_fig_5.pdf

DEPOSIT DESCRIPTION AND MINERALISATION

Introduction

Figure 6 shows that the Bananghilig Deposit currently consists of three zones, each approximately 1 kilometre long and open in all directions, locally termed the Sorex, Garden and Malinao zones. These zones are broadly defined on the basis of the projection in plan of greater than or equal to 0.5 g/t gold drill hole intersections. The bulk of the current resources are in the Sorex and

Garden zones.

Figure 7 shows the cross section through line 10710N. Assays above 0.5 g/t gold are depicted in histograms.

In breccia hosted deposits the mineralisation is commonly not uniformly disseminated or distributed due to the presence of fragments/clasts/blocks in finer matrix material, ie, the host rock to the mineralisation is extremely inhomogeneous. Consequently the location of the mineralisation within the breccias is influenced not only by the structural emplacement of veins, breccias/fractures and disseminations, but also by the relative distribution of the fragments and matrix and the susceptibility of each to mineralisation. This style of mineralisation should be considered as a bulk mining proposition where mineralised domains are established, and generally cannot be evaluated simply on the basis of individual assay intervals.

Deposit Geology and Mineralisation

The Bananghilig Deposit (Fig. 6) is located partly within diatreme breccias which measure at least 1,000 metres west to east and are still open to the south beneath the younger sediments, and also around the diatreme margins and in the country rocks along structural corridors.

The diatreme breccias contain unsorted fragments of the andesitic basement as well as fragments of the later intrusive rocks predating the diatreme events in a matrix of comminuted rock flour and magmatic crystals. Fragment sizes range from granule-sized to building-sized mega-blocks which have been torn off the walls of the diatreme during the multi-episodal explosive activity. The explosive activity also fractured the mega-blocks and wall rocks, preparing them for subsequent mineralisation deposition. The cross-section in Figure 7 shows several of the mega-blocks which are the same composition as the wall rocks in this area.

After the diatreme formation, several events of hydraulic fracturing, hydrothermal and fault brecciation, rock alteration, quartz veining and precious- and base-metal mineralisation occurred. Based on mineral associations and fluid inclusion results, the main gold deposition event appears to have occurred following multiple hydrothermal fracturing along the margins of, and within the diatreme complex. High gold concentrations appear to be associated with elevated Ag and base metals.

The gold mineralisation style (+Ag +/-Zn +/-Cu +/-Pb) is classified as an intermediate sulphidation epithermal system. In and immediately adjacent to the diatreme, the gold mineralisation generally occurs in vein-like zones, in fractures and/or breccia in-fill in milled/fluidised muddy matrix breccia bodies and coarsely brecciated/fractured andesitic-dacitic wallrock. It should be noted that the vein zones shown on Figure 6 that are in the area of the younger sediments are projected from below the limestone contact.

Breccia veins in the deposit exhibit epithermal mineral growth textures and in particular are related to retrograde boiling of the mineralizing fluids. Major hydrothermal breccia veins are sub-vertical to steeply dipping, averaging one metre thick, and form anastomosing pinch-and-swell patterns up to several hundred meters along strike. They are commonly offset in many places by post-mineralisation faults. Down dip continuity of breccia vein mineralisation has been demonstrated to persist down to 500 meters from surface. The breccia veins generally form a northeast-trending sub-parallel array with minor north-south and east-west trends.

Widespread silica-illite-pyrite hydrothermal alteration affects the volcanic wallrocks, the various breccia bodies and the hypabyssal intrusives associated with them. The pervasive near-surface argillic alteration haloes grade laterally and vertically at depth into chloritic and propylitic alteration assemblages.

To view "Figure 6. Interpreted geological map showing drill hole locations and section line 10710N", please visit the following link:
http://media3.marketwire.com/docs/738186_fig_6.pdf

To view "Figure 7. Cross section 10710N through the Sorex and Garden zones", please visit the following link:
http://media3.marketwire.com/docs/738186_fig_7.pdf

DRILL RESULTS

Since 24 July 2010 to 31 August 2011, 32,311.05 metres of diamond drilling in 93 holes have been completed. The drilling is on-going with 7 rigs in the area.

Figure 6 shows the post July 2010 drill hole locations as blue dots and drill hole traces for all the drill holes with assays available (TDH 027 to TDH 102) at 31 August 2010. All pre-July 2010 drill holes are shown as

black dots for collar positions.

First pass assaying for gold has been undertaken on all samples submitted to the laboratory. Additional assaying is underway from selected intervals for base metals, silver and other elements.

The announcement dated 12 September 2011 contains additional detailed information and drill hole intersections are reported down to 0.5g/t gold. The results are summarised in Table V where significant intercepts are defined on the following basis:

(i) lower cutoff grade of 0.5 g/t Au, and

(ii) greater than or equal to 5 metres downhole intercept width at greater than or equal to 1.00 g/t Au, or

(iii) less than or equal to 5 metres downhole intercept width at greater than or equal to 5 gram(x)metres, and

(iv) maximum of 3 metres of downhole internal dilution at less than or equal to 0.5 g/t Au.

Table V. Sorex, Garden and Malinao zones surface drill hole results.

Hole number	East	North	Dip (degrees)	Azimuth (degrees)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
TDH 027	612978	945781	-50	130	175.10	5.00	1.12
					248.45	2.00	2.86
					287.65	2.00	10.12
					302.00	7.00	1.16
TDH 028	612548	945822	-47	150	24.60	2.00	5.97
					30.10	2.00	2.60
					226.20	0.70	14.70
					261.30	5.05	1.47
					295.25	4.00	1.53
					303.25	4.80	2.81
TDH 029	612774	945977	-47	130	58.90	3.50	1.49
					109.50	7.30	1.97
TDH 031	612495	945757	-47	130	217.00	9.00	1.19
					312.60	4.40	4.82
TDH 032	612846	946086	-47	130	40.70	2.40	19.70
TDH 034	612425	945658	-47	130	108.25	3.30	2.07
					187.10	3.00	2.26
					222.05	5.00	1.17
					346.60	5.25	1.04
TDH 035	612639	945634	-47	130	58.70	2.70	2.69
					141.75	1.20	36.05

					196.70	4.50	1.13
TDH 036	612468	945649	-47	130	9.70	7.30	6.81
					38.40	2.00	2.99
					101.25	2.00	41.19
					195.20	5.00	1.42
					240.80	4.65	1.41
TDH 037	612693	945708	-47	130	110.50	2.00	4.50
					309.65	6.00	1.93
TDH 038	612381	945693	-47	130	90.20	11.25	1.30
TDH 039	612595	945680	-47	130	104.05	2.00	4.91
					122.80	18.50	1.67
TDH 040	612465	945782	-47	130	47.90	3.00	1.93
					195.70	1.20	4.75
					222.50	7.00	6.10
TDH 042	612595	945680	-47	130	25.75	1.00	11.33
					88.65	4.75	1.16
					226.00	3.40	2.02
					235.30	1.00	8.48
					209.25	8.50	1.04
					320.05	5.00	1.82
TDH 043	612757	945123	-47	310	10.50	2.35	2.24
					86.60	15.65	1.24
					227.65	3.00	1.79
					240.25	6.00	1.14
TDH 045	612696	945811	-47	130	271.20	5.70	1.18
					359.15	8.85	1.68
					398.85	21.40	1.04
					483.90	3.10	3.22
					504.50	8.10	2.80
TDH 046	612755	945121	-47	130	79.60	7.00	1.19
TDH 047	612720	945169	-47	130	85.30	0.50	54.39
					163.90	18.30	2.23
TDH 048	612902	946194	-47	130	138.50	1.00	32.20
TDH 049					51.05	3.65	7.12

TDH 050	612718	945171	-60	130	86.85	3.20	1.49
TDH 051	612757	945123.	-60	130	84.55	13.05	2.27
					106.10	5.90	2.46
					132.00	36.70	1.07
					196.35	5.50	1.00
TDH 052	612625	945044	-47	130	62.40	18.85	2.09
					126.30	1.00	5.96
					334.30	4.00	3.98
					369.40	1.00	7.73
TDH 054	612883	945232	-47	130	126.45	8.55	2.59
					258.10	10.15	2.34
TDH 058	613081	945395	-47	130	23.40	6.00	1.04
					198.10	1.35	20.97
TDH 059	612465	944990	-60	130	54.35	7.80	1.17
					112.85	6.00	1.33
					122.05	9.45	1.12
TDH 060	612799	945340	-47	130	142.55	10.95	1.49
					221.10	1.50	12.59
					233.60	1.05	10.15
					254.55	4.15	9.82
					262.35	4.80	1.15
TDH 061	612557	945147	-47	130	17.60	4.30	1.89
TDH 062	612493	945421	-60	130	51.50	11.60	1.26
					66.40	23.40	2.33
					100.65	2.60	3.49
					156.00	7.75	1.82
					191.00	3.00	14.38
					204.10	3.00	3.99
TDH 063	612849	945301	-47	130	187.50	1.00	6.21
					212.90	4.60	1.22
					246.15	4.65	1.11
TDH 064	612397	945291	-60	130	58.75	1.00	5.65
					125.45	9.40	1.28

TDH 065	612916	945151	-60	130	115.80	7.95	1.04
					195.45	6.60	1.30
TDH 066	612799	945340	-60	310	188.00	2.05	3.18
					219.60	3.40	2.35
TDH 067	612721	945476	-47	130	43.30	5.40	10.93
TDH 068	612798	945184	-60	130	13.55	2.35	5.80
TDH 069	612612	945326	-47	130	14.45	3.00	2.00
					23.35	3.00	3.01
					101.45	6.55	1.83
					253.10	3.70	3.04
TDH 070	612869	945118	-60	130	102.70	10.00	3.12
					400.45	5.00	4.13
TDH 071	612805	945267	-47	130	234.90	2.70	5.98
					253.65	2.90	2.47
					293.80	1.90	4.70
TDH 073	612673	945205	-60	130	221.70	10.90	1.12
TDH 074	612727	945077	-60	130	125.85	8.95	1.49
TDH 076	612801	945405	-60	130	94.20	7.75	1.12
					128.35	5.60	1.54
TDH 077	612965	945170	-60	130	81.20	1.25	8.08
					196.00	4.85	2.09
TDH 078	612756	945211	-60	130	76.25	1.00	45.00
TDH 080	612863	945370	-60	130	118.30	2.85	45.12
TDH 081	612537	945346	-60	130	41.90	1.55	6.15
					196.30	3.15	1.66
TDH 082	612788	944959	-60	130	298.35	9.25	2.43
TDH 083	612910	945425	-60	130	196.60	1.00	34.00
					219.55	6.20	2.97
TDH 084	612763	945433	-60	130	85.25	1.80	6.02
TDH 085B	612570	945371	-70	130	12.90	7.10	1.90
					48.00	20.35	1.61
					108.65	20.35	1.63
					147.05	7.00	2.65

TDH 086	613012	945384	-60	130	5.35	20.55	1.73
					54.65	1.00	5.63
					185.45	12.35	2.74
TDH 087	612560	945067	-60	130	64.20	3.60	1.61
					90.15	11.25	1.11
					104.40	9.20	1.81
					185.05	7.00	6.19
TDH 088B	612664	944986	-50	130	7.25	8.95	3.48
					129.90	6.25	2.13
TDH 089	612602	945191	-60	130	57.85	2.30	3.62
TDH 090	612898	945096	-60	130	107.60	12.45	1.13
					126.05	14.25	1.39
TDH 092	612436	945484	-60	130	118.35	13.05	1.33
					154.90	1.70	4.32
					189.85	3.25	3.59
					264.60	4.90	1.03
TDH 093	612722	945475	-70	310	195.30	7.80	2.50
					273.05	1.00	10.72
TDH 094	612631	944946	-60	130	7.80	10.60	1.18
TDH 095	613043	945413	-60	130	285.00	2.00	5.16
					323.90	3.00	2.15
					359.15	3.80	1.33
					405.20	18.25	1.10
TDH 096	612452	945412	-70	130	12.15	6.05	1.12
					44.35	4.00	2.27
					76.40	1.00	6.16
TDH 097	612429	945257	-60	130	43.95	11.65	4.87
					162.05	6.20	1.58
TDH 098	612583	945502	-60	130	58.60	3.70	1.65
					82.80	4.15	1.30
					90.80	3.65	5.03
TDH 099	612863	945209	-60	130	176.95	2.30	8.66
					188.15	7.20	2.93

					213.55	4.30	9.26
TDH 100	612831	945073	-60	130	112.75	2.85	3.88
					378.95	8.25	8.67
					413.30	2.00	2.55
					650.95	12.85	1.83
TDH 102	612770	945368	-47	130	109.70	5.40	4.17
					137.35	5.30	20.14
					173.40	5.55	3.72

Notes:
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(1) Intersection widths are downhole drill widths not true widths;
(2) Assays denoted by (i) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
(3) Check surveying of collar positions in progress;
(4) Grid coordinates based on the Philippine Reference System 92.

DISCUSSION OF RESULTS AND STATISTICAL COMPARISONS

Statistical comparisons have been undertaken between the two historical drilling assay data sets and the

new drilling assay data set. The drilling since July 2010 supports the grade tenor shown by the historical drilling, particularly the drilling by Philex. The Sorex drilling was more concentrated on a higher grade zone in the northwest part of the Sorex zone which may have skewed the Sorex data set. However when the higher grade subsets and the lower grade subsets are compared, the subsets are statistically comparable.

Drilling was undertaken to twin some of the historical drillholes of Sorex, Philex and Philsaga. Drill hole TDH 062 was the first drill hole to be completed in the Sorex area. Results from this hole correlate well with nearby drilling considering the nature of the mineralisation.

The recent drilling has extended the limits of the known mineralisation to the northeast and southwest along the strike of each of the Malinao, Sorex and Garden zones, and southeast beneath the younger sedimentary sequence, and at depth.

Essentially the mineralisation is open in all directions with the potential for the discovery of additional resources.

DRILL HOLE SAMPLING AND ASSAYING PROCEDURES

Drilling Procedures

Drilling, sampling and analytical methodologies are of internationally acceptable standards. Drilling and analyses are carried out by independent contractors, SBF Philippines Drilling Resources Corp. (SBF), and Intertek Testing Services Philippines, Inc. (Intertek) respectively.

Drilling is carried out by SBF using wireline diamond coring techniques, with the core being predominantly HQ triple-tube (HQ3) diameter (OD 61mm). The holes are initially collared using PQ drillbits (OD 123mm) to recover PQ3 core (OD 83mm) until the drillbit encounters competent ground, then the coring bit is reduced to HQ3 for the remainder of the drill hole. If difficult conditions are encountered, then the drill bit is changed to NQ3 (core OD 45mm) and the hole continued until the planned depth or bad ground conditions prevent further drilling, whichever occurs first. Core recovery is generally better than 95% and is considered to be good.

USA PORPHYRY COPPER-GOLD PROSPECT

The Usa prospect is located within MPSA application XIII-00077 and the Company has a Memorandum of Agreement with Corplex Resources Inc. Processing of the tenement application is progressing.

An IP and ground magnetic programme is planned.

LINGIG

The Lingig prospect is located in Mineral Production Sharing Agreement 343-2010-XIII with an area of 3,824 hectares over which the Company has an operating agreement.

An IP and ground magnetics programme is planned for later in the year.

ANOLING

The Mines Operating Agreement with Alcorn Gold Resources Inc. covers MPSA application 039-XIII situated approximately 8 kilometres north from the millsite as shown on Figure 2. Approval of the MPSA is awaited.

Two drill rigs were moved to Anoling in October to recommence drilling and a third should be available in November. A tabulation of previous drilling results from 50 holes is contained in the 2011 Annual Report.

Mapping, trenching and sampling have recommenced.

SAUGON PROJECT

First Hit Vein

Background

Figure 2 shows the Saugon Project located approximately 28 kilometres by road from the Co-O Mill. Work in 2004 involved drilling at the First Hit Vein (holes SDDH1 to SDDH35) in conjunction with underground development via a 30 metre deep inclined winze down the vein- breccia to assist in understanding the mineralisation.

Further details are contained in the announcements dated 20 April 2010 which summarised the historical results and 01 December 2010 which contained drilling results for holes SDDH 36 to 64A.

Drilling

Drilling continued with three drill rigs up to late August. Two of these rigs have been re-allocated to the Anoling Project and one will complete one last scout drill hole before re-allocation to Anoling. Regional mapping and prospect trenching are continuing and preparations for an IP and ground magnetic programme are underway.

FINANCIALS (unaudited)

As at 30 September 2011, the Company which is debt free, had total cash and cash equivalent in gold on metal account of approximately US$80.9 million (30 Jun 2011: US$100.2 million).

During the quarter,

- the Company sold 15,446 ounces of gold at an average price of US$1,587 per ounce (Jun 2011 qtr: sold 21,423 ounces of gold at an average price of US$1,518 per ounce).;

- incurred exploration expenditure of US$7.99 million (Jun 2011 qtr: US$7.5 million);

- spent US$5.36 million on capital works, associated sustaining capital at the mine and mill and also costs for the new mill construction and infrastructure (Jun 2011 qtr: US$3.0 million); and

- spent US$6.74 million on general and accelerated mine development, inclusive of shaft sinking costs (Jun 2011 qtr: US$4.5 million).

CORPORATE

Dividend

A final unfranked dividend of A$0.05 per share was paid to shareholders on 30 September 2011. No foreign conduit income was attributable to the dividend and the total amount paid was US$9.34 million

Managing Director, Peter Hepburn-Brown commented:

"We are focused on the long term development of the potentially long-life Co-O Mine that will be capable of producing more ore more efficiently than it does today.

Now that we know the layout of approximately 2 million resource ounces in the mine, the mine is undergoing major renovations to modernise it, and like any renovations there are inconveniences and altered work practices during the renovation stages. Despite these short term hiccups, on completion we will have a modern efficient underground mine serviced by efficient shafts and underground haulage systems.

The major renovations include:

- accelerating development with the target of achieving 800 metres per month to open up more veins and levels to increase the number of headings and stopes. This also involves development in waste rock, not always on ore.

- refurbishment of the Agsao Shaft and increasing its haulage capacity from approximately 250 tonnes per day to over 400 tonnes per day. The major renovations are completed with some on-going activities.

- sinking of the 3-compartment Saga Shaft expected to be hauling ore in the June 2012 quarter after reaching Level 6 late in the December 2011 quarter, followed by the installation of the winder, permanent headframe and underground ore and waste rock storage bins (and later to Level 8)

- increasing the number of level to level ore passes and internal shafts

Whilst the production was reduced for the September quarter, as advised to the market in June 2011 primarily due to the Agsao Shaft closure and predominantly development ore being treated, we are confident of achieving our year-end production target of 100,000 ounces.

I urge all shareholders to focus on our long term objectives of developing a profitable long term asset and not to be influenced by short term production volatility".

Information in this report relating to Exploration Results has been reviewed and is based on information compiled by Mr Geoff Davis, who is a member of The Australian Institute of Geoscientists. Mr Davis is the Chairman of Medusa Mining Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. Mr Davis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information in this report relating to Mineral Resources has been estimated and compiled by Mark Zammit of Cube Consulting Pty Ltd of Perth, Western Australia. Mr Zammit is a member of The Australasian Institute of Mining & Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. Mr Zammit consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information in this report relating to Ore Reserves is based on information compiled by Dr Spero Carras of Carras Mining Pty Ltd. Dr Carras is a Fellow of the Australasian Institute of Mining & Metallurgy and has 30 years of experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. Dr Carras consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DISCLAIMER

This announcement may contain certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Medusa, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements.

Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based.

You should not place undue reliance on forward-looking statements and neither Medusa nor any of its directors, employees, servants or agents assume any obligation to update such information.

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