MEDUSA MINING DEC QTR 08: AN EXCELLENT RESULT

	Dec Qtr	Sept Qtr	Change
Production (oz)	12,158	6,986	74%
Head Grade (g/t)	15.84	10.42	52%
Cash Cost (per oz) ($US)	215	243	-12%
Development Capital (per oz) ($US) *	320	461	-31%
Total Cost per Oz	**535**	**704**	-24%
Average Price ($US)	800	830	-4%
Margin ($) per oz	**265**	**126**	110%
Margin (%) per oz	50%	18%	177%
Cash Balance (A$)	5.7	4.0	43%
Hedging Liability (A$)	-	-	0%
Exploration (A$)	3.2	2.3	40%
Share Price (A$)	0.66	1.04	-37%

*** Development Capital costs were taken from the Appendix 5B where the Development costs and fixed assets purchased were added together for the quarter. Please note these costs may not relate specifically to the quarter in question due to timing differences associated with payment. The exchange rate used to convert AUD to USD was: 30 Sep 08: $0.80, and 31 Dec 08: $0.693.**

Medusa Mining (ASX:MML) had a particularly strong December quarter with a 74% increase in production to 12,148 oz as their expansion plans continue to gather steam. The average head grade mined increased 52% to 15.84g/t. Phase 1 of the expansion plan is expected to raise gold production to 60,000 oz per annum by the September 09 quarter. The Agsao shaft was completed to depth ahead of schedule during the quarter with the first development ore expected in the March 09 quarter. The second phase of the expansion plan has already commenced and is forecast to raise annual production levels from 60,000 oz to 100,000 oz by early 2010. Another pleasing result for Medusa during the quarter was the increase of the Co-O resource base by 341,000 oz to 1.2 Moz. The overall average grade increased to 13.3g/t. This increase was largely attributed to the new high grade Great Hamish Vein which contains 318,000 oz @ 37.3g/t.

Looking further at the operational performance we see cash costs reduced to US$215/oz as did capital expenditure from US$461 to US$320/oz. It must be noted that these capital costs are largely associated with the expansion plans and are not yet indicative of the sustaining capital costs for Co-O moving forward. In our last discussions with Geoff Davis, the CEO of Medusa, expectations were that ongoing development costs would moderate considerably as Phase 2 of the expansion plan is completed early in 2010. The good news for the time being is that present production levels and margins are more than covering the development costs, as well as the significant exploration Medusa is undertaking. The company continues to drill with 6 surface rigs and 3 underground rigs. Despite all these activities, Medusa grew its cash balance to A$5.7m from A$4.0m strengthening its financial position.

Another achievement of note during the quarter was the successful installation of grid power to the Co-O mine which has been performing satisfactorily. The arrival of electric compressors for the eastern end of the mine is expected during the next quarter and will replace the diesel compressors. The power line is also being extended to the western end of the mine where electric compressors will also be installed. From a community perspective, work commenced on a 16 bed hospital at the Co-O mine and is expected to be operational around mid year. Construction of 6 new class rooms will also commence at the Manabo Village which serves the Co-O Mine and will be completed for the new school year commencing in July. Medusa continues to demonstrate strong commitment to the local community.

The next few quarters will be interesting to follow as Medusa completes Phase 1 of its expansion plans with a goal of achieving annualized production of 60,000 oz per annum. The major risk for the company going forward continues to be the management of its cash flow and development activities. So far things look to be on track in this department as Medusa continues to successfully execute its business plan.

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