



**MEDUSA**

# QUARTERLY ACTIVITIES REPORT

**PERIOD ENDED**

**30 JUNE 2017**

## 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)

**Boyd Timler** (Executive Director)

## Management:

**Boyd Timler**  
(Managing Director)

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

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

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

**David McGowan**  
(General Manager, Engineering)

## Capital Structure:

Ordinary shares: 207,794,301

Unlisted options: 4,365,500

## Listing:

**ASX** (Code: MML)

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## OVERVIEW:

### Co-O MINE PRODUCTION

- **Production:** 23,846 ounces at average head grade of 6.38 g/t gold (Mar 2017 qtr: 18,390 ounces at average grade of 4.93 g/t gold). Full year production of 80,743 ounces of gold was above the revised guidance of 78,000 to 80,000 ounces of gold.
- **Cash Costs:** of US\$539 per ounce (Mar 2017 qtr: US\$644 per ounce).
- **All-In-Sustaining-Costs ("AISC"):** US\$1,180 per ounce (Mar 2017 qtr: US\$1,555 per ounce).
- **Mill Performance:** gold recovery averaged 94.4% (Mar 2017 qtr 94.3%).
- **Mine Development:** Total advance was 5,671 metres of horizontal and vertical development (Mar 2017 qtr: 6,004 metres).
- **Mine Infrastructure Projects:**
  - E15 Servie Shaft: Reached depth of 279 metres, approaching Level 6.
  - Main Levels and Winzes: Development on Level 9 totalled 832 metres.
  - Mine De-watering: Level 8 pumps installed ready for commissioning
- **Production Guidance (2017/18):** The FY17-18 guidance is 80,000 to 90,000 ounces, at AISC of between US\$1,050 to US\$1,200 per ounce of gold produced.

### Co-O MINE EXPLORATION

- **Surface and Underground resource drilling**
  - The total drilling for the quarter was 2,468 metres. The breakdown as follows:
    - Reserve drilling from Level 4 & 5 totalled 260 metres.
    - Resource definition drilling from Levels 8 totalled 2,468 metres.
  - Results from the resource drilling include 2.15 metres @ 77.65 g/t gold, 2.6 metres @ 20.14 g/t gold, 3.2 metres @ 41.11 g/t gold, and 2.0 metres @ 13.85 g/t gold.

### REGIONAL & NEAR MINE EXPLORATION

- **Near Mine Exploration (MinEx):** Continued the reconnaissance activities within the mine environs.

### RESOURCES & RESERVES

- Medusa will be publishing new resources and reserves based on an 30 April 2017 data cut-off date. Results will be released in August 2017.

### CORPORATE & FINANCIALS

- Total cash and bullion on hand at the end of the quarter was approximately US\$11.5 million (US\$10.6 million as at 31 March 2017).
- Martial law was declared on Mindanao island on 25 May 2017 and is still in force. No disruptions to the Company's operations.

## TENEMENT PROJECT OVERVIEW

The locations of the Company's Tenement on Figure 1.

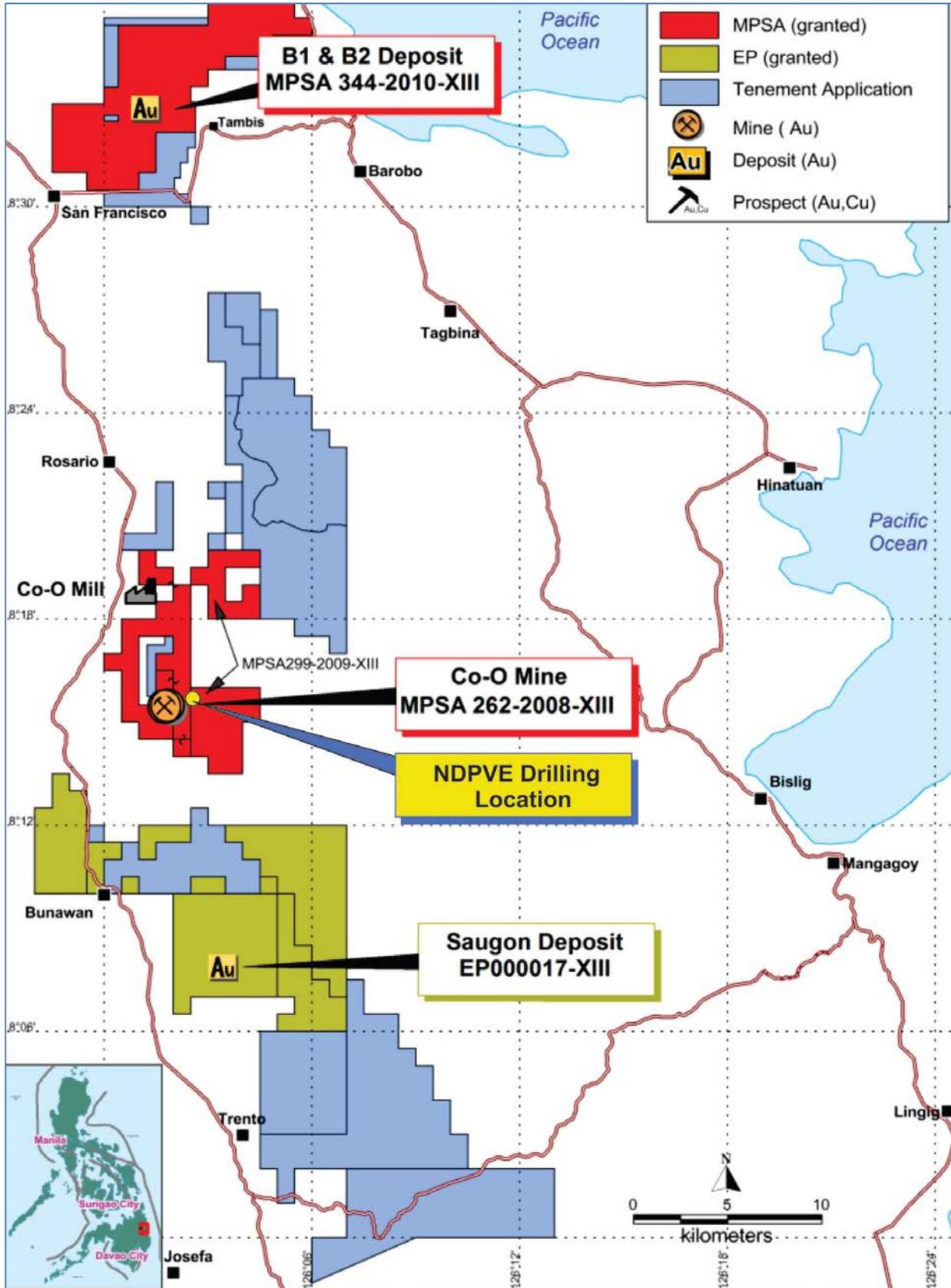


Figure 1: Location diagram showing the company's Tenements covering the Co-O mine and mill operations areas.

## Co-O MINE

### PRODUCTION

The production statistics for the June 2017 Quarter and comparatives for the previous three quarters are summarised in Table I below:

**Table I.** Gold production statistics

Description	Unit	Sep 2016 Quarter	Dec 2016 Quarter	Mar 2017 Quarter	Jun 2017 Quarter	2016/17 YTD
Ore mined	WMT	149,394	134,740	140,865	139,967	564,965
Ore milled	DMT	132,371	120,731	122,960	123,670	499,733
Head grade	g/t	5.26	4.75	4.93	6.38	4.97
Recovery	%	94.5%	94.2%	94.3%	94.4%	94.3%
Gold produced	ounces	21,157	17,350	18,390	23,846	80,743
Gold sold	ounces	21,152	17,909	17,837	22,296	79,194
U/G development	metres	4,960	5,758	6,004	5,671	22,393
Cash costs (*)	US\$/oz	\$592	\$625	\$644	\$539	\$595
All-In-Sustaining-Costs	US\$/oz	\$1,334	\$1,498	\$1,555	\$1,180	\$1,374
Average gold price received	US\$/oz	\$1,315	\$1,219	\$1,229	\$1,252	\$1,256
Cash & cash equivalent	US\$M	\$19.6M	\$12.9M	\$10.6M	\$11.5M	\$11.5M

**Note:**

(\*) Net of capitalised development costs and includes royalties and local business taxes.

The Company produced 23,846 ounces of gold for the quarter, at an average head grade of 6.38 g/t gold from 123,670 tonnes of ore processed, a 30% improvement on the previous quarter. Tonnes processed was restricted by mine ore hoisted, while grade was influenced by the improved proportion of higher grade stope ore in the mill feed blend.

The overall ore mined for the quarter was in line with the previous Quarter. The total material (ore & waste mined) for the June Quarter was in line with the previous quarter, with most of the waste material continuing to be backfilled into empty stopes, reducing the need to hoist waste to the surface.

Underground development for the quarter achieved 5,671 metres.

All-In-Sustaining-Costs ("AISC") for the June 2017 Quarter was US\$1,180 per ounce of gold, an improvement on previous quarters.

The June Quarter AISC also includes some exceptional costs:

- E15 Service Shaft surface civil works for future infrastructure (buildings);
- upgrades to the mine water treatment plant (ponds, filter house and warehouse relocation costs);
- Tailings Storage Facility ("TSF") #5 downstream catchment pond and polishing pond diversion channel; and
- continuation of underground resource and reserve drilling totalled 12,845 metres for the June Quarter. Management is committed to better define and expand the Co-O resources as outlined in the strategic plan.

The mine completed a total of 5,671 metres of development, a 5% reduction over the March Quarter, but still at a level that will sustain production into the future. Of this, 3,062 metres was horizontal and 2,609 metres was vertical development. For the June Quarter, the focus continued to be Levels 7, 8 and 9 to open up new stoping blocks on the high-grade GH Vein. Development also commenced on Level 10 in June.

The in-stope broken ore inventory decreased slightly during the quarter to 45,920 WMT at 8.43 g/t gold, a result of a number of stopes being completed and cleaned out early in the quarter and accumulation of high grade ore within the new stopes not yet completed.

## **Production Shafts**

Overall material hoisted was 151,428 tonnes (WMT) for ore and waste combined.

- **Level 8 Shaft:**

The June 2017 Quarter saw additional materials movements for diamond drill core and materials and parts for the new Level 8 pump station, and failures with pumps on Level 5 resulting in some flooding in the base of the Level 8 shaft combined to reduce the availability of the Level 8 shaft.

The completion of the Level 8 pump station will control future flooding and a reduction in resource drilling should improve the availability of the shaft going forward.

- **Agsao Inclined Shaft:**

Breakdown of pumps on the Level 5 resulted in flooding of the Level 5 reducing the availability of the Agsao and Baguio shafts. With the completion of the Level 8 pump station, the pumps on the Level 5 becomes less critical. Planning has commenced for long term improvements of the pumping system on Level 5.

- **Baguio Inclined Shaft:**

Same conditions as with the Agsao Inclined Shaft.

- **L8 Winzes:**

29E and 12E Winzes continue to hoist material from Level 9 and Level 10 to Level 8. The 43E Winze has now reached the Level 9 and all three winzes have been linked together by development on the Level 9.

For the June Quarter, there was a total of 645 metres of horizontal development and 187 metres of vertical development on Level 9. There were also 4 stopes in production with a further two stopes being developed at the end of the quarter.

Two other winzes were being developed during the June Quarter. The 48E has achieved a depth of 52 metres and approaching the Level 9. The 35E head gear chamber has been excavated and the winder chamber is under development.

## E15 Service Shaft

E15 Service Shaft has progressed to the Level 6, a total of 279 metres from the shaft collar, the final design depth to level 10 is 512 metres.

Highlights for the June 2017 Quarter were:

- stripping of the Alimak raise continued, breaking through into the Levels 4, 5 and 6;
- drawbridge chambers were excavated on the Levels 4,5, 6 and 7;
- civil works commenced on Levels 4 and 5 with installations and concreting of the drawbridge beams;
- sinking from Level 4 to Level 5 experienced delays with flooding on level 5 preventing access to remove the waste material from the shaft; and
- sinking rates from Level 5 to Level 6 were in line with the planned sinking rate.

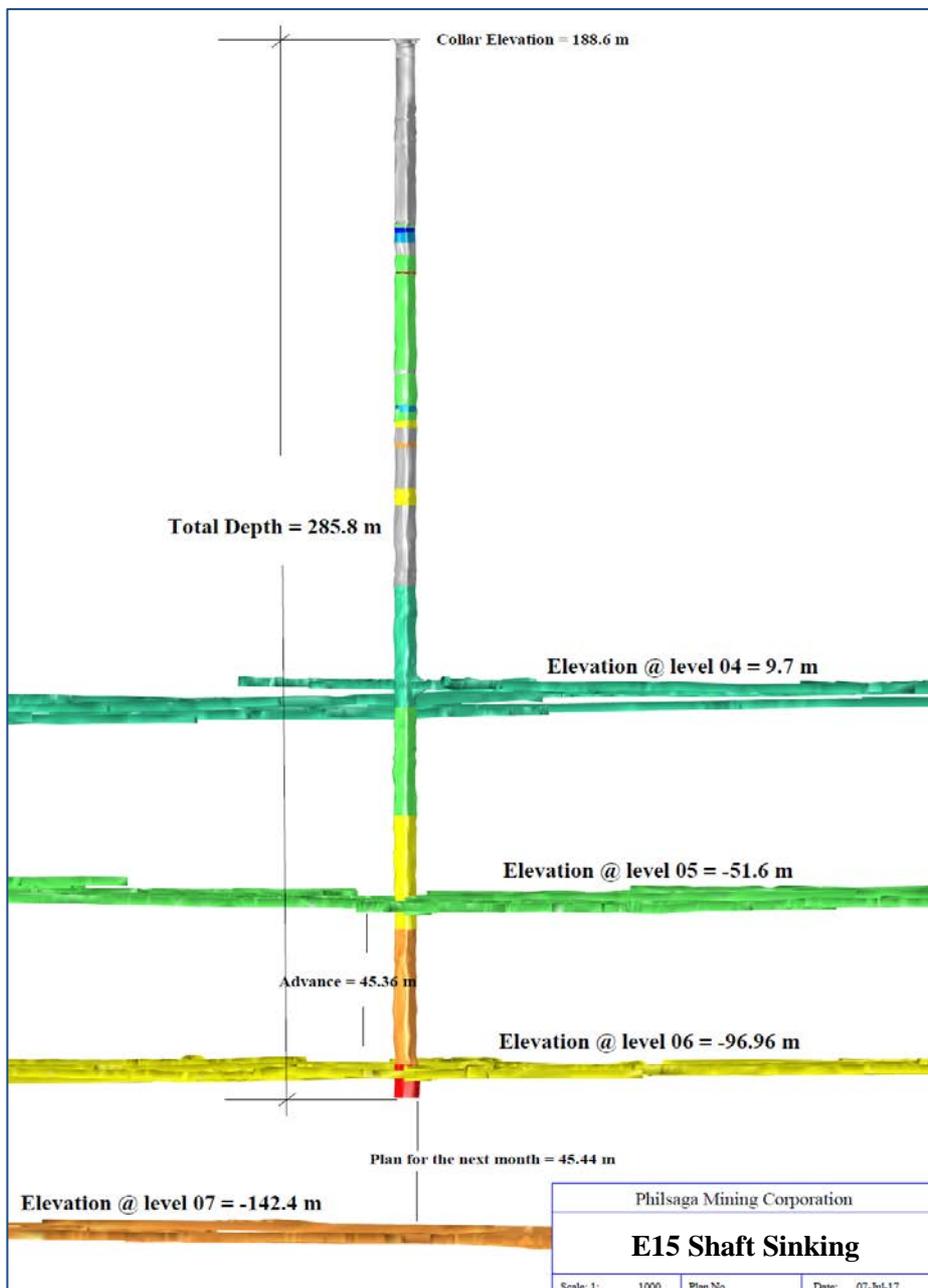


Figure 2: Cross section of E15 shaft showing progress to the end of the June 2017 Quarter.

## Dewatering

Construction of the new Level 8 pump station was completed by the end of the June Quarter and expected to be commissioned in early July ready for operation by the 15<sup>th</sup> July 2017.

This pump station will pump direct to the surface and will reduce the load on the current dewatering system.

Planning has commenced to rationalize and improve the effectiveness, efficiency and reliability of the pumps on level 5.

Work has continued with the project to improve the mine dirty water clarification system. The new filter press shed has been constructed and additional filter presses have been installed. Installation of piping and conveyor system is expected to be completed in the Dec 2017 quarter.

Preparation works for the construction of an additional settling pond is expected to commence in the next quarter. When completed, the existing settling ponds taken off line one at a time and improved for more effective and efficient operation. This work is expected to be completed by the 4<sup>th</sup> quarter (ending June 2018) next year.



Figure 3: Construction team at level 8 pump station.

## Processing Plant

The process plant throughput was 123,670 tonnes at a grade of 6.38 g/t gold. The processing plant through put is limited by the mine hoisting production. The process plant maintained recoveries at 94.4% for the quarter.

## HEALTH, SAFETY & ENVIRONMENT

There were no environmental issues reported for the Quarter. The Co-O mine has completed a review of the ISO 14001 standards to upgrade to the newer 14001:2015 standard. Planning has commenced for implementation of improvements where required.

There were no lost time injuries recorded during the June 2017 Quarter. There were a further 24 low severity incidents for the quarter. All these incidents have been investigated with action plans developed to focus on the root causes, risks, behaviour and the sites safety culture.

## Co-O MINE GEOLOGY

### Co-O Mine Drilling

The underground drilling campaign from Level 8 targeting resource definition between Levels 8 to Level 16 (Figure 2) continued over this quarter with very good results. 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 June Quarter a total 2,468 metres were drilled which is about 39% less compared to previous quarter. The breakdown of the drilling meterage are from Levels 4, 5 and 8. The resource drilling from Level 8 downward aggregated 2,209 metres while the definition drilling from Levels 4 & 5 aggregated 259 metres.

Significant results obtained during the Quarter are reported in Table II and relative positions shown in longitudinal section in Figures 2, 3 and 4.

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**Table II.** Co-O Mine underground drill hole results  $\geq 3$  gram-metres/tonne gold

(Refer Appendix A for JORC Code, 2012 Edition - Table 1 Report)

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
<b>UNDERGROUND RESOURCE DRILLING - LEVEL 4</b>											
L4-26W-002	613733	912902	8	249	14	-3	10.00	10.75	0.75	13.17	9.88
							10.75	11.05	0.30	17.80	5.34
							42.45	43.45	1.00	5.01	5.01
L4-33W-001	613629	912772	8	203	220	1	59.20	59.60	0.40	20.93	8.37
<b>UNDERGROUND RESOURCE DRILLING - LEVEL 5</b>											
L5-48W-002	613504	912946	-38	151	348	0	19.40	19.90	0.50	7.13	3.57
<b>UNDERGROUND RESOURCE DRILLING - LEVEL 8</b>											
L8-28E-018	614272	912865	-190	500	129	-9	69.25	69.50	0.25	16.37	4.09
L8-28E-019	614268	912866	-191	551	203	-49	1.70	1.90	0.20	22.81	4.56
							44.25	44.45	0.20	33.47	6.69
							54.55	55.00	0.45	14.27	6.42
L8-28E-022	614270	912865	-191	564	144	-40	60.35	60.60	0.25	12.43	3.11
							123.80	124.10	0.30	31.07	9.32
							129.60	130.30	0.70	16.37	11.46
							130.90	131.20	0.30	27.33	8.20
							213.55	213.95	0.40	23.58	9.43
L8-28E-024							43.70	43.90	0.20	30.33	6.07
							45.40	46.40	1.00	12.72	12.72
							47.40	47.80	0.40	10.50	4.20
							51.45	51.80	0.35	61.70	21.60
							51.80	52.60	0.80	12.80	10.24
167.60	167.80	0.20	598.43	119.69							
L8-28E-025	614270	912864	-190	501	160	-45	7.75	8.75	1.00	4.28	4.28
L8-28E-026	614265	912865	-191	552	235	-43	2.95	3.30	0.35	31.77	11.12
							32.00	32.70	0.70	28.03	19.62
							158.80	159.80	1.00	29.00	29.00
L8-28E-029	614265	912866	-191	552	240	-29	101.90	102.35	0.45	38.67	17.40
							102.65	103.05	0.40	14.73	5.89
							119.10	119.60	0.50	103.83	51.92
L8-28E-030	614268	912865	-191	551	176	-52	41.20	41.45	0.25	22.10	5.53
							41.45	41.80	0.35	31.60	11.06
							195.00	195.35	0.35	14.77	5.17
L8-2W-011	613993	913097	-188	551	172	-14	208.90	209.70	0.80	4.79	3.83
							269.20	270.00	0.80	13.60	10.88
L8-2W-012	613994	913098	-188	551	161	-21	384.75	385.30	0.55	5.77	3.17
L8-2W-013	613994	913097	-188	557	168	-21	250.90	251.80	0.90	7.83	7.05
							298.40	299.40	1.00	6.17	6.17
							299.40	299.70	0.30	10.97	3.29
L8-2W-016	613992	913098	-188	551	210	-21	370.80	371.80	1.00	6.77	6.77
							371.80	372.30	0.50	83.23	41.62
L8-45E-025	614466	913037	-191	597	169	-47	273.70	273.90	0.20	20.33	4.07
							329.60	330.25	0.65	7.80	5.07
							483.80	484.80	1.00	3.93	3.93
							591.85	592.85	1.00	9.43	9.43
L8-45E-026	614467	913037	-191	574	152	-47	185.00	185.90	0.90	5.00	4.50
							231.00	231.85	0.85	9.17	7.79
							403.55	404.55	1.00	4.87	4.87
							413.20	413.50	0.30	34.33	10.30
							524.80	525.40	0.60	9.62	5.77
							525.90	526.80	0.90	12.25	11.03
							529.70	530.00	0.30	27.23	8.17
							530.00	531.00	1.00	20.43	20.43
							531.00	532.15	1.15	127.40	146.51
L8-45E-027	614468	913037	-191	553	135	-44	47.35	47.85	0.50	16.10	8.05
							119.60	120.00	0.40	9.43	3.77
							204.40	204.60	0.20	59.50	11.90
							240.40	240.60	0.20	36.97	7.39
							240.60	241.60	1.00	10.87	10.87
							241.60	242.20	0.60	6.97	4.18
							244.80	245.40	0.60	17.63	10.58
							247.60	247.80	0.20	36.93	7.39
247.80	248.80	1.00	5.70	5.70							

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
L8-45E-028	614467	913037	-191	569	150	-56	259.75	260.75	1.00	11.27	11.27
							274.00	275.00	1.00	7.17	7.17
							275.00	276.00	1.00	4.93	4.93
							317.60	318.40	0.80	7.03	5.62
							481.40	481.70	0.30	74.77	22.43
						527.70	528.55	0.85	94.17	80.04	
L8-45E-029	614466	913038	-191	500	151	-66	303.00	304.00	1.00	5.83	5.83
							304.00	304.60	0.60	16.77	10.06
L8-45E-030	614462	913038	-191	572	223	-57	110.90	111.90	1.00	3.03	3.03
							111.90	112.90	1.00	24.67	24.67
							124.15	124.70	0.55	30.17	16.59
L8-57E-001	614588	913034	-187	90	205	1	71.50	71.80	0.30	14.30	4.29
							74.20	74.40	0.20	32.50	6.50
L8-57E-002	614590	913035	-187	80	162	1	54.30	55.30	1.00	7.43	7.43
L8-57E-004	614588	913038	-187	156	332	-1	3.30	3.55	0.25	30.50	7.63
							6.00	6.50	0.50	43.27	21.64
							6.50	7.40	0.90	3.54	3.19
							24.90	25.90	1.00	3.94	3.94
							26.80	27.40	0.60	5.80	3.48
L8-57E-005	614589	913038	-187	150	5	0	2.95	4.00	1.05	3.28	3.44
							4.20	4.90	0.70	5.40	3.78
L8-64E-028	614727	913102	-187	602	170	-11	55.40	56.50	1.10	20.60	22.66
							188.90	189.90	1.00	4.20	4.20
							232.80	233.10	0.30	30.83	9.25
L8-64E-029	614727	913101	-188	551	164	-22	53.85	54.40	0.55	5.93	3.26
							80.90	81.30	0.40	20.90	8.36
							119.40	120.40	1.00	38.43	38.43
							138.60	139.00	0.40	14.93	5.97
							141.70	141.90	0.20	20.83	4.17
L8-64E-030	614724	913103	-188	501	187	-52	172.70	173.10	0.40	978.50	391.40
							173.10	174.10	1.00	15.30	15.30
							180.95	181.95	1.00	3.32	3.32
							186.15	186.75	0.60	7.57	4.54
L8-64E-031	614726	913102	-188	536	178	-49	84.45	84.70	0.25	89.63	22.41
							337.30	337.70	0.40	23.97	9.59
							503.70	504.35	0.65	10.67	6.94
							504.35	504.65	0.30	87.80	26.34
L8-64E-032	614726	913102	-188	560	176	-37	45.20	45.60	0.40	11.53	4.61
							108.75	109.60	0.85	6.67	5.67
							277.80	278.50	0.70	10.67	7.47
							278.50	279.10	0.60	24.77	14.86
							313.95	314.95	1.00	215.73	215.73
						472.30	473.30	1.00	4.20	4.20	
L8-64E-034	614725	913101	-188	585	185	-26	42.75	44.05	1.30	3.55	4.62
L8-64E-037	614727	913102	-188	608	165	-34	3.10	3.60	0.50	7.77	3.89
							49.40	50.00	0.60	13.30	7.98
							112.85	113.20	0.35	37.43	13.10
							125.50	126.50	1.00	11.07	11.07
							562.20	562.65	0.45	7.43	3.34
L8-64E-038	614724	913102	-188	551	196	-33	46.95	47.35	0.40	24.43	9.77
							105.80	106.70	0.90	5.03	4.53
L8-64E-039	614725	913103	-188	554	184	-43	41.00	41.90	0.90	52.10	46.89
							42.20	42.80	0.60	5.97	3.58
							42.80	43.70	0.90	5.50	4.95
							46.60	47.10	0.50	11.17	5.59
							448.45	448.70	0.25	311.26	77.82
							548.25	549.25	1.00	14.87	14.87
L8-82E-005	614903	913106	-187	610	103	-71	83.80	84.30	0.50	43.60	21.80
							429.10	429.90	0.80	15.66	12.53
							433.70	434.70	1.00	5.47	5.47
							443.70	444.70	1.00	7.16	7.16
							444.70	445.30	0.60	19.97	11.98
						445.30	446.30	1.00	33.23	33.23	

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Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
L8-82E-006	614904	913105	-186	535	118	-25	46.85	47.50	0.65	15.40	10.01
							291.75	292.20	0.45	10.07	4.53
L8-82E-007	614903	913105	-186	552	132	-40	40.30	40.55	0.25	16.60	4.15
							104.30	105.10	0.80	17.07	13.66
							105.10	106.10	1.00	107.20	107.20
							156.90	157.60	0.70	11.03	7.72
							164.10	165.05	0.95	5.67	5.39
							220.40	221.00	0.60	41.10	24.66
							224.25	224.90	0.65	7.07	4.60
L8-82E-008	614901	913103	-187	611	185	-45	114.90	115.35	0.45	52.07	23.43
L8-82E-009	614902	913103	-186	603	171	-43	83.70	84.70	1.00	13.53	13.53
							117.95	118.95	1.00	4.46	4.46
							126.15	126.40	0.25	16.35	4.09
							161.15	161.65	0.50	16.63	8.32
							549.30	549.95	0.65	11.27	7.33
L8-82E-010	614902	913103	-186	603	164	-43	67.90	68.15	0.25	60.93	15.23
							148.40	148.60	0.20	32.53	6.51
							200.30	200.80	0.50	20.27	10.14
L8-82E-011	614901	913102	-186	600	186	-36	67.60	67.90	0.30	13.40	4.02
							126.10	127.00	0.90	25.43	22.89
L8-82E-012	614901	913103	-186	600	174	-39	83.45	84.40	0.95	6.30	5.99
							84.80	85.70	0.90	55.97	50.37
							126.80	127.70	0.90	63.93	57.54
							127.90	128.50	0.60	24.17	14.50
							128.50	129.00	0.50	9.30	4.65
							173.50	174.05	0.55	60.80	33.44
							176.10	176.30	0.20	33.43	6.69

**Notes:**

- Composited intercepts 'weighted average grades' calculated by using the following parameters:
  - no upper gold grade cut-off applied;
  - lower cut-off grade of 3.0 g/t gold;
  - only downhole widths  $\geq 0.50$ m reported.
- Intersection widths are downhole drill widths not true widths;
- 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.
- Grid coordinates are rounded and based on the Co-O Mine Grid. RL is elevation, rounded in metres relative to Mine Datum.

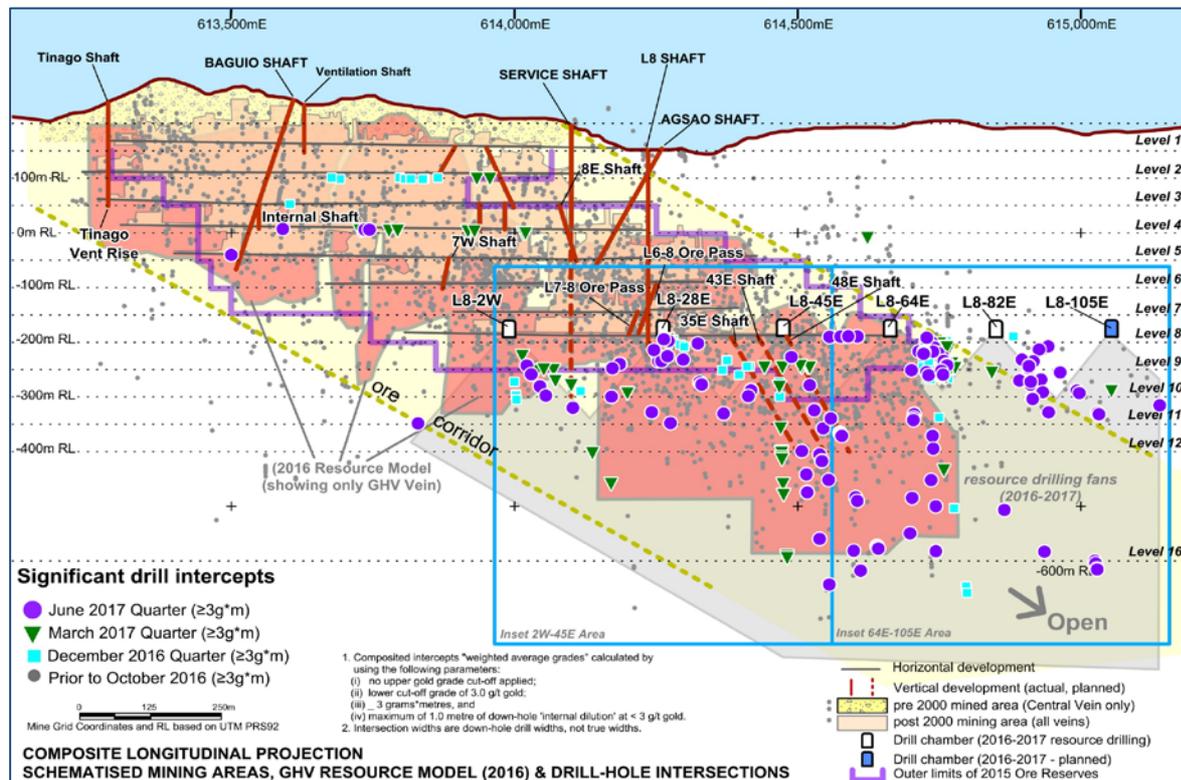


Figure 4. Co-O Mine Longitudinal Projection showing composited mining depletion, vertical development, Ore Reserves limits, and significant drill intercept locations (including previously reported). Note that the ore reserve limits are updated with the 2016 Resource Model.

Figures 5 and 6 show detailed significant intercepts obtained during the June 2017 Quarter as well as other significant intercepts obtained from previous March 2016 Quarter drilling.

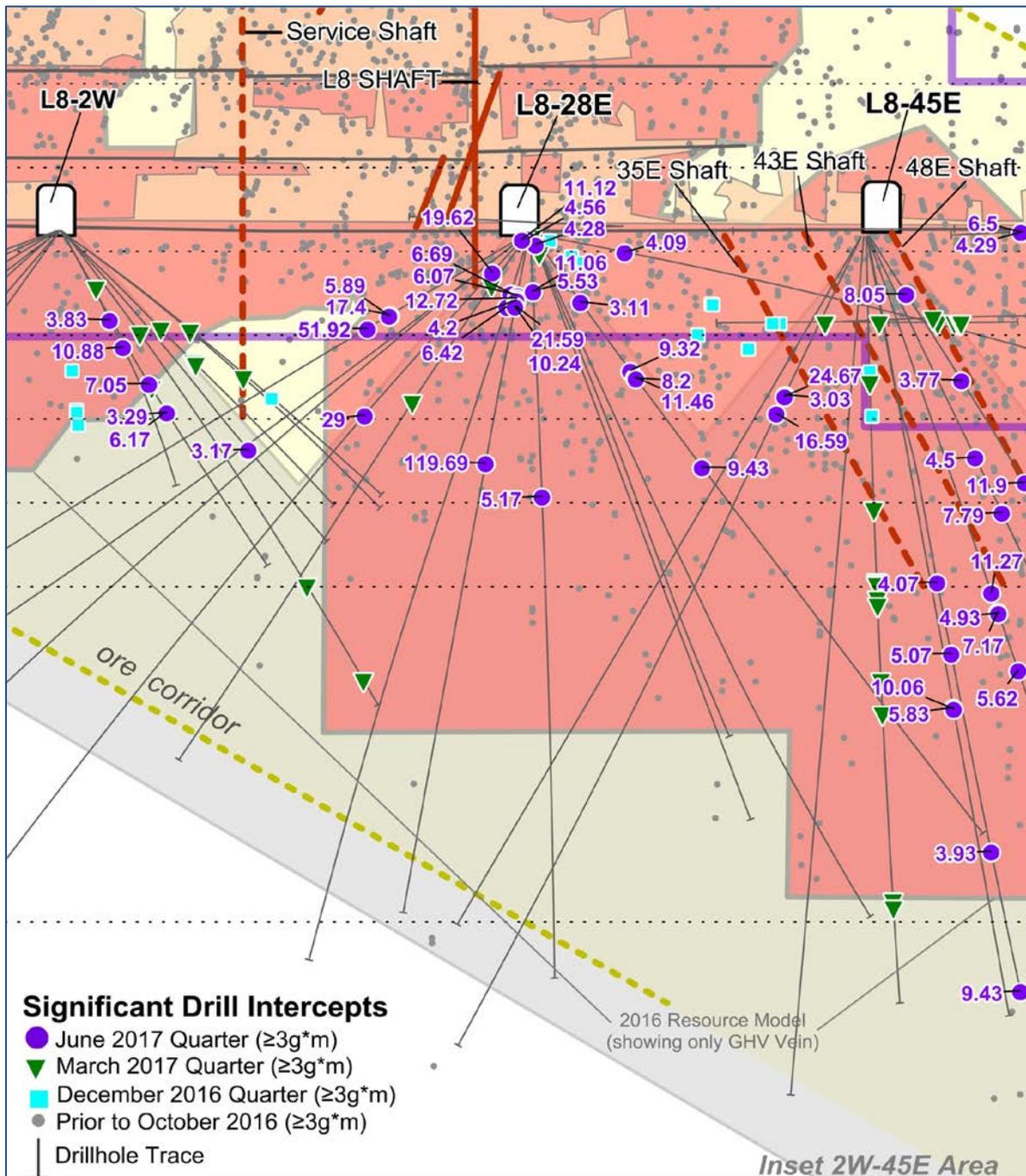


Figure 5. Inset 2W-45E Areas Showing significant intercepts obtained during the June 2017 Quarter and significant intercepts obtained from previous drilling, beneath the lower limits of the June 2016 ore reserves.

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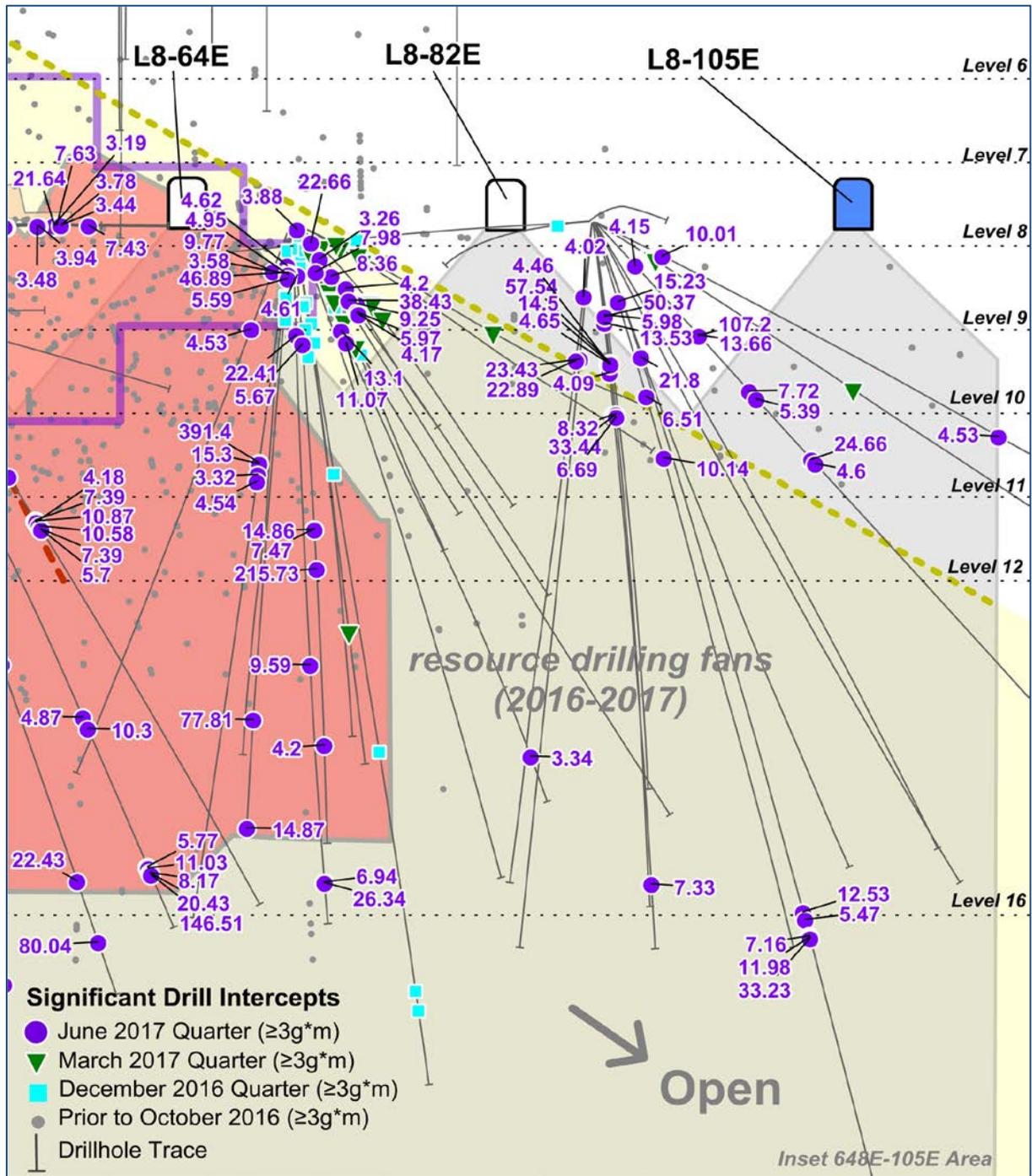


Figure 6. Inset 64E-105E Area showing significant intercepts obtained during the June 2017 Quarter.

The above results consolidated on long-section Figures 4 give a more representative depiction of the drill data over the last four quarters. It also shows that the Great Hamish Vein (GHV) to the East from Levels 8 to 12 tapers out, but shows promising intercepts at depth (~Level 16). On the same position at the upper levels (Levels 8 to 11) a cluster of significant intercepts were logged in the Jereme and Don Pedro veins.

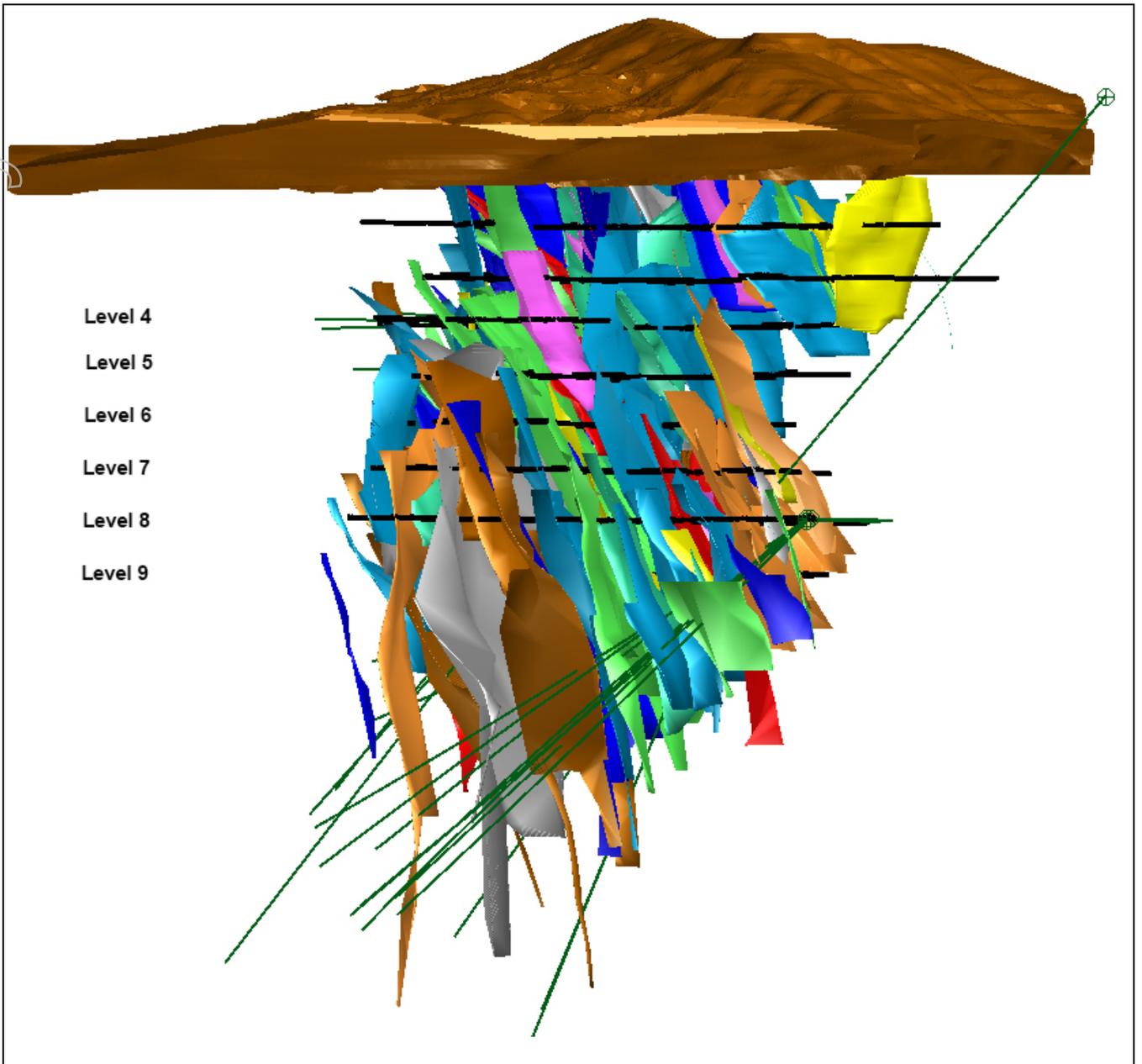


Figure 7. 3D sectional view looking West showing drill holes for the June 2017 quarter.

As we step eastward, the diatreme constricts the GHV. However moving northward on the same position, the Jereme and Don Pedro veins shows better tenor. This observation is open for further study.

## Co-O SURFACE EXPLORATION

### Near Mine Exploration (MinEX)

The location of the company's projects covered during this quarter are shown in Fig 5.

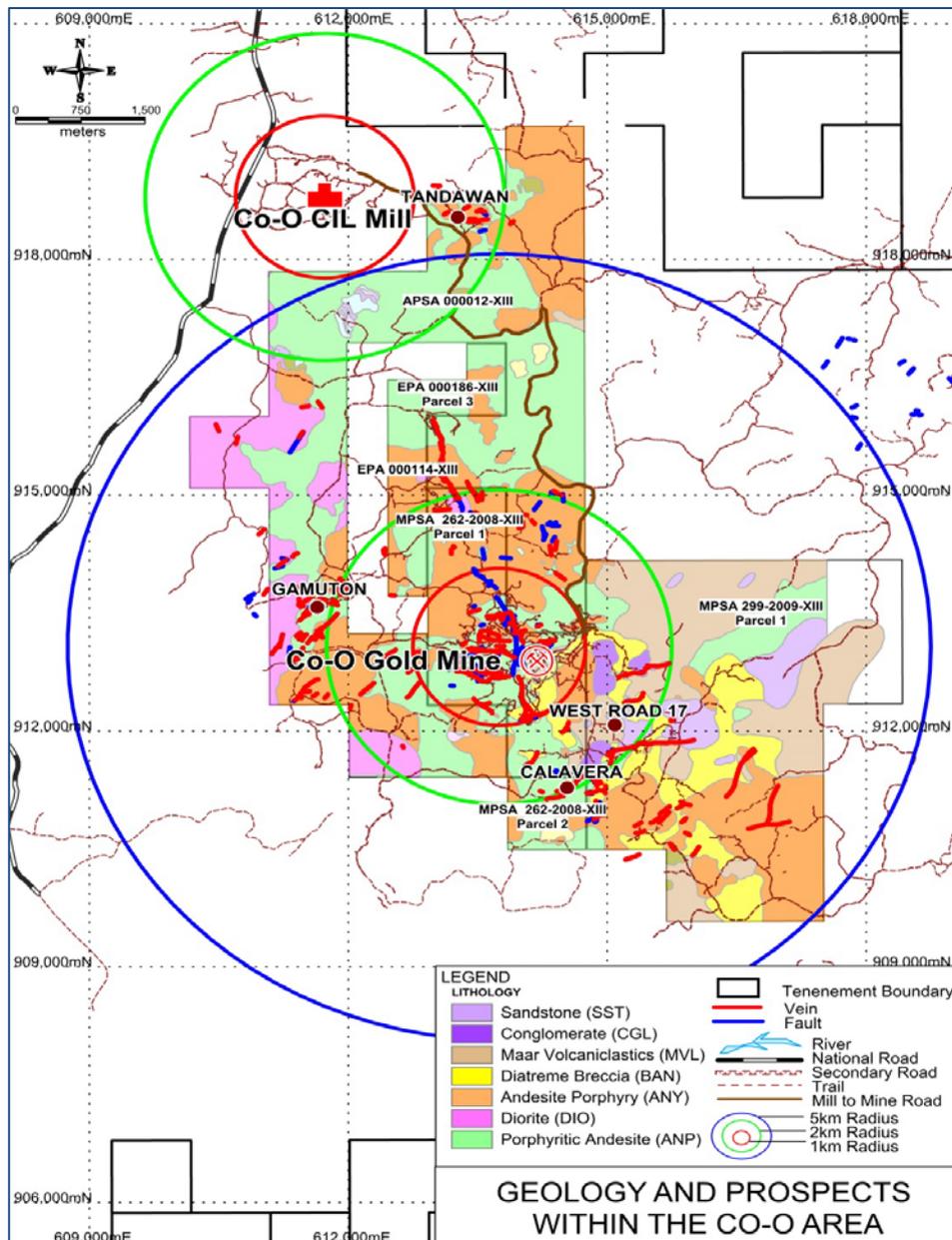


Figure 7: Location map showing Co-O Mine and Mill area and MinEx projects.

### Don Pedro Vein System

Within the Co-o Mine tenement area, the Don Pedro Vein East (DPVE) Drilling Program was implemented and completed. A total of 6 holes (Figure 6) were drilled (Table III). Target vein and mineralised structures were validated during drilling, but overall gold tenor was low. Assay results show that only eight samples returned grades above 1.0 g/t gold with the peak grade at 0.25 metres @ 6.91 g/t gold in hole EXP 238. In view of the disappointing assay returns from the first five (5) holes, a decision was made to pre-terminate the drilling program to six (6) holes. Results from EXP 243 were similar to the first five holes. Concurrent with the Phase 1 drilling result, the implementation of Phase 2 was also discontinued. Overall, the NPDVE drilling program was a technical success - intersecting the target mineralised structures. However, intercepted structures returned below than expected assay grades.

**Table III: DPVE Drilling Data**

BHID	Target Depth	Easting	Northing	Elevation	AZI	INCL	EOH (m)	Date Start	Date Finish
EXP238	400	614625	913386	183.64	180	-50	400.50	9-Jan-17	25-Jan-17
EXP239	480	614625	913503	178.62	180	-50	479.70	29-Jan-17	11-Feb-17
EXP240	350	614628	913325	185.76	180	-50	350.95	14-Feb-17	24-Feb-17
EXP241	400	614719	913400	203.05	180	-50	420.70	2-Mar-17	12-Mar-17
EXP242	350	614679	913334	189.61	180	-50	364.20	16-Mar-17	23-Mar-17
EXP243	500	614822	913396	231.18	180	-50	500.00	26-Mar-17	20-Apr-17
<b>TOTAL</b>							<b>2,516.05</b>		

### TSF Drilling Program

The Tailings Storage Facility #1 (TSF#1) was the TSF utilized by the original processing plant. A previous study completed in October 2015 and metallurgical test work in February 2016 on the TSF # 1 sampling reported a non-JORC resource of 224,000DMT at 2.8 g/t Au. Internal review of the previous methodology warrants a more systematic and detailed sampling and analysis for the resources to be reported as JORC 2012 compliant. Thus, the company embarked on an exploration program to determine the resources. Starting in Q3 and into Q4 a planned drilling program was conducted to measure this value.

The Geology department implemented and completed the TSF Drilling Program. A total of 73 holes were drilled by Banka-drilling techniques for a total meterage of 616m (Figure 8). Originally planned to cover mainly TSF No.1 (i.e. 64 holes per 516 metres), the drilling was subsequently expanded to test portions of TSF No. 4A and 4B (i.e. 9 holes per 100 metres). The drilling results are currently being evaluated to estimate the mineral resources and metallurgical tests are being designed to determine its mineability. The initial geological interpretation reveals that concentration of the higher grades at the upper portion of the tailings section will simplify mining minimizing the need of disturbing the lower grade basal tailings material (Figure 9).

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Figure 8. Location of completed drill holes in TSF 1, TSF 4A and TSF 4B.

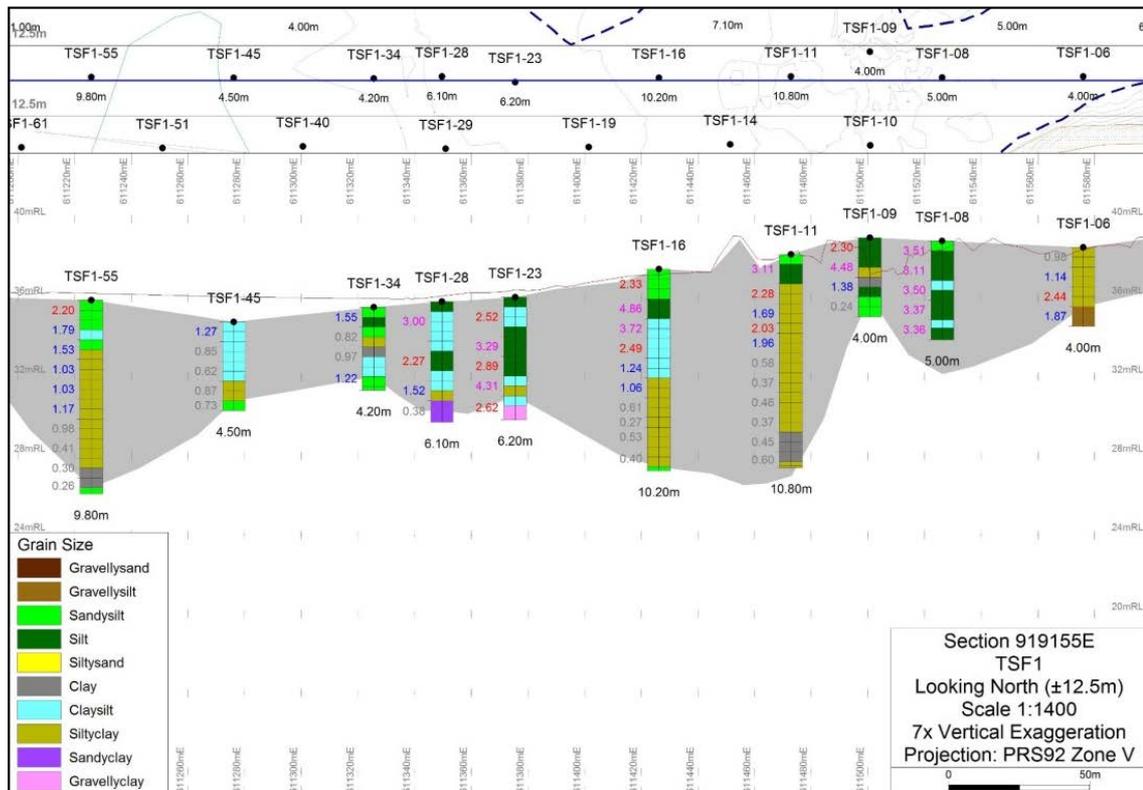


Figure 9. Representative section along the length of the tailings pond showing gold grade distribution.

## **TENEMENT RATIONALIZATION**

Review of the mineralisation potential of our remaining granted and applied for tenements continues (Figure 1).

The Department of Energy (“DOE”) provided formal notification of their receipt of the Company’s coal COC relinquishments, and provided a checklist of the technical, legal and financial obligations to be forwarded to the Department. All listed obligations have been submitted to DOE. The company now awaits final notification of full compliance to the coal COC relinquishments.

## **PRODUCTION GUIDANCE (full year 2017-18):**

The FY17-18 guidance is 80,000 to 90,000 ounces of gold produced at All-in Sustaining Costs (AISC’s) of between US\$1,050 to US\$1,200 per ounce of gold produced.

The guidance is governed by the completion of the E15 Service Shaft by the March quarter of 2018. Once completed the E15 will unconstrain the Level 8 Production shaft as all manpower and materials will be removed and Level 8 becomes a dedicated skipping shaft.

The guidance assumes Co-O mine will be realising efficiency improvements within the March quarter and allowing a reasonable transition period.

## **CORPORATE**

On 25 May 2017 the Company announced that the Philippine President had declared Martial Law on the Mindanao island following rebel activities in Marawi City on the western side of the island.

To date the Martial Law is still in force, however there has not been any impact to the Company’s activities.

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## FINANCIALS

As at 30 June 2017, the Company had total cash and cash equivalent in gold on metal account of approximately US\$11.5 million (31 March 2017: US\$10.6 million).

The Company sold 22,296 ounces of gold at an average price of US\$1,252 per ounce in the June 2017 quarter (YTD: 79,194 ounces sold at an average price of US\$1,256 per ounce; Mar 2017 quarter: 17,837 ounces sold at an average price of US\$1,229 per ounce).

During the June 2017 quarter, the Company incurred;

- exploration expenditure (inclusive of underground exploration at Co-O) of US\$3.3 million (YTD: US\$12.3 million; Mar 2017 quarter: US\$4.1 million);
- US\$3.3 million on capital works (inclusive of new Service Shaft) and associated sustaining capital at the mine and mill (YTD: US\$16.2 million; Mar 2017 quarter: US\$4.7 million);
- US\$6.7 million on continued mine development (YTD: US\$27.6 million; Mar 2017 quarter: US\$7.3 million); and
- corporate overheads of US\$1.5 million (YTD: US\$6.7 million; Mar 2017 quarter: US\$1.5 million).

In addition to the expenses highlighted above, which form part of AISC of US\$1,374 per ounce for the year (June 2017 quarter: AISC of US\$1,180 per ounce), the Company also expended/received cash in the following areas during the financial year:

- net movement of indirect value added tax (refundable in tax credits) of approximately US\$2.3 million;
- decrease in warehouse inventory and stockpiles of around US\$1.7 million;
- net increase in creditors/borrowings of around US\$10.5 million;
- income tax and interest totalling approximately US\$9.0 million.

## 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>

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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> </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> </ul>

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <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> <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>

Criteria	JORC Code explanation	Commentary
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li><i>The results of any audits or reviews of sampling techniques and data.</i></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> <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><i>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.</i></li> <li><i>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.</i></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><i>Acknowledgement and appraisal of exploration by other parties.</i></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><i>Deposit type, geological setting and style mineralisation.</i></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><i>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:</i></li> <li><i>Easting and northing of the drill hole collar</i></li> <li><i>Elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> <li><i>Dip and azimuth of the hole</i></li> <li><i>Down hole length and interception depth</i></li> <li><i>Hole length</i></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
	<ul style="list-style-type: none"> <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>	
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</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>These relationships are particularly important in the reporting of Exploration Results.</li> <li>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>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').</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 <math>30^\circ</math> 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 (<math>-45^\circ</math> to <math>-60^\circ</math>). 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>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.</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>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.</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>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.</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>The nature and scale of planned further work (eg tests for lateral extensions of depth extensions or large-scale step-out drilling).</li> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling area, provided this information is not commercially sensitive.</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 June 2017)

Name	Tenement ID	Registered Holder	Company's Interest <sup>1</sup> at		Royalty <sup>2</sup>	Area (hectares) at	
			31 Mar 2017	30 Jun 2017		30 June 2017	30 March 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	Relinquished		-	0	2,456
	EP 032-XIII	PMC	Relinquished		-	0	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	Relinquished		-	0	3,810
Apical	APSA 00028-XIII	Apmedoro	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%	-	0	162
	APSA 00077-XIII	Corplex	100%	100%	4% GSR	810	810
	EPA 00186-XIII	Corplex	100%	100%	3% NSR	7,111	7,111
Sinug-ang	EPA 00114-XIII	Salcedo / PMC	100%	100%	-	190	190
Coal Project	COC No. 196	PMC	Relinquished		-	0	4,000
	COC No. 197	PMC	Relinquished		-	0	5,000

### NOTES:

1. The tenement schedule highlighted have been relinquished.
2. Royalties payable to registered holders, aside from the prescribed royalties' payable to the Philippine government and the Indigenous People.
3. Awaiting for approval and confirmation by MGB of area reduction.

### ABBREVIATIONS:

#### Tenement Types

MPSA      Granted Mineral Production Sharing Agreement  
 EP        Granted Exploration Permit

APSA      Application for Mineral Production Sharing Agreement  
 EPA        Application for Exploration Permit

#### Registered Holders

PMC        Philsaga Mining Corporation  
 BMMRC    Base Metals Mineral & Resources Corporation  
 Phsamed   Phsamed Mining Corporation  
 Philcord   Mindanao Philcord Mining Corporation  
 Corplex    Corplex Resources Incorporated

Philex      Philex Gold Philippines Incorporated  
 Das-Agan   Das-Agan Mining Corporation  
 Apmedoro   APMEDORO Mining Corporation  
 Salcedo     Neptali P. Salcedo

#### Royalty

NPI        Net Profit Interest  
 NSR        Net Smelter Royalty

GSR        Gross Smelter Royalty