



**MEDUSA**

# QUARTERLY ACTIVITIES REPORT

## PERIOD ENDED

### 30 SEPTEMBER 2016

#### Snapshot of Medusa:

- Un-hedged, low cash cost, gold producer focused on organic growth in the Philippines
- No long-term debt

#### Board of Directors:

**Andrew Teo** (Non-executive Chairman)

**Raul Villanueva** (Executive Director)

**Ciceron Angeles** (Non-executive Director)

**Roy Daniel** (Non-executive Director)

#### Management:

**Boyd Timler**  
(Chief Executive Officer)

**Raul Villanueva**  
(President, Philippine subsidiaries)

**Peter Alphonso**  
(Chief Financial Officer / Company Secretary)

**James Llorca**  
(Manager Geology & Resources)

#### Capital Structure:

Ordinary shares: 207,794,301  
Unlisted options: 3,740,500

#### Listing:

**ASX** (Code: MML)

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## OVERVIEW:

### Co-O MINE PRODUCTION

- **Production:** 21,157 ounces at average head grade of 5.26 g/t gold (June 2016 quarter: 25,429 ounces at average head grade of 6.32 g/t gold).
- **Cash Costs:** of US\$592 per ounce (June 2016 quarter: US\$512 per ounce)
- **AISC:** US\$1,334 per ounce (June 2016 quarter: US\$1,088 per ounce).
- **Mill Performance:** gold recovery averaged 94.5% (June 2016 quarter 94.0%).
- **Development:** Total advance was 4,960 metres of horizontal and vertical development (June 2016 quarter: 4,501 meters).
- **Mine Infrastructure Projects:**
  - **E15 Service Shaft:** Assembly of the Head Frame, Winder House, office and shop were 100% completed. The Main Winder, Stage Winders and electrical/electronic components were installed and cold tested.
  - **Main Levels and Winzes:** Developing from the three internal winzes on Level 8 to Levels 9 and 10 was the priority. 29E and 17E Winzes are developed to L9 with 307.4 meters of development completed opening up new stope blocks. 12E Winze has been developed to L10. Winze's 35E and 43E will be developed from L8 to L12, with rock work started on the winder and head gear chambers. L8-85E Drill Station was completed.
  - **Mine Ventilation:** The completion of the vertical development for the new ventilation system below L5 was completed, but turning on the second fan has been delayed to re-support sections of the raises.
  - **Mine De-watering:** Pumps ready for transport, L8 sump station excavation is 80% complete.
- **Production Guidance (2016/17):**
  - Guidance remains unchanged, between 105,000 to 115,000 of produced ounces. (the ounce profile remains back-end loaded)
  - AISC of between US\$1000 to US\$1,100 per ounce remains unchanged.

### Co-O MINE EXPLORATION

- **Underground resource drilling**
  - L8 to L12 resources and reserve drilling program continued throughout the quarter with three dedicated drills and 6,487.6 meters completed.
  - Results include 0.35 metres @ 267 g/t Au; 3.2 metres @ 28.8 g/t Au; 7.45 metres @ 10.1 g/t Au, 2.8 metres @ 23.6 g/t Au and 1.8 metres @ 31.9 g/t Au.

### REGIONAL EXPLORATION

- **Near Mine Exploration (MinEX):** Continued the ongoing reconnaissance activities within the mine environs
- **Bananghilig Deposit:** Limited activity while JORC 2012 resource estimates were being completed.
- **New Project Generation.** A team has been assembled to look outside of the current tenement portfolio, with Eastern Mindanao as a priority.

### COAL EXPLORATION

- Regional mapping of coal bearing stratigraphy and reconnaissance drilling of sub-bituminous coal seams completed. Results expected by the end of next quarter.
- A Technical Report and resource estimate report are currently being compiled to complement a Scoping Study.

### CORPORATE & FINANCIALS

- Total cash and bullion on hand at the end of the quarter of approximately US\$19.6 million (approximately US\$22.0 million at 30 Jun 2016).

## PROJECT OVERVIEW

The locations of the Company's projects are shown on Figure 1.

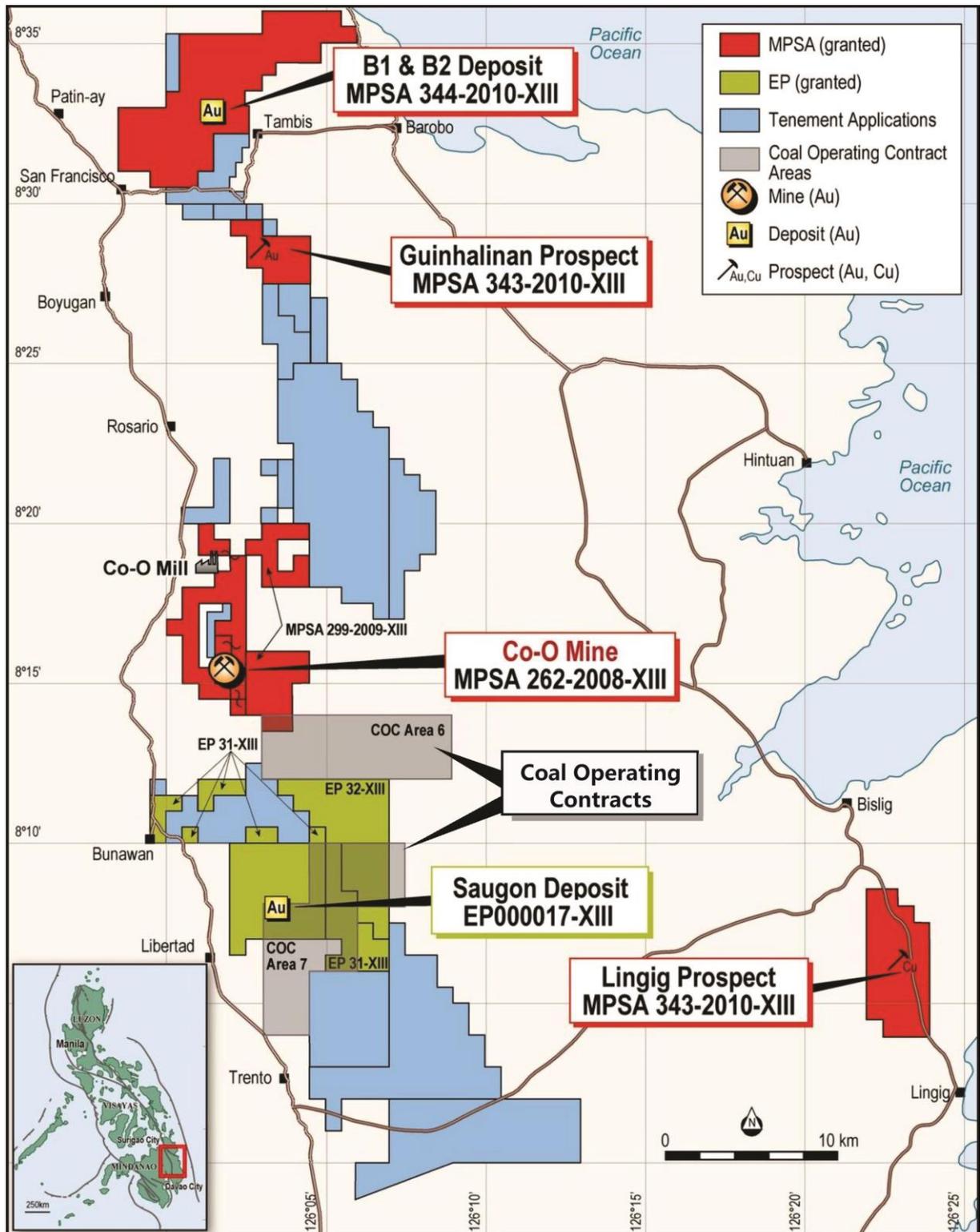


Figure 1. Location diagram showing the Company's Co-O mine and mill operations, tenement areas and main project areas

## Co-O MINE

### PRODUCTION

The production statistics for the previous four quarters and the September 2016 quarter are summarised in Table I below:

**Table I.** Gold production statistics

Description	Unit	Sep 2015 Quarter	Dec 2015 Quarter	Mar 2016 Quarter	Jun 2016 Quarter	2015/16 Full Year	Sep 2016 Quarter
Ore mined	WMT	166,620	159,149	148,478	149,412	623,660	149,394
Ore milled	DMT	151,463	144,123	132,393	133,213	561,192	132,371
Head grade	g/t	6.80	6.79	5.47	6.32	6.40	5.26
Recovery	%	94.0%	94.0%	94.0%	94.0%	94.0%	94.5%
Gold produced	ounces	31,495	29,674	21,980	25,429	108,578	21,157
Gold sold	ounces	31,176	30,835	20,999	25,519	108,529	21,152
U/G development	metres	7,269	4,836	5,266	4,501	21,872	4,960
Cash costs (*)	US\$/oz.	\$439	\$435	\$494	\$512	\$466	\$592
All-In-Sustaining-Costs	US\$/oz.	\$953	\$950	\$1,033	\$1,088	\$999	\$1,334
Average gold price received	US\$/oz.	\$1,121	\$1,096	\$1,173	\$1,331	\$1,173	\$1,315
Cash & cash equivalent	US\$M	\$11.6M	\$16.0M	\$16.8M	\$22.0M	\$22.0M	\$19.6M
<b>Note:</b> (*) Net of capitalised development costs and includes royalties and local business taxes.							

The Company produced 21,157 ounces of gold for the quarter, at an average head grade of 5.26 g/t gold from 132,371 tonnes of ore. Compared to the June quarter this is a 17% reduction on grade at similar tonnage throughputs, resulting in 17% fewer ounces. The drop in grade for the September quarter was anticipated, mostly due the 9% higher development advancement, compared to the June quarter.

All-In-Sustaining-Costs ("AISC") for the September 2016 quarter was US\$1,334 per ounce of gold and includes discretionary exploration expenditure of US\$0.67 million.

The September quarter AISC's were impacted by the timing of one-off capital costs as expected. These exceptional costs were from:

- E15 Service Shaft; delivery of main winder & stage winders (including electronic controls), ropes, replacement ropes, rope guides and rope tensioning reels
- Capital costs related to dewatering project pumps prior to shipment
- Process Plant SAG Mill automation installation
- High amount of resource drilling from L8

The mine completed a total of 4,960 metres of development, a 9.3% increase over the June quarter. Of this 3,401 metres was horizontal and 1,559 metres was vertical development. The focus was on L9 to open up new stoping blocks in the high-grade GH Vein. L9 accounted for 6% of the overall development even though the area is restricted to a few development headings.

Ore mined totalled 149,394 WMT, similar quantities as the previous quarter. The mill reconciled mined grade was 5.26 g/t for the quarter, a 17% quarter on quarter reduction driven by 9.3% increase in development ore mined and less high grade stopes available on L8,

supplemented with lower grade stope material from the upper levels. The higher volumes of development ore and waste was anticipated in the quarter, to complete and progress the infrastructure projects.

The in-stope broken ore inventory as at 30 September 2016 was 59,610 WMT at 5.21 g/t. This is a quarter on quarter 2% drop in volume, but an 8% drop in grade.

## Production Shafts

Overall material hoisted was similar to the previous quarter.

- **L8 Shaft:**

The concentration of development headings and infrastructure projects on L8 and L9 is impacting the L8 Shaft performance as more and more material is hoisted from level 8. L8 Shaft required a higher level of maintenance for the quarter to change out the worn guides what was scheduled for the December quarter (during Christmas holiday break).

To balance this out, where possible, more material is being handled through the 2 main inclined shafts, the Agsao and Baguio shafts.

L8 hoisting was impacted over a 9-day period, during the Department of Environmental and Natural Resources (DENR) audit in August. The audit team required daily access to the underground, thus the man-cage conveyances remained installed for 9 consecutive day shifts with L8 losing the equivalent of 3 days skipping during this period.

- **Agsao Inclined Shaft:**

The proposal to extend Agsao inclined shaft from L5 to L8 has been removed from the LOMP as the E15 Service Shaft will be completed first, thus limiting the value of this extension.

- **Baguio Inclined Shaft:**

The Baguio inclined shaft experienced intermittent delays due to unplanned change-out of guide sleepers. It was decided to take the shaft off-line for 2 full days and change out the deteriorated sleepers in a planned fashion.

- **L8 Winzes:**

29E and 17E Winzes are developed to L9. For the September quarter, there was a total of 307 metres of development on L9, of which 165 metres was on ore. L9 development is the highest priority to establish stoping blocks on the "Great Hamish Vein" (GHV) which has been the most prolific gold vein in the upper levels.

12E has been developed to L10. Development was stopped for the quarter while the 1.2 tonne sinking winder was replaced with a 2.4 tonne production winder (electric vs. pneumatic).

Three new winzes were in development in the September Quarter. the 43E, 48E and 35E Winzes will be developed from L8 to L12 to access the deepest know reserves. The rock work for the three winder chambers and head gear chambers where started this quarter.

## E15 Service Shaft

Progress on the E15 Service Shaft as of 30 September 2016:

- Blind sink stopped in the June quarter as planned to erect the headframe.
  - Winder-house steel building completed
  - Collar doors completed
  - Sinking deck installed in shaft
  - Headframe completed
  - Offices and shop completed
  - HV and substation completed
  - Main winder and stage winders installed (cold turned)
  - Winder and stage winder commissioning and rope-up delayed by 3 weeks, as final winder electronics and componentry was impacted by transport delays (Hanjin shipping) and had to be airfreighted in site.
  - Shaft stripping to start late October, not early October 2016 as planned



Photo 1. E15 Service Shaft Main Winder



Photo 2: E15 Service Shaft Stage Winders (sinking winders)

### **New ventilation**

The mine ventilation plan will segment the mine into two districts; above / below Level 6. The upper district (above L6) has been operating to design since the June quarter.

The lower district (below L6) is still operating only with one of two new primary fans. One of 30W fans (Howden centrifugal) was operational throughout the September quarter. The second fan will be started once the final development work on L8 to L6 is completed. The designed work was completed as planned before 30th September. To best manage ground conditions an unplanned short raise was required below L7 and additional ground support will be installed on L7 and in the L7-L6 raise as a precaution, thus the 2<sup>nd</sup> fan will be started in late October, a month later than planned.

### **Dewatering**

The design work was completed in the June quarter for major sumps on L5 and L8. System is designed to handle dirty water with a single stage lift through the L8 Shaft rising main. Three 90kW pumps have been assembled, ready for a November delivery. Five 58kW secondary pumps have been installed until the main pumps are installed. The rockwork for level 8 pump station was 80% complete by 30<sup>th</sup> September.



Photo 3: 1 of 3 L8 Main Pumps being packaged for shipment to site

### Processing Plant

The process plant throughput was 132,371 tonnes at a grade of 5.26 g/t. The September quarter tonnage results were the same as the June quarter, but the feed grade was 17% lower. The mill blend included a 9.3% higher content of mine development ore for September quarter.

The mill is operating at 68% utilization due the constrains in the Co-O mine.

For the September quarter the new TSF #5 was operational, with final work being completed on the fresh water by-pass spillway.

The site experienced a moderate 5.4 scale earth quake on the 4<sup>th</sup> September. The site experienced only minor, superficial damage, but the SAG Mill VVVF Power System experienced intermittent alarm faults following the incident. Until all of the circuit boards and optical/wire contacts were tested and/or tightened/changed the process plant lost the equivalent of 3 full processing days from these intermittent alarm failures.

## Production Guidance

The production guidance for 2016/17 at the Co-O mine remains at:

- between 105,000 to 115,000 ounces;
- at AISC of between US\$1,000 to US\$1,100 per ounce.

The production guidance profile, as stated in the June quarterly release will be back-end loaded for the financial year primarily due to the higher level of development ore and infrastructure development waste rock required in the first 2 quarters and the higher one-off capital costs associated with the E15 Service Shaft and the higher level of L8 resources drilling costs also in H1.

In addition to the above, during the quarter (and in the next quarter), the Company has prioritised the development on Level 9 in order to maximise the mining schedule and facilitate the extraction of higher grade materials for the final two quarters.

The September quarter results reflect the impact of these events occurring together. The ounce production is a reflection on the mill feed grade being 17% down from the previous quarter, but at similar throughput rates to the June quarter, thus impacted by the development ore blend. The AISC reflects the lower ounce profile as a product of the feed grade and the higher than normal capital and development costs associated with the E15 one-off head gear deliveries, the increased resource drilling and the 9% increase in overall mine development.

The H1 ounce guidance was planned to be lower than the H2 guidance, concurrently the H1 expansion capital costs were planned to be higher than the H2 costs for FY16-17.

## HEALTH, SAFETY & ENVIRONMENT

There were no reportable Lost Time Accidents (LTI's) for the September quarter.

There were no environmental breaches during the September quarter.

## Co-O MINE GEOLOGY

### Co-O Mine Drilling

Drilling commenced during the September 2016 quarter from L8 drill caddy which is targeting resource definition between Levels 8 to Level 12 (Fig 3). This program is targeting to increase and upgrade the current mineral resource base and intercept the depth and strike extensions of the mineralized vein system between Levels 8 to Level 12 (-200m to -400m RL) and Levels 12 to Level 16 (-400m to -600m RL).

For the September quarter a total of 46 drill holes were completed for an advance of 15,332 metres, of which resource definition drilling totaled 40 drill holes for an advance of 13,357.50 metres.

Significant results obtained during the quarter are reported in Table II and relative positions shown in longitudinal section in Figures 3, 4 and 5.

**Table II.** Co-O Mine underground drill hole results  $\geq 3$  gram-metres/tonne gold (since 31 March 2016 \*)  
(Refer Appendix A for JORC Code, 2012 Edition - Table 1 Report)

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width (metres)	Gold Grade (g/t gold)
<b>UNDERGROUND RESOURCE DRILLING – LEVEL 1</b>									
L1-21W-003	613755	912810	162	61	347	0	30.30	0.20	3.36
<b>UNDERGROUND RESOURCE DRILLING – LEVEL 2</b>									
L2-16W-001	613808	912804	103	93	150	0	36.00	0.65	75.30
							36.65	0.80	76.62
							66.20	0.50	10.07
L2-33W-001	613663	912940	102	94	360	0	50.45	0.55	7.50
L2-33W-002	613666	912939	102	81	38	1	48.70	0.40	5.73
L2-33W-003	613661	912939	102	90	322	0	3.60	0.50	6.83
<b>UNDERGROUND RESOURCE DRILLING – LEVEL 3</b>									
L3-10W-001	613931	912882	48	70	39	0	0.20	0.25	7.73
							67.10	1.20	60.23
L3-10W-002	613930	912875	48	96	145	0	12.50	0.55	12.77
							13.05	1.00	10.93
							15.70	0.20	3.94
L3-10W-004	613926	912875	48	70	195	0	61.85	0.60	23.35
							62.45	1.00	16.93
							66.60	0.30	72.60
L3-10W-005	613924	912876	48	67	195	0	65.40	0.30	11.72
L3-12E-005	614143	912930	50	212	229	0	82.25	0.20	126.37
L3-16W-002	613823	912930	51	72	39	0	63.40	0.20	3.42
L3-16W-003	613823	912930	51	75	58	0	59.80	0.35	4.90
							68.40	0.20	4.49
L3-19E-002	614162	912844	51	259	140	0	86.10	0.60	3.90
L3-27W-001	613759	912960	51	65	21	0	58.15	0.75	5.55
L3-27W-002	613758	912960	51	90	338	0	76.25	0.30	11.75
L3-29W-001	613731	913068	50	70	43	1	39.00	0.40	3.69
<b>UNDERGROUND RESOURCE DRILLING – LEVEL 5</b>									
L5-17W-002	613829	913084	-42	374	221	-23	56.00	0.45	3.66
							58.00	1.00	7.38
							79.40	0.30	3.41
							104.10	0.45	9.83
							107.30	1.00	8.07
							320.40	0.20	9.90
							321.80	1.10	4.81
L5-17W-003	613830	913083	-43	309	197	-28	52.80	0.30	8.04
L5-17W-004	613834	913084	-42	278	164	-31	74.00	0.90	7.97
							186.70	0.20	3.56
L5-17W-005	613830	913083	-43	405	237	-19	66.70	1.00	4.46
							67.70	0.70	6.02
							80.25	0.20	3.97
							84.90	1.10	13.51
							86.00	1.00	3.37
							88.60	0.20	3.49
							142.35	0.30	3.66
170.80	0.20	8.15							
L5-17W-007	613833	913093	-42	221	345	3	36.65	0.25	3.26

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Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width (metres)	Gold Grade (g/t gold)
<b>UNDERGROUND RESOURCE DRILLING – LEVEL 8</b>									
L8-28E-011	614268	912864	-190	350	220	-11	44.00	0.30	3.63
							113.30	0.20	8.30
							119.95	0.35	45.77
							134.30	0.25	20.97
							137.50	0.50	6.54
L8-28E-012	614270	912868	-189	350	230	-13	3.30	0.30	123.70
							3.60	1.00	3.92
							61.75	0.75	6.19
							107.35	1.00	4.95
							108.35	0.85	5.38
							109.20	0.90	4.11
							111.10	1.00	13.53
							113.10	1.20	31.71
							114.30	0.50	22.20
							122.05	0.90	46.75
136.95	0.45	63.60							
L8-28E-013	614268	912864	-190	367	191	-14	55.00	0.65	16.60
							56.25	0.20	16.92
							76.80	0.50	285.07
							80.30	0.30	114.03
							87.20	0.45	20.90
							138.10	0.85	4.59
							197.40	0.20	21.17
L8-28E-015	614269	912864	-190	512	152	-13	28.35	0.80	4.31
							79.50	0.20	7.00
							84.00	0.40	7.20
							258.75	0.50	23.93
L8-2W-001	613991	913098	-188	617	203	-10	15.35	1.00	63.19
							16.35	0.20	3.37
							16.55	1.00	25.03
							52.00	0.60	15.03
							113.80	0.40	10.83
							227.60	1.00	4.94
278.10	1.00	11.70							
L8-2W-002	613993	913098	-188	590	193	-17	302.70	1.00	4.63
							308.55	0.35	3.22
							309.55	0.95	4.49
L8-2W-003	613993	913098	-189	647	185	-26	300.90	0.80	9.63
L8-45E-013	614464	913036	-190	400	154	-18	298.15	0.50	5.08
							350.55	0.85	13.33
							384.05	0.50	11.38
L8-45E-014	614464	913036	-190	425	147	-16	112.15	1.00	3.00
							120.80	0.25	5.95
							131.20	1.00	3.03
							144.40	0.20	16.28
							160.90	0.30	60.34
							165.15	0.65	37.70
							165.80	0.40	18.78
							219.10	0.40	8.95
							325.15	0.30	28.56
							334.30	1.00	251.92
370.00	1.00	11.93							

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width (metres)	Gold Grade (g/t gold)
L8-45E-015	614464	913036	-190	398	174	-14	75.80	0.25	7.88
							115.25	0.50	19.64
							129.05	0.60	7.00
							138.10	0.20	5.77
							147.30	0.50	4.32
							156.05	1.00	4.03
							170.80	0.50	11.77
							188.20	0.50	13.30
L8-45E-016	614461	913045	-190	400	334	3	34.65	0.25	15.56
L8-45E-017	614467	913038	-191	203	123	-70	53.95	1.00	4.98
							54.95	0.50	3.66
							112.95	0.15	7.13
							114.55	0.25	5.90
L8-45E-018	614468	913037	-191	200	124	-45	42.75	0.20	6.72
							128.00	0.60	5.20
							139.00	1.00	25.51
							140.00	1.00	17.93
							141.00	0.95	23.10
							171.25	1.05	4.62
L8-45E-019	614468	913037	-190	168	143	-58	38.95	0.20	3.27
L8-45E-020	614465	913036	-189	181	200	-50	103.55	0.55	6.57
							105.80	1.00	8.53
							106.80	0.30	9.75
							107.70	0.45	6.31
							108.15	1.00	259.50
							116.25	1.00	41.10
							117.25	0.35	6.43
							163.00	0.55	352.30
							163.55	1.05	37.26
							164.60	0.50	68.04
165.10	1.00	3.85							
L8-45E-021	614464	913036	-191	272	215	-44	33.80	0.20	3.11
							104.95	0.60	18.76
							137.05	0.55	295.30
L8-64E-001	614726	913101	-188	487	186	-26	42.40	1.00	11.91
							109.35	0.30	5.18
							111.00	0.55	6.33
							126.55	0.20	19.43
							191.15	0.50	9.41
							233.70	0.80	6.10
							238.70	0.40	3.48
							260.40	0.20	4.99
354.65	0.30	6.19							
L8-64E-002	614722	913104	-187	547	213	-14	54.80	0.95	31.66
							55.75	0.85	40.15
							56.60	1.00	9.67
							60.50	0.25	5.29
							61.35	0.65	22.87
							62.00	0.20	3.52
							62.20	0.90	19.85
							89.70	0.35	5.75
							154.30	0.50	11.84
							157.95	1.00	6.03
							176.95	0.55	4.57
185.90	0.30	11.54							

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Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width (metres)	Gold Grade (g/t gold)
L8-64E-007	614722	913104	-188	560	201	-36	203.40	0.20	12.90
L8-64E-008	614726	913102	-188	618	180	-25	43.60	0.60	10.13
							110.40	0.75	7.00
							116.80	0.45	14.83
							125.40	0.30	92.70
							205.45	0.45	13.73
							298.80	0.35	4.79
							398.20	0.20	17.37
L8-64E-009	614722	913104	-187	610	209	-10	58.80	0.70	10.93
							63.85	0.25	5.80
							135.80	0.60	3.95
							143.80	0.20	12.97
							153.40	0.50	16.63
							162.75	0.40	4.56
							236.70	1.00	12.00
							237.70	0.20	6.57
							237.90	0.20	3.90
							238.10	0.75	142.00
							239.05	0.30	21.00
							285.40	0.25	6.47
							295.20	0.30	52.90
							389.50	0.30	9.00
							390.50	1.00	4.10
							391.50	0.65	3.51
							461.30	0.20	10.57
464.80	0.50	6.23							
508.00	0.25	3.63							
578.10	0.30	3.50							
578.40	1.00	4.77							
L8-64E-010	614726	913101	-188	595	177	-8	52.80	0.55	28.17
							77.80	0.20	14.70
							122.50	0.20	6.97
							138.15	0.60	5.13
							278.05	0.20	4.63
L8-64E-011	614722	913103	-187	620	209	-20	52.10	0.50	30.40
							52.60	0.95	3.32
							145.60	0.45	7.57
							146.05	0.60	5.33
							147.50	0.40	3.29
							186.85	0.25	68.40
							232.00	0.40	7.57
							233.45	0.25	15.67
							240.30	0.70	130.63
							254.85	0.25	4.71
							270.15	0.35	11.27
							361.85	0.85	10.87
364.90	0.25	4.39							
L8-64E-012	614726	913102	-187	614	182	-11	49.95	0.80	17.00
							50.75	1.00	3.55
							88.80	0.40	9.20
							217.45	0.25	4.26
							258.80	0.35	54.96
							293.50	1.00	17.43
294.50	0.20	33.65							

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Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width (metres)	Gold Grade (g/t gold)
L8-64E-013	614723	913103	-187	611	192	-10	52.10	0.90	11.60
							53.00	0.75	31.77
							53.75	0.60	10.97
							65.60	0.40	7.53
							88.60	0.35	3.81
							126.40	0.20	8.07
							130.70	0.20	3.92
							217.40	0.20	10.27
							225.80	0.50	110.30
							247.55	0.35	3.41
							430.40	0.35	7.03
439.20	0.80	15.37							
440.00	0.80	12.10							
L8-64E-014	614730	913104	-187	550	135	-2	103.55	0.85	26.40
							106.10	1.00	10.03
							134.80	1.00	9.33
							135.80	0.50	29.40
							141.15	0.20	9.90
							243.30	0.70	8.17
L8-64E-015	614722	913104	-187	95	190	-12	50.30	1.00	19.17
							51.30	1.10	12.77
							66.35	0.70	4.37
L8-64E-016	614723	913102	-187	608	181	-11	49.60	0.60	8.17
							50.40	0.25	34.03
							50.80	0.20	14.27
							175.85	0.70	4.59
							209.75	0.25	11.10
							230.05	0.20	44.53
265.90	0.55	35.67							

**Notes:**

\* Some intercepts reported in this table are from holes completed and significant assays reported prior to June 2016 quarter, and where there has since been additional sampling.

1. Compositing intercepts' 'weighted average grades' calculated by using the following parameters:

- (i) no upper gold grade cut-off applied;
- (ii) lower cut-off grade of 3.0 g/t gold;
- (iii) high-grade samples ( $\geq 300$  g/t gold) within compositing interval are individually reported;
- (iv)  $\geq 3$  gram-metres, and
- (v) maximum of 1.0 metre of down-hole internal dilution at  $\leq 3$  g/t gold.

2. Intersection widths are downhole drill widths not true widths;

3. Analysis is carried out by Philsaga Mining Corporation's laboratory; Inter-laboratory check assays are carried out with an independent accredited commercial laboratory (Intertek Philippines, Manila) on a regular basis every quarter.

4. Grid coordinates are rounded and based on the Co-O Mine Grid. RL is elevation, rounded in metres relative to Mine Datum.

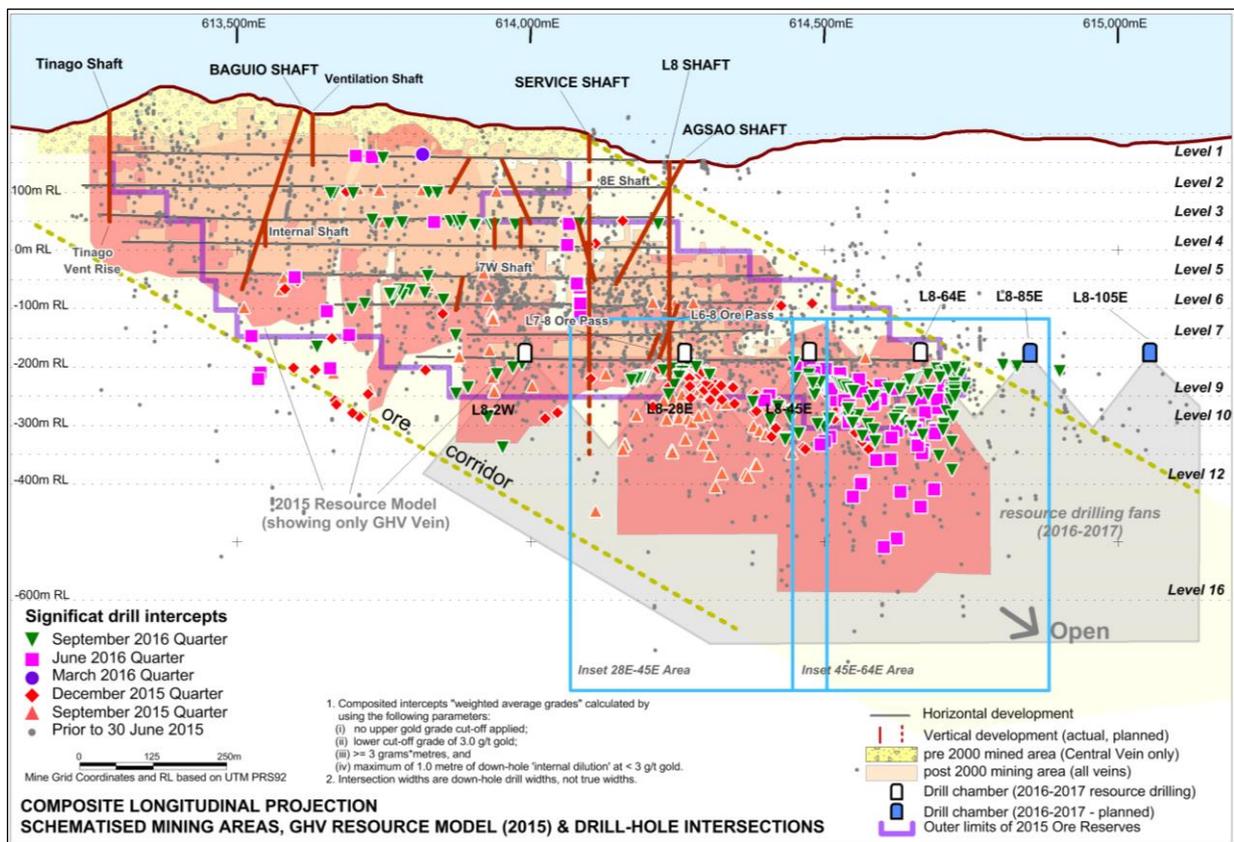


Figure 3. Co-O Mine Longitudinal Projection showing composited mining depletion, vertical development, Ore Reserves limits, and significant drill intercept locations (including previously reported).

Figures 4 and 5 show significant intercepts obtained during the September 2016 quarter as well as other significant intercepts obtained from previous June 2016 Quarter drilling results, demonstrating the high quality of these intersections and the robustness of the resource to date. The geological continuity of the multiple veins system is further validated by this denser drilling campaign.

The above results consolidated on long-section figures 3,4 and 5 give a more representative depiction of the drill data shown on Table II. The guidance for the FY 2016-17 resource drilling will remain at the meterage levels achieved in the September quarter as we recognize the importance and value to getting the required drill hole densities down to level 16 to best understand the deposits full resource potential.

From the mining operations section (Figure 3) it was noted we are aggressively progressing with development on L9 and L10 well in advance of the E15 Service Shaft completion. This development, augmented with the resource drilling results drives our reserve replacement strategy.

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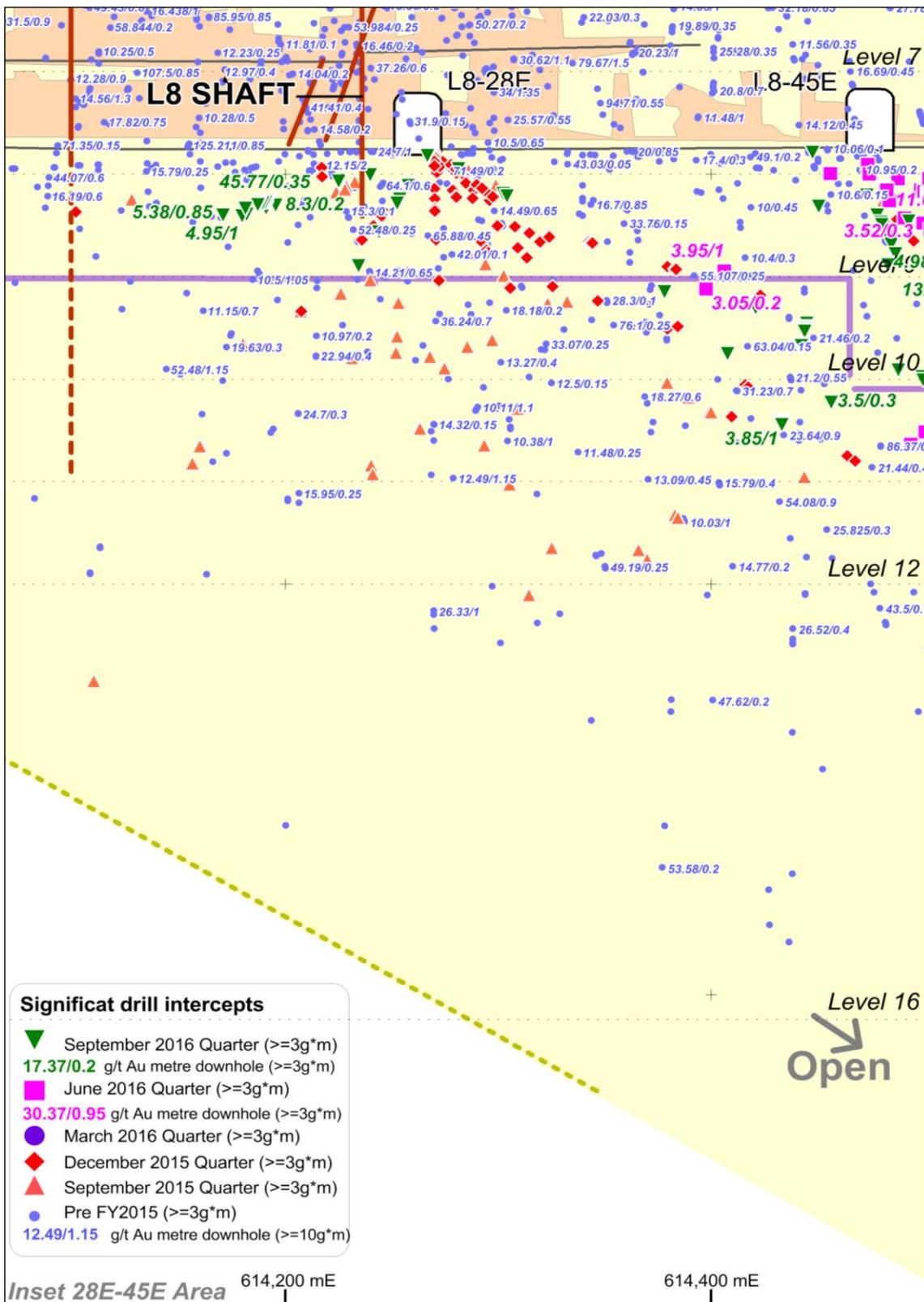


Figure 4. Inset 28E-45E – Significant intercepts obtained during the June 2016 quarter and significant intercepts obtained from previous drilling, beneath the lower limits of the June 2015 ore reserves.

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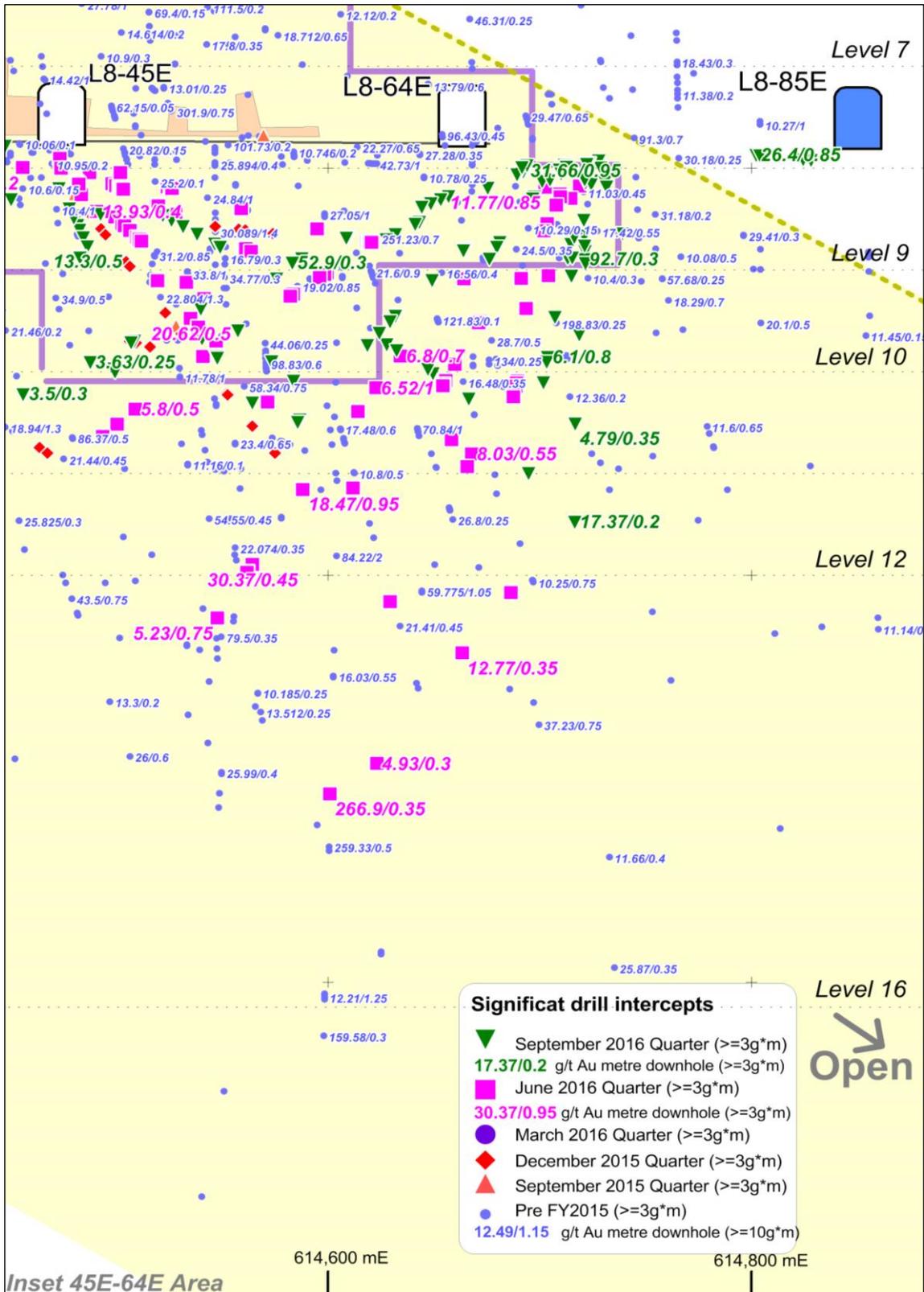


Figure 5. Inset 45E-64E – Significant intercepts obtained during the June 2016 quarter and significant intercepts obtained from previous drilling, beneath the lower limits of the June 2015 ore reserves.

## Co-O SURFACE EXPLORATION

### Near Mine Exploration (MinEX)

#### Don Pedro Vein

A sparsely drilled and developed portion north of the Don Pedro Vein East (DPVE) was forwarded by the PMC Mine Division to the Exploration Division to be reviewed and evaluated as to its potential to generate additional resource for Co-O Mine. Subsequent review and evaluation identified 2 to 3 narrow high-grade veins that are texturally similar to the vein ore material being mined at Co-O Mine, hence, qualify as potential resource drill targets.

A 21-hole 8,210m drilling program is proposed to test the lateral and depth continuity of projected vein structures along six (6) N-S oriented drill fence lines. Drilling schedule will be implemented in two phases. Phase 1 comprises of 11 holes and meterage of 4,210 metres, and will be sited along three drill fences spaced at 100 metres apart. The implementation of Phase 2 will be contingent on the success of the initial phase, with remaining holes and meterage located along infill fences spaced at 50m apart. All holes will be drilled at a nominal azimuth direction of 180° and dip angles of -50°.

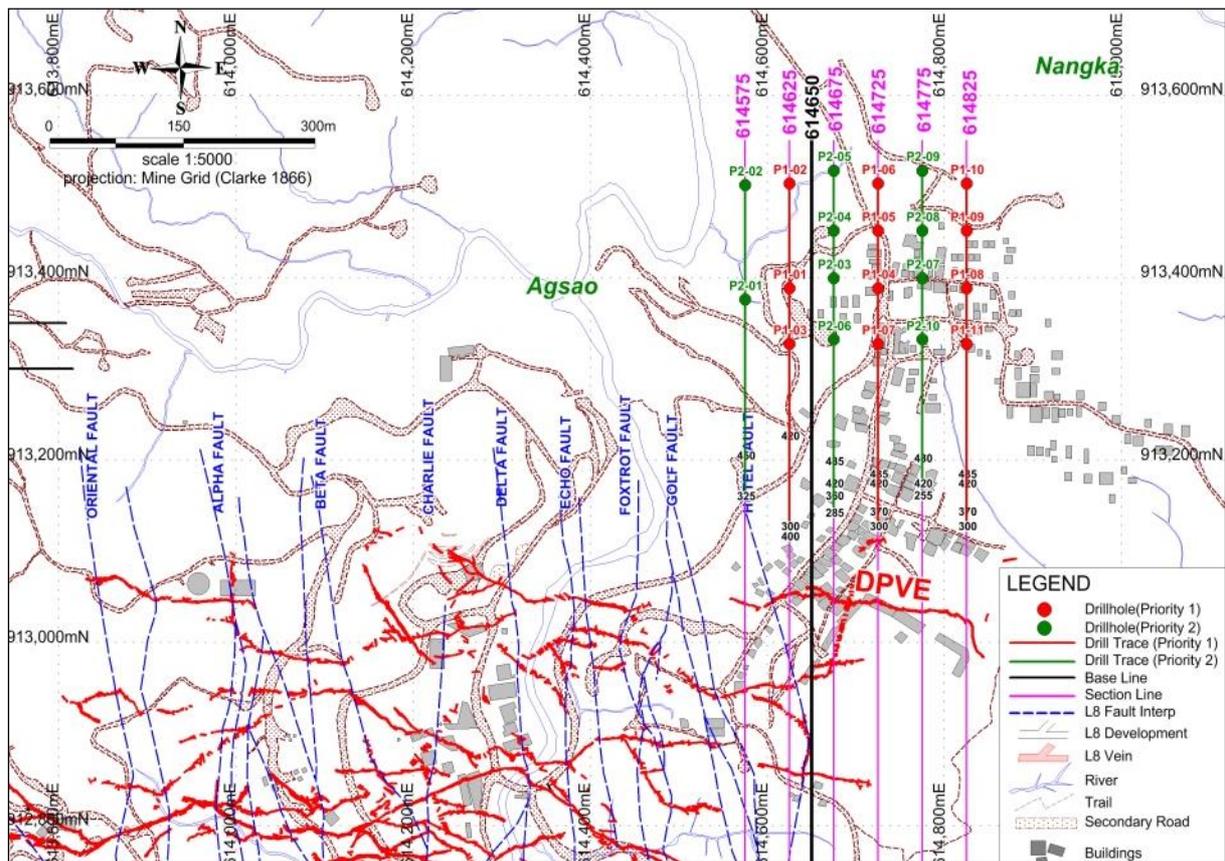


Figure 1. Co-O mine surface Plan Map showing Phase 1 (Red) and Phase 2 (Green) within N-S section lines, and Level-8 veins and interpreted fault structures.

#### Reconnaissance Programs

Detailed geological mapping, trenching and sampling programs are continuing proximal to the Co-O Mine environs. Results are continuously being evaluated to derive near surface drilling targets.

## **TAMBIS REGION**

The Tambis Project, comprising the Bananghilig B1 Gold Deposit and the B2 Mineralisation, 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 (B1) GOLD DEPOSIT**

#### **Geological re-interpretation & Mineral Resource estimation**

The B1 geological modelling and geostatistical analysis was completed for the new resource estimations, which is now JORC 2012 compliant. Previously the resource estimate was based on JORC 2004 Standards. New resource estimate was published on 28 September 2016. The new B1 Resource estimate is 7.78million tonnes at 1.77 g/t for 435,000 ounces, reduced from previous estimate of 24.5million tonnes @1.43 g/t for 1.14m ounces.

Core re-logging and trench mapping worked continued in the September quarter.

### **REGIONAL EXPLORATION (NEW PROJECT GENERATION)**

Regional exploration during the September quarter continued with reconnaissance activities throughout the tenement portfolio.

A database of historical and known gold deposits and their tenement holdings in the Mindanao region as a priority and the Philippines in general is being undertaken to study prospective areas for investigation and engagement.

### **COAL EXPLORATION**

The reconnaissance diamond drilling program commenced in November 2015 was completed in May 2016. During the September 2016 quarter, all drilling has been completed. Not all results have been received which is anticipated in the December 2016 quarter and will be reported accordingly. A Technical Report is currently being compiled to complement a Scoping Study. All results will be reported in the next quarter.

### **CORPORATE**

- In an announcement to the market on 7 October 2016, the Company advised that the Department of Environmental and Natural Resources (“DENR”) at a press conference in Manila on 27 September 2016, released results of an audit of all mining operations in the Philippines.

To date, Medusa’s affiliate in the Philippines, Philsaga Mining Corporation (“Philsaga”), has still not received any official notification on the results of the audit, however the DENR at the press conference made mention that Philsaga was amongst a group of companies that have passed the audit and therefore allowed to continue on-going operations at its Co-O Mine.

By way of background, the audit (applying ISO14001 certification standards) was conducted on the Co-O Mine over a nine-day period in early August 2016.

- The Company released its annual Resource and Reserve estimation for year ended 30 June 2016 on 28 September 2016.

## FINANCIALS

As at 30 September 2016, the Company had total cash and cash equivalent in gold on metal account of approximately US\$19.6 million (30 Sep 2016: US\$22.0 million).

The Company sold 21,152 ounces of gold at an average price of US\$1,315 per ounce in the June 2016 quarter (Jun 2016 quarter: 25,519 ounces sold at an average price of US\$1,331 per ounce).

During the Sep 2016 quarter, the Company incurred;

- exploration expenditure (inclusive of underground exploration) of US\$2.2 million (Jun 2016 quarter: US\$4.0 million);
- US\$4.0 million on capital works (inclusive of new Service Shaft) and associated sustaining capital at the mine and mill (Jun 2016 quarter: US\$3.8 million);
- US\$7.4 million on continued mine development (Jun 2016 quarter: US\$5.3 million); and
- corporate overheads of US\$2.1 million (Jun 2016 quarter: US\$1.6 million).

In addition to the expenses highlighted above, which form part of AISC of US\$1,334 per ounce for the Sep 2016 quarter (Jun 2016 quarter: AISC of US\$1,088 per ounce; FY2015-16: AISC of US\$999 per ounce), the Company also paid approximately US\$2.0 million in indirect taxes (Value Added Tax [VAT], refundable in the form of tax credits).

## JORC CODE 2012 COMPLIANCE - CONSENT OF COMPETENT PERSONS

### Medusa Mining Limited

Information in this report relating to **Exploration Results** has been directed and reviewed by Mr James P Llorca, and is based on information compiled by Philsaga Mining Corporation's technical personnel. Mr Llorca is a Fellow of The Australian Institute of Geoscientists (AIG), also a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Chartered Professional in Geology of the AusIMM.

Mr Llorca is Manager of Geology and Resources, and is a full-time employee of Medusa Mining Ltd, and has sufficient experience which is relevant to the styles of mineralisation and type of deposits under consideration and to the activities for which he is undertaking to qualify as a "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Llorca 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 report contains 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.

# APPENDIX A: Co-O Mine – JORC Code 2012 – Table 1 Report

## Section 1. Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li>Nature and quality of sampling (eg cut channels, random chips, or specific specialized industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handled XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralization that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1m samples from which 3kg was pulverized to produce a 30g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li>Diamond (DD) core and stope face channel samples are the two main sample types.</li> <li>Diamond (DD) core samples: Half core samples for DD core sizes LTK60, NQ and HQ, and whole core samples for DD core sizes TT46. Stope and Development samples: 1.5 to 3m stope face channel samples are submitted for analytical analysis.</li> <li>DD drilling is carried out to industry standard to obtain drill core samples, which are split longitudinally in half along the core axis using a diamond saw, except for TT46 core. Half core or whole core samples are then taken at 1m intervals or at lithological boundary contacts (if &gt;20cm), whichever is least. The sample is crushed with a 1kg split taken for pulverization to obtain four (4) 250g pulp samples. A 30g charge is taken from one of the 250g pulp packets for fire assay gold analysis. The remaining pulp samples are retained in a secure storage for future reference.</li> </ul>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</li> </ul>	<ul style="list-style-type: none"> <li>For underground drilling, larger rigs including LM-55 and Diamec U6, collar holes using HQ/HQ3 drill bits (core diameter 61mm/63mm) until ground conditions require casing off, then reduce to NQ/NQ3 drill bits (core diameter 45mm/47mm). For the smaller portable rigs, drill holes are collared using TT46 drill bits (core diameter 35mm) or LTK60 drill bits (core diameter 44mm).</li> <li>For surface holes, drillholes are collared using PQ3 drill bits (core diameter 83mm) until competent bedrock. The holes are then completed using either HQ3 or NQ3 drill bits depending on ground conditions.</li> <li>Drill core orientation is measured using the Ezy-Mark™ front-end core orientation tool.</li> </ul>
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measure taken to maximize sample recovery and ensure representative nature of the samples.</li> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>	<ul style="list-style-type: none"> <li>For each core run, total core length is measured with the recovery calculated against drilled length. Recovery averaged better than 95%, which is considered acceptable by industry standards.</li> <li>Sample recovery is maximised by monitoring and adjusting drilling parameters (e.g. mud mix, drill bit series, rotation speed). Core sample integrity is maintained using triple tube coring system.</li> <li>No known relationship has been observed to date between sample recovery and grade. Core recovery is high being &gt;95%. No sampling bias has been observed.</li> </ul>
<b>Logging</b>	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</li> <li>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</li> <li>The total length and percentage of the relevant intersections logged.</li> </ul>	<ul style="list-style-type: none"> <li>Core samples have been logged geologically and geotechnically to a level of sufficient detail to support appropriate mineral resource estimation, mining and metallurgical studies. Lithology, mineralisation, alteration, oxidation, sulphide mineralogy, RQD, fracture density, core recovery are recorded by geologists, then entered into a digital database and validated.</li> <li>Qualitative logging is carried out on all drill core. More detailed quantitative logging is carried out for all zones of interest, such as in mineralised zones. Since July 2010, all drill core has been photographed. The drill core obtained prior to July 2010 has a limited photographic record.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Sub-sampling techniques and sample preparation</b>	<ul style="list-style-type: none"> <li><i>If core, whether cut or sawn and whether quarter, half or call core taken.</i></li> <li><i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></li> <li><i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> <li><i>Quality control procedures adopted for all sub-sampling stages to maximize representivity of samples.</i></li> <li><i>Measures taken to ensure that the sampling is representative of the in situ material collected including for instance results for field duplicate/second-half sampling.</i></li> <li><i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul>	<ul style="list-style-type: none"> <li>Except for TT46 drill core, all drill core is sawn longitudinally in half along the core axis using a diamond saw to predetermined intervals for sampling. Cutting is carried out using a diamond saw with the core resting in a specifically designed cradle to ensure straight and accurate cutting.</li> <li>No non-core drill hole sampling has been carried out for the purposes of this report.</li> <li>Development and stope samples are taken as rock chips by channel sampling of the mining face according to geological boundaries.</li> <li>The sample preparation techniques are to industry standard.</li> <li>The sample preparation procedure employed follows volume and grain size reduction protocols (-200 mesh) to ensure that a representative aliquot sample is taken for analysis. Grain-size checks for crushing and pulverizing are undertaken routinely.</li> <li>For PQ/PQ3, HQ/HQ3, NQ/NQ3 and LTK60 core, the remaining half core is retained for reference. The TT46 drill core is whole core sampled.</li> <li>Core sample submission sizes vary between 2-5kg depending on core size, sampling interval, and recovery. The assay sample sizes are considered to be appropriate for the style of mineralisation.</li> </ul>
<b>Quality of assay data and laboratory tests</b>	<ul style="list-style-type: none"> <li><i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> <li><i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></li> <li><i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i></li> </ul>	<ul style="list-style-type: none"> <li>All raw samples from the mine are submitted to Philsaga Mining Corporation's (PMC) Assay Laboratory, located at the mill site. Samples are prepared and assayed in the laboratory. Gold is assayed by the fire assay method, an industry standard commonly employed for gold deposits. It is a total-extraction method and of ore-grade category. Two assay variants are used based on gold content: the FA30-AAS for Au grades &lt; 5g/t, and FA30-GRAV for Au grades &gt; 5g/t. Both sample preparation and analytical procedures are of industry standards applicable to gold deposits.</li> <li>A QAQC system has been put in place in the PMC Assay Laboratory since 2006. It has been maintained and continually improved up to the present. The quality control system essentially, utilises certified reference materials (CRMs) for accuracy determination at a frequency of 1:60 to 1:25. For precision, duplicate assays are undertaken at 1:20 to 1:10 frequency. Blanks are determined at 1:50 or 1 per batch. Samples assayed with lead button weights outside the accepted range of &gt;25 to &lt;35 grams, are re-assayed after adjustment of the flux.</li> <li>Inter-laboratory check assays with an independent accredited commercial laboratory (Intertek Philippines, Manila) are undertaken at a frequency of 1 per quarter. Compatibility of assay methods with the external laboratory is ensured to minimize variances due to method differences.</li> <li>The QAQC assessment showed that the great number of the mine samples assayed had accuracy within the acceptable tolerance of 2 z-score, and 10% Absolute Relative Difference (ARD). Precisions from duplicate assays generally showed <math>\pm 10</math> -20% MPRD for 2013 onwards. For replicate assays, the precision at 95% confidence level, is within &lt; 10 % which is within acceptable limits for gold. Intermittent analytical biases were shown but were well within the accepted tolerance limits.</li> </ul>
<b>Verification of sampling and assaying</b>	<ul style="list-style-type: none"> <li><i>The verification of significant intersections by either independent or alternative company personnel.</i></li> <li><i>The use of twinned holes.</i></li> <li><i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></li> </ul>	<ul style="list-style-type: none"> <li>Visual inspections to validate mineralisation with assay results have occurred on a regular basis. Independent and alternative company personnel on a regular basis verify significant mineralised intersections.</li> <li>All drilling is diamond drilling and no twinning of holes has been undertaken. The majority of drilling is proximal to mine development and intersections are continually being validated by the advancing mine workings.</li> </ul>

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <li>Geological logging of drill core and drilling statistics are hand written and transferred to a digital database. Original logs are filed and stored in a secure office. Laboratory results are received as hardcopy and in digital form. Hardcopies are kept onsite. Digital data is imported into dedicated mining software programs and validated. The digital database is backed up on a regular basis with copies kept onsite.</li> </ul>
<b>Location of data points</b>	<ul style="list-style-type: none"> <li>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> <li>Specification of the grid system used.</li> <li>Quality and adequacy of topographic control.</li> </ul>	<ul style="list-style-type: none"> <li>Suitably qualified surveyors and/or experienced personnel, using total station survey equipment locate all drillhole collars. Coordinates are located with respect to Survey Control Stations (SCS) established within the project area and underground.</li> <li>A local mine grid system is used which has been adapted from the Philippine Reference System of 1992 (PRS92).</li> <li>Topographic and underground survey control is maintained using located SCS, which are located relative to the national network of geodetic control points within 10km of the project area. The Company's SCS have been recently audited by independent licensed surveyors (Land Surveys of Perth, Western Australia) in April 2015 and they found no gross errors with the survey data. Accuracy is considered to be appropriate for the purposes of mine control.</li> </ul>
<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li>Data spacing for reporting of Exploration Results.</li> <li>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied</li> <li>Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>Surface exploration drillholes were located initially on a 50m and 100m grid spacing. For resource definition drilling the sectional spacing is at least 50m with 25m sectional spacing for underground holes.</li> <li>Sufficient drilling and underground face sampling has been completed to support Mineral Resource and Ore Reserve estimation procedures.</li> <li>Sample compositing has not been applied to exploration data.</li> </ul>
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>If the relationship between the drilling orientation and the orientation of key mineralized structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul>	<ul style="list-style-type: none"> <li>Mineralisation is hosted within narrow, typically &lt;2m wide quartz veins. Orientations of the veins are typically E-W, with variations from NE-SW to NW-SE, with dips varying from flat-lying to steep dipping to the NW-NE quadrant. Surface drillholes are generally drilled towards the S and vary in dip (-45° to -60°). Underground drill holes are orientated in various directions and dips, depending on rig access to intersect the various mineralised veins at different locations within the mining area.</li> <li>Due to the nature of this style of mineralisation and the limited underground access for drilling, drilling may not always intersect the mineralisation or structures at an optimum angle, however this is not considered to be material. A good understanding of the deposit geometry has been developed through mining such that it is considered that any sampling bias is recognised and accounted for in the interpretation.</li> </ul>
<b>Sample security</b>	<ul style="list-style-type: none"> <li>The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>Drilling is supervised by company geologists and exploration personnel. All samples are retrieved from the drill site at the first opportunity and taken to a secure compound where the core is geologically logged, photographed and sampled. Samples are collected in tagged plastic bags, and stored in a lockable room prior to transportation to the laboratory. The samples are transported using company vehicles and accompanied by company personnel to the laboratory.</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>Dr Rudy Obial from R.C. Obial &amp; Associates routinely undertakes site visit reviews and provides independent consulting advice for the onsite laboratory upgrades and QA/QC. These regular reviews form part of the continual improvement for the site laboratory.</li> </ul>

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> <li>In August 2015, Dr Obial reported on an independent review of available QA/QC data and concluded that the accuracy of the gold determinations were predominantly within the tolerance limits for both PMC laboratory and the independent checking laboratory. The precision of assay is better for the independent laboratory and as such, where diamond drilling assays exist for both laboratories, results from the independent laboratory have been used, in preference to PMC assays, for Mineral Resource estimation.</li> <li>Sampling techniques and database management is to industry standard.</li> </ul>

## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>The Co-O mine tenement is operated under a Mineral Production Sharing Agreement ("MPSA") MPSA No. 262-2008-XIII, which covers 2,538.8 hectares.</li> <li>Aside from the prescribed gross royalties payable to the Philippine government (2%) and the Indigenous People (1%), no other royalties are payable on production from any mining activities within the MPSA.</li> </ul>
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>Acknowledgement and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>The Co-O mine was originally developed in 1989 by Banahaw Mining and Development Corporation ("BMDC"), a wholly owned subsidiary of Musselbrook Energy and Mines Pty Ltd. The operation closed in 1991 and was placed on 'care and maintenance' until its purchase by PMC in 2000. PMC recommissioned the Co-O mine and began small-scale mining operations.</li> <li>Medusa Mining Ltd ("MML") listed on the ASX in December 2003, and in December 2006, completed the acquisition of all of PMC's interests in the Co-O mine and other assets including the mill and numerous tenements and joint ventures. MML, through PMC, has since been actively exploring the Co-O tenements.</li> </ul>
<b>Geology</b>	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>The Co-O deposit is an intermediate sulphidation, epithermal gold (+Ag ±Cu±Pb±Zn) vein system. The deposit is located in the Eastern Mindanao volcano-plutonic belt of the Philippines.</li> </ul>
<b>Drill hole Information</b>	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</li> <li>Easting and northing of the drill hole collar</li> <li>Elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>Dip and azimuth of the hole</li> <li>Down hole length and interception depth</li> <li>Hole length</li> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not distract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>Easting, northing and RL of the drillhole collars are located in both the local mine grid, PRS92 and UTM WGS84 Zone 51 coordinates.</li> <li>Dip is the inclination of the hole from the horizontal. For example, a vertically down drilled hole from the surface is -90°. Azimuth is reported in magnetic degrees, as the direction toward which the hole is drilled. Magnetic North &lt;-1° west of True North.</li> <li>Down hole length is the distance from the surface to the end of the hole, as measured along the drill trace. Interception depth is the distance down the hole as measured along the drill trace. Intersection width is the downhole distance of a mineralised intersection as measured along the drill trace.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li><i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i></li> <li><i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade result, the procedure used for aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></li> <li><i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></li> </ul>	<ul style="list-style-type: none"> <li>No top cutting of assays was done for the reporting of exploration results.</li> <li>Short lengths of high-grade (<math>\geq 300</math> g/t Au) assays included within composited intercepts are also individually reported.</li> <li>Metal equivalent values are not reported.</li> </ul>
<b>Relationship between mineralisation widths and intercept lengths</b>	<ul style="list-style-type: none"> <li><i>These relationships are particularly important in the reporting of Exploration Results.</i></li> <li><i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> <li><i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i></li> </ul>	<ul style="list-style-type: none"> <li>Wherever possible, drilling is oriented approximately orthogonal to the known orientation of mineralization. However due to access limitations, drillholes are often orientated at varying angles up to 30° from orthogonal. Intersection length is measured down the hole and may not be the true width.</li> <li>The orientation of the veins is typically E-W, with variations from NE-SW to NW-SE with dips varying from flat-lying to steep to the NW-NE quadrant. Surface drillholes are generally orientated towards the S and vary in dip (-45° to -60°). Underground drill holes are orientated in various directions and dips, depending on rig access to intersect the various mineralised veins at different locations within the mining area.</li> <li>All drill results are downhole intervals due to the variable orientation of the mineralisation.</li> </ul>
<b>Diagrams</b>	<ul style="list-style-type: none"> <li><i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported these should include but not limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>	<ul style="list-style-type: none"> <li>A longitudinal section is included in this announcement showing significant assay results locations (Figure 3). Tabulated significant intercepts are included in this announcement in Table III.</li> </ul>
<b>Balanced reporting</b>	<ul style="list-style-type: none"> <li><i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></li> </ul>	<ul style="list-style-type: none"> <li>Significant intercepts have previously been reported for all drillholes that form the basis of Mineral Resource estimates. Less significant intercepts have not been reported since the drilling is carried within the mine environs.</li> </ul>
<b>Other substantive exploration data</b>	<ul style="list-style-type: none"> <li><i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater; geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></li> </ul>	<ul style="list-style-type: none"> <li>No other substantive exploration data has been acquired or considered meaningful and material to this announcement.</li> </ul>
<b>Further work</b>	<ul style="list-style-type: none"> <li><i>The nature and scale of planned further work (eg tests for lateral extensions of depth extensions or large-scale step-out drilling).</i></li> <li><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling area, provided this information is not commercially sensitive.</i></li> </ul>	<ul style="list-style-type: none"> <li>Mineralisation is still open to the east, and at depth. Underground exploration and development drilling will continue to test for extensions along strike and at depth to the Co-O vein system.</li> </ul>

## APPENDIX B: TENEMENT SCHEDULE (as at 30 September 2016)

Name	Tenement ID	Registered Holder	Company's Interest <sup>1</sup> at		Royalty <sup>2</sup>	Area (hectares) at	
			31 Mar 2016	30 Jun 2016		31 Mar 2016	30 Jun 2016
Co-O Mine	MPSA 262-2008-XIII	PMC	100%	100%	-	2,539	2,539
	MPSA 299-2009-XIII	PMC	100%	100%	-	2,200	2,200
Co-O	APSA 00012-XIII	BMMRC	100%	100%	-	340	340
	APSA 00088-XIII	Phsamed	100%	100%	-	4,742	4,742
	APSA 00098-XIII	Philcord	100%	100%	1% NPI	507	507
	APSA 00099-XIII	Philcord	100%	100%	1% NPI	592	592
Saugon	EP 017-XIII	PMC	100%	100%	-	3,132	3,132
	EP 031-XIII <sup>3</sup>	PMC	100%	100%	-	2,456	2,456
	EP 032-XIII	PMC	100%	100%	-	3,048	3,048
	EPA 00066-XIII	PMC	100%	100%	-	6,769	6,769
	EPA 00069-XIII <sup>3</sup>	Phsamed	100%	100%	-	2,519	2,519
	EPA 00087-XIII <sup>3</sup>	PMC	100%	100%	-	87	87
Tambis	MPSA 344-2010-XIII	Philex	100%	100%	7% NSR	6,208	6,208
Das-Agan	MPSA 343-2010-XIII	Das-Agan	100%	100%	3% GSR	3,810	3,810
Apical	APSA 00028-XIII	Apmodoro	Earning 70% (JV)		-	1,235	1,235
Corplex	APSA 00054-XIII	Corplex	100%	100%	3% NSR	2,118	2,118
	APSA 00056-XIII	Corplex	100%	100%	-	162	162
	APSA 00077-XIII	Corplex	100%	100%	4% GSR	810	810
	EPA 00186-XIII <sup>3</sup>	Corplex	100%	100%	3% NSR	7,111	7,111
Sinug-ang	EPA 00114-XIII	Salcedo / PMC	100%	100%	-	190	190
Coal Project	COC Area 6	PMC	-	100%	-	4,000	4,000
	COC Area 7	PMC	-	100%	-	5,000	5,000

### NOTES:

- There have been no material changes to the Company's interest since 30 June 2016.
- Royalties payable to registered holders, aside from the prescribed royalties payable to the Philippine government and the Indigenous People.
- Awaiting for approval and confirmation by MGB of area reduction.

### ABBREVIATIONS:

#### Tenement Types

MPSA	Granted Mineral Production Sharing Agreement	APSA	Application for Mineral Production Sharing Agreement
EP	Granted Exploration Permit	EPA	Application for Exploration Permit

#### Registered Holders

PMC	Philsaga Mining Corporation	Philex	Philex Gold Philippines Incorporated
BMMRC	Base Metals Mineral & Resources Corporation	Das-Agan	Das-Agan Mining Corporation
Phsamed	Phsamed Mining Corporation	Apmodoro	APMEDORO Mining Corporation
Philcord	Mindanao Philcord Mining Corporation	Salcedo	Neptali P. Salcedo
Corplex	Corplex Resources Incorporated		

#### Royalty

NPI	Net Profit Interest	GSR	Gross Smelter Royalty
NSR	Net Smelter Royalty		