



# QUARTERLY ACTIVITIES REPORT

## PERIOD ENDED

### 30 JUNE 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)

**Gary Powell**  
(Manager Geology & Resources)

#### Capital Structure:

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

#### Listing:

**ASX** (Code: MML)

#### Address and Contact Details:

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## OVERVIEW:

### Co-O MINE PRODUCTION

- **Production:** 25,429 ounces at average head grade of 6.32 g/t gold (Mar 2016 quarter: 21,980 ounces at average head grade of 5.47 g/t gold) YTD: 108,578 ounces at average head grade of 6.40 g/t gold, revised guidance was 108,000 oz.
- **Cash Costs:** of US\$512 per ounce (Mar 2016 quarter: US\$494; YTD: US\$466)
- **AISC:** US\$1,088 per ounce (Mar 2016 quarter: US\$1,033; YTD: US\$999).
- **Mill Performance:** gold recovery averaged 94% (Mar 2016 quarter 94%).
- **Development:** Total advance was 4,501 metres of horizontal and vertical development (Mar 2016 quarter was 5,266 meters).
- **Mine Infrastructure Projects:**
  - **Service Shaft:** Blind sinking completed to 83 metres from the collar, leaving safety pillar with Alimak Raise. Sinking activities stopped while winder house and headframe are being erected.
  - **Main Levels and Winzes:** Developing three internal winzes from Level 8 to Level 10. The 29E and 17E Winzes are developed to L9. 12E Winze developed to L10 this quarter.
  - **Mine Ventilation:** New Primary fans are operational at 50% capacity, doubling the mines ventilation flow while the remaining development between levels is completed (75 meters).
  - **Mine De-watering:** Pumps ordered, rock work on levels 5 and 8 started.
- **Production Guidance (2016/17):**
  - Between 105,000 to 115,000 ounces produced (the ounce profile will be slightly back end loaded)
  - AISC of between US\$1000 to US\$1,100 per ounce

### Co-O MINE EXPLORATION

- **Underground resource drilling**
  - Level 8 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:** Ongoing reconnaissance activities within the mine environs
- **Bananghilig Deposit:** Resource modelling completed. Resource estimate nearing completion and expected to be reported during September 2016 quarter.

### COAL EXPLORATION

- Reconnaissance drilling of sub-bituminous coal seams completed. Results expected to be received and reported by the end of September 2016 quarter.
- Regional mapping of coal bearing stratigraphy completed

### CORPORATE & FINANCIALS

- Total cash and bullion on hand at the end of the quarter and year of approximately US\$22.0 million (approximately US\$16.8 million at 31 Dec 2015).

## PROJECT OVERVIEW

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

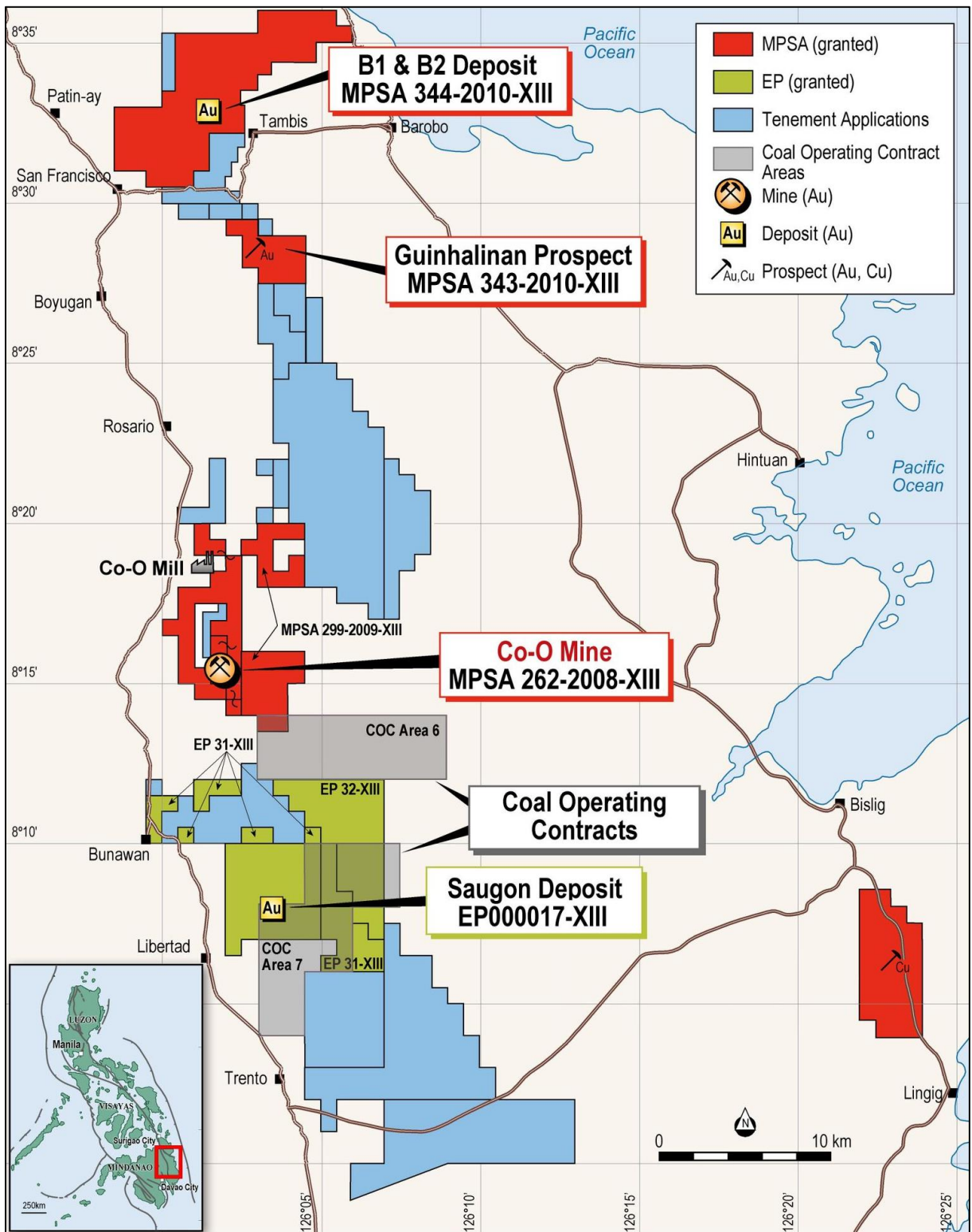


Figure 1. Location diagram showing the Company's Co-O mine and mill operations, tenement areas and main project areas

## Co-O MINE

### PRODUCTION

The production statistics for the 2015/16 financial quarters and year-to-date are summarised in Table I below:

**Table I.** Gold production statistics

Description	Unit	Qtr ended 30 Jun 2016	Qtr ended 31 Mar 2016	Qtr ended 31 Dec 2015	Qt. ended 30 Sep 2015	Year ended 30 Jun 2016
Ore mined	WMT	149,412	148,478	159,149	166,620	623,660
Ore milled	DMT	133,213	132,393	144,123	151,463	561,192
Head grade	g/t	6.32	5.47	6.79	6.80	6.40
Recovery	%	94%	94%	94%	94%	94%
Gold produced	oozes	25,429	21,980	29,674	31,495	108,578
Cash costs (*)	US\$/oz	\$512	\$494	\$435	\$439	\$466
Gold sold	oozes	25,519	20,999	30,835	31,176	108,529
Average gold price received	US\$	\$1,331	\$1,173	\$1,096	\$1,121	\$1,173

Note:

(\*) Net of development costs and includes royalties and local business taxes of approximately US\$93/oz (YTD: US\$82/oz)

The Company produced 25,429 ounces of gold for the quarter, at an average head grade of 6.32 g/t gold from 133,213 tonnes of ore. Compared to the March quarter this is a 15% improvement on grade at similar tonnage throughputs, resulting in 16% more ounces.

All-In-Sustaining-Costs ("AISC") for the June 2016 quarter was US\$1,088 per ounce of gold and includes discretionary exploration expenditure of US\$4.0 million. (YTD: AISC of US\$999 per ounce, including discretionary exploration expenditure of US\$9.3 million).

The June quarter and the full year AISC continue to be impacted by the one-off capital costs associated with:

- E15 Service Shaft (majority of winder-house, headframe, winder costs incurred in the June quarter);
- Capital work related to finalizing the ventilation expansion project and dewatering project; and
- Completion of the Stage 5 tailings storage damn (5 years' capacity).

The mine completed a total of 4,501 metres of development. This included 2,962 metres of horizontal development of which 2,157 metres was in ore, 328 metres on vein in waste and 477 metres in waste cross-sets. The remaining 1,539 metres was vertical development, 213 metres in primary winzes and 1,326 metres on stope development. Overall development was 15% less than the March quarter due to the hoisting constraints on the lower levels.

Ore mined totalled 149,412 WMT, same quantities of the previous quarter. The mill reconciled mined grade was 6.32 gpt for the quarter, a 15% quarter on quarter improvement driven by the availability of higher grade stopes in the pull-down cycle, more stoping ore broken and a reduced quantity of development ore mined.

The in-stope broken ore inventory as at 30 June 2016 was 66,800 DMT at 6.40 gpt. This is a 10% increase in volume over the 31 March 2016 inventory.

## **Production Shafts**

Overall material hoisted was down 15% from the previous quarter. The concentration of development headings and infrastructure projects on L8 is impacting the L8 Shaft. L8 Shaft required a higher level of maintenance for the quarter to change out some shaft guides. The Baguio and Agsao inclined shafts performed as planned.

Design work has been completed for extending the Agsao Inclined shaft from L5 to L8. Work will commence in July from L8 (upward) with an Alimak Raise. The Agsao extension will allow a further 300 tpd to be hoisted from L8 directly to surface.

The 29E Winze has been developed from L8 down to L9, with horizontal develop for the quarter included 30 metres of waste and 64 metres of on-ore advance.

The 17E Winze has been developed from L8 down to L9, with horizontal development of 25 metres on waste and 79 metres on-ore.

The 12E Winze developed from L8 has reached L10 this quarter. In July 2016 the sinking winder will be changed out to a production winder with the 2.4 tonne skip installed. 12E will focus on establishing L10 in advance of the Service Shaft completion. 29E and 17E will open up L9 from two accesses.

As at 30 June 2016, L9 has 5 active development drives and 2 stopes under development.

## **E15 Service Shaft**

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

- Blind sink to 83 metres from collar is complete. Stopped, leaving a 13 metre safety pillar between the shaft bottom and the Alimak raise driven from L8 to L3. Sinking / stripping the Alimak raise (from an opening of 2 metres x 2 metres to an opening of 3.2 metres x 3.65 metres) will recommence in October 2016.
- Erection of the headframe, winder-house, surface civils works, office, shops and high voltage (HV) electrical work progressed in the June quarter.
  - Winder-house steel building completed
  - Collar doors completed
  - Sinking deck installed in shaft
  - Headframe 30% erected. Completion date 30 July 2016
  - Offices and shop 80%. Completion date 15 July 2016
  - HV and substation started. Completion date 20 August
  - Winder-house internal installation. Completion date 20 August 2016
  - Main winder and stage winders in transit
  - Winder and stage winder installation and rope-up September to Oct 2016
  - Shaft stripping to start October 2016
- Progressing for June 2017 completion to L10.

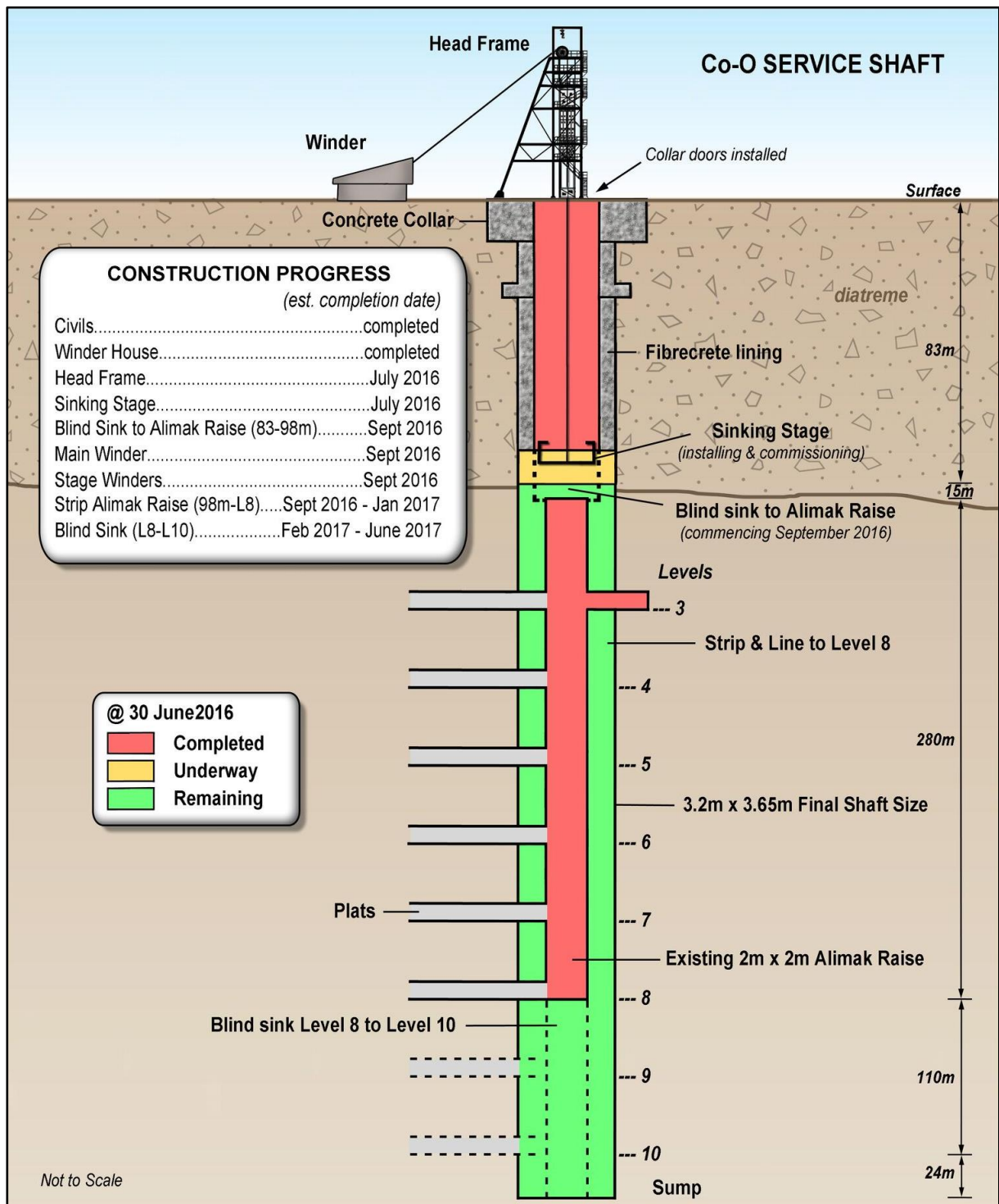


Figure 2. Service Shaft currently under construction - schematic progress diagram (including revised design to Level 10)



Photo 1: front left; winder house, front right; office and shop, back; headframe at 30%

## **New ventilation**

The mine ventilation plan will segment the mine into two divisions; above / below Level 6.

The 30W fans (Howden centrifugal) were dry commissioned in the previous quarter. One fan was operating by June 15<sup>th</sup>. With one fan running the Baguio shaft downcast flow has improved 300%, L3 3W Winze down casting has improved 200%, L2 10W Winze down casting has improved 200%, Agsao shaft down casting has improved 400%. There have been limited improvements below L6 until the remaining ventilation raises are completed.

L8 to L7, 18 metres completed, 31 metres remaining. L7 horizontal development completed. L7 to L6, 5 metres completed, 45 metres remaining. L6 to L5 pilot raise stripping 30 metres completed, 33 metres remaining. Once completed the second Howden fan can be started to up cast from the lower levels.

## **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. This will eliminate the need for future sump cleaning, taking more pressure off of the L8 Shaft. Three 90kW pumps have been ordered for a November delivery. Five 58kW secondary pumps have been ordered with a July-August delivery for coverage until the main pumps are installed. The rockwork has started on both the Level 5 and level 8 pump stations.

## **Production Guidance**

The production guidance for 2016/17 at the Co-O mine is expected to be:

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

The production guidance profile, quarter by quarter will be slightly back-end loaded for the financial year, driven by the higher level of development ore and infrastructure project waste rock required in the first 2 quarters.

An Independent Operations Review was completed in the June quarter, laying the foundation for the life of mine Planning process (“LOMP”); consolidating the mines long-range planning, scheduling with the Co-O mines long-range capital development infrastructure planning, to support the LOMP. This study supports the FY 2016-17 production guidance numbers.

The Co-O mine remains hoist capacity constrained until the E15 Service Shaft is completed by June 2017. Once completed the Service Shaft will take over 100% of manpower and materials movement, freeing up the L8 Production Shaft to be a 100% dedicated skipping shaft. For the next quarter the mine ventilation upgrade and mine dewatering project will be close to completion. Once completed we will start seeing a reduction in the sustaining capital project cost component of the AISC’s, mostly driven by the Service Shaft completion in June 2017.

## **HEALTH, SAFETY & ENVIRONMENT**

The Lost Time Accident Frequency Rate for full year ending 30 June 2016 was 0.53.

There were no environmental breaches during the June quarter.

## **Co-O MINE GEOLOGY**

### **Co-O Mine Drilling**

Drilling commenced during the June 2016 quarter from the L8-2W drill chamber and is targeting resource definition between Levels 8 to Level 12 (Fig 3). This program is targeting to increase and upgrade the current 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).

Underground diamond drilling continued using four large rigs for resource definition from drill chambers at Level 8 (L8-2W, L8-28E & L8-64E), and three smaller portable rigs for pre-development drilling at various levels throughout the mine.

Due to delays in accessing the L8-85E position, the L8-85E drill chamber is now anticipated to be completed in August.

For the June quarter a total of 16 drill holes were completed for an advance of 7,456.3 metres, of which resource definition drilling totaled 12 drill holes for an advance of 6,487.6 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, and cross sections in Figures 6 and 7.

**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 <sup>4</sup>	North <sup>4</sup>	RL <sup>4</sup>	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width <sup>2</sup> (metres)	Gold Grade <sup>1,3</sup> (uncut) (g/t gold)
<b>UNDERGROUND RESOURCE DRILLING - LEVEL 3</b>									
L3-17W-007	613892	913227	50	530	211	-28	525.15	1.00	5.22
L3-17W-010	613897	913226	51	419	171	-31	243.50	0.20	25.84
<b>UNDERGROUND RESOURCE DRILLING - LEVEL 5</b>									
L5-17W-002	613829	913084	-42	374	221	-23	104.10	0.45	9.75
							321.80	1.10	3.57
L5-17W-004	613834	913084	-42	278	164	-31	256.60	0.60	8.17
L5-40W-001	613590	913079	-40	522	208	-18	179.00	1.00	3.47
L5-40W-010	613595	913079	-41	523	178	-41	241.50	1.00	3.09
L5-40W-019	613595	913079	-41	84	149	-33	6.30	0.30	11.98
<b>UNDERGROUND RESOURCE DRILLING - LEVEL 8</b>									
L8-19E-021	614212	913137	-192	423	215	-8	379.00	0.30	11.41
L8-19E-022	614214	913136	-193	433	172	-30	117.20	0.55	20.54
							426.30	0.40	16.13
L8-19E-024	614214	913136	-193	488	173	-35	263.60	1.00	7.45
							271.25	0.70	10.88
L8-19E-025	614217	913136	-193	452	144	-22	130.50	0.50	7.09
							144.20	1.10	19.11
							160.60	0.30	83.88
							198.50	1.80	18.50
							345.30	2.40	11.12
							432.85	0.50	14.01
L8-19E-026	614217	913136	-193	458	149	-30	362.00	1.00	21.52
							364.90	1.00	4.43
L8-19E-029	614213	913136	-192	432	198	-41	221.80	0.35	15.58
L8-19E-030	614215	913136	-193	397	158	-33	125.15	0.20	15.08
L8-19E-033	614218	913135	-192	451	116	-7	60.50	0.25	13.93
L8-28E-002	614270	912864	-190	365	141	-30	34.00	0.35	12.20
L8-28E-005	614270	912864	-190	221	177	-17	216.25	0.25	15.69
L8-28E-007	614269	912864	-190	231	203	-24	86.00	0.30	19.21
							102.50	0.75	8.14
L8-28E-008	614270	912864	-190	254	163	-17	166.45	0.20	21.13
L8-28E-009	614271	912866	-190	375	132	-25	198.50	0.40	9.17
L8-28E-011	614268	912864	-190	350	220	-11	119.95	0.35	41.73
							134.30	0.25	22.20
							137.50	0.50	6.10
L8-28E-012	614270	912868	-189	350	228	-13	3.30	1.30	36.80
							61.75	0.75	7.53
							107.35	7.45	10.08
							122.05	0.90	48.83
							136.95	0.45	54.27
L8-45E-007	614464	913036	-190	413	160	-24	54.60	0.35	10.83
							218.80	0.30	15.40
L8-45E-008	614464	913036	-191	415	155	-23	73.10	0.40	13.93
							410.60	0.20	33.21
L8-45E-010	614464	913037	-190	341	192	-13	262.20	1.00	3.95
L8-45E-011	614464	913036	-190	392	164	-8	35.20	1.00	3.26
							89.75	0.45	6.97
							136.85	0.20	23.69
							353.45	1.00	15.98
L8-45E-012	614464	913037	-190	387	157	-7	376.15	0.35	10.57
L8-45E-013	614464	913036	-190	400	154	-18	29.60	1.00	3.32
							142.80	0.85	7.77
							384.05	0.50	8.77
L8-45E-014	614464	913036	-190	425	147	-16	219.10	0.40	8.73
							370.00	1.00	3.98



Hole Number	East <sup>4</sup>	North <sup>4</sup>	RL <sup>4</sup>	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width <sup>2</sup> (metres)	Gold Grade <sup>1,3</sup> (uncut) (g/t gold)
L8-45E-015	614464	913036	-190	398	174	-14	129.05	0.60	7.41
							170.80	0.50	10.77
L8-45E-016	614461	913045	-190	400	334	3	34.65	0.25	14.80
L8-45E-017	614467	913038	-191	203	123	-70	53.95	1.50	4.45
L8-45E-020	614465	913036	-189	181	200	-50	103.55	0.55	5.87
L8-64E-001	614726	913101	-188	487	186	-26	42.40	1.00	13.93
							126.55	0.20	19.93
							191.15	0.50	8.27
							233.70	0.80	5.67
L8-64E-002	614722	913104	-187	547	213	-14	42.40	1.00	13.93
							126.55	0.20	19.93
							191.15	0.50	8.27
							233.70	0.80	5.67
							479.90	1.30	5.96
							54.80	2.80	23.56
							61.35	1.75	16.61
							154.30	0.50	11.00
157.95	1.00	5.63							
176.95	0.55	5.73							
185.90	0.30	11.73							
244.70	0.30	51.87							
247.00	0.65	7.23							
277.25	2.05	23.31							
282.00	0.20	21.53							
484.95	1.00	4.27							
L8-64E-003	614726	913101	-188	524	191	-29	42.10	0.90	11.23
							233.25	0.25	16.30
							248.05	0.50	12.73
L8-64E-004	614722	913104	-188	629	209	-25	42.10	0.90	11.23
							233.25	0.25	16.30
							248.05	0.50	12.73
							482.30	0.35	12.77
							44.45	3.20	28.76
							143.50	0.80	6.13
							221.90	1.20	7.88
							254.05	1.00	6.52
277.05	1.45	3.93							
352.40	1.40	14.03							
423.85	0.45	30.37							
430.45	1.15	22.87							
473.15	0.75	5.23							
L8-64E-005	614725	913102	-188	617	199	-28	51.35	0.65	11.77
							239.35	0.45	57.73
							242.80	1.80	31.86
L8-64E-006	614725	913102	-188	572	199	-38	41.70	0.20	15.67
							234.75	0.55	8.03
L8-64E-007	614722	913104	-188	560	201	-36	49.30	0.95	7.50
							233.25	1.20	5.15
							358.60	0.80	21.33
							499.35	0.35	266.90

**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.

- 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;
  - high-grade samples ( $\geq 300$  g/t gold) within composited interval are individually reported;
  - $\geq 3$  gram-metres, and
  - maximum of 1.0 metre of down-hole internal dilution at  $\leq 3$  g/t gold.
- 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.

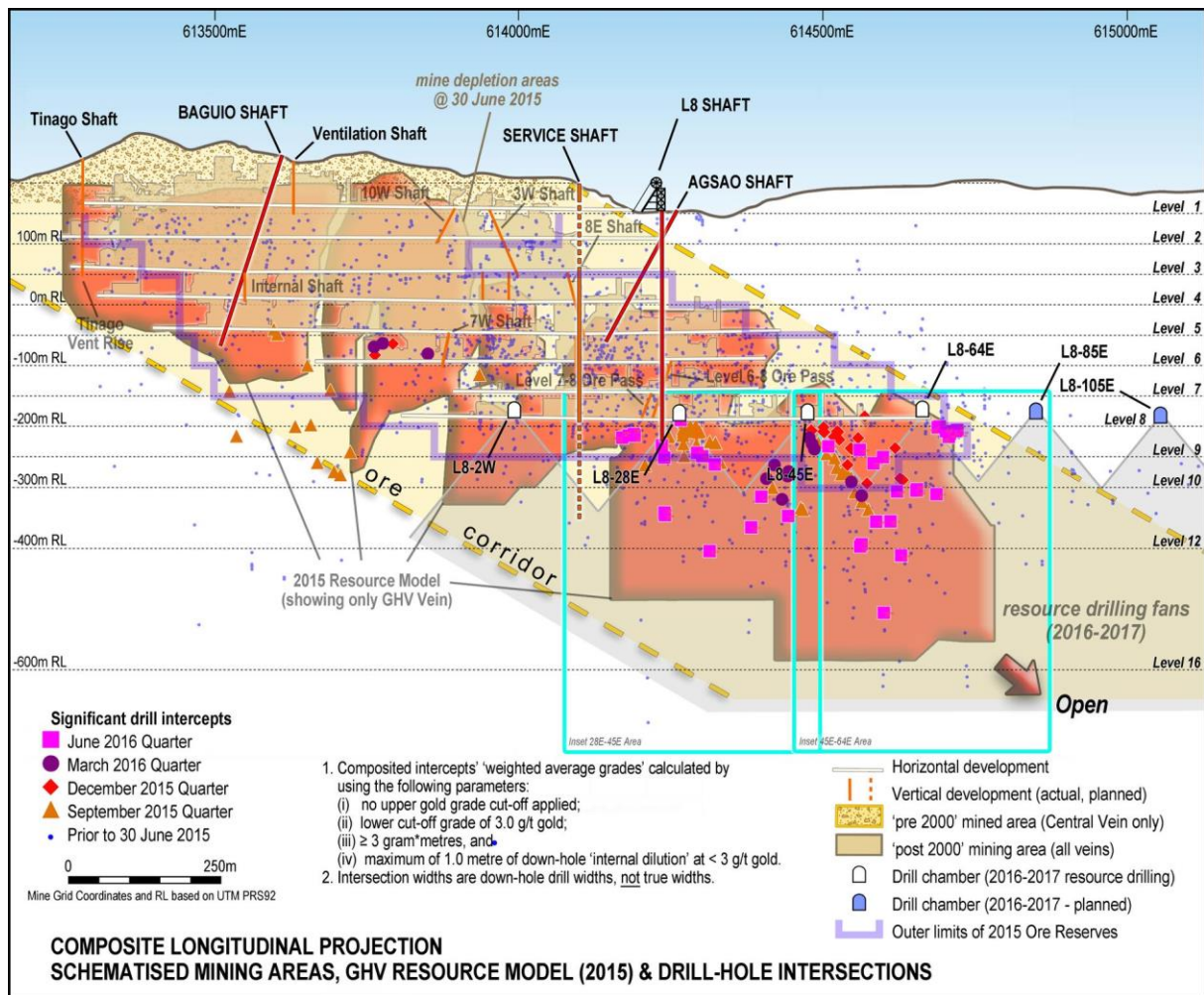


Figure 3. Co-O Mine Longitudinal Projection showing composited mining depletion, vertical development, Ore Reserves limits, and significant drill intercept locations (including previously reported).

Figures 4 and 5 show significant intercepts obtained during the June 2016 quarter as well as other significant intercepts obtained from previous drilling, demonstrating the high quality of these intersections and the robustness of the resource to date. Most importantly, the geological continuity of the multiple veins is also validated as the drill density increases and this is further illustrated in the accompanying cross-section views, figures 6 & 7.

Table III is a summary of significant intercepts obtained during the first three quarterly periods of the 2016 financial year.

Figures 6 and 7 are schematic cross-sections through the mine, from Levels 8 to Level 14, at 614480mE and 614720mE (i.e. at positions of two drill chambers, L8-45E and L8-64E respectively), showing the resource model wireframe, drill hole traces, and recent significant intercepts, within a +/- 40 metres window.

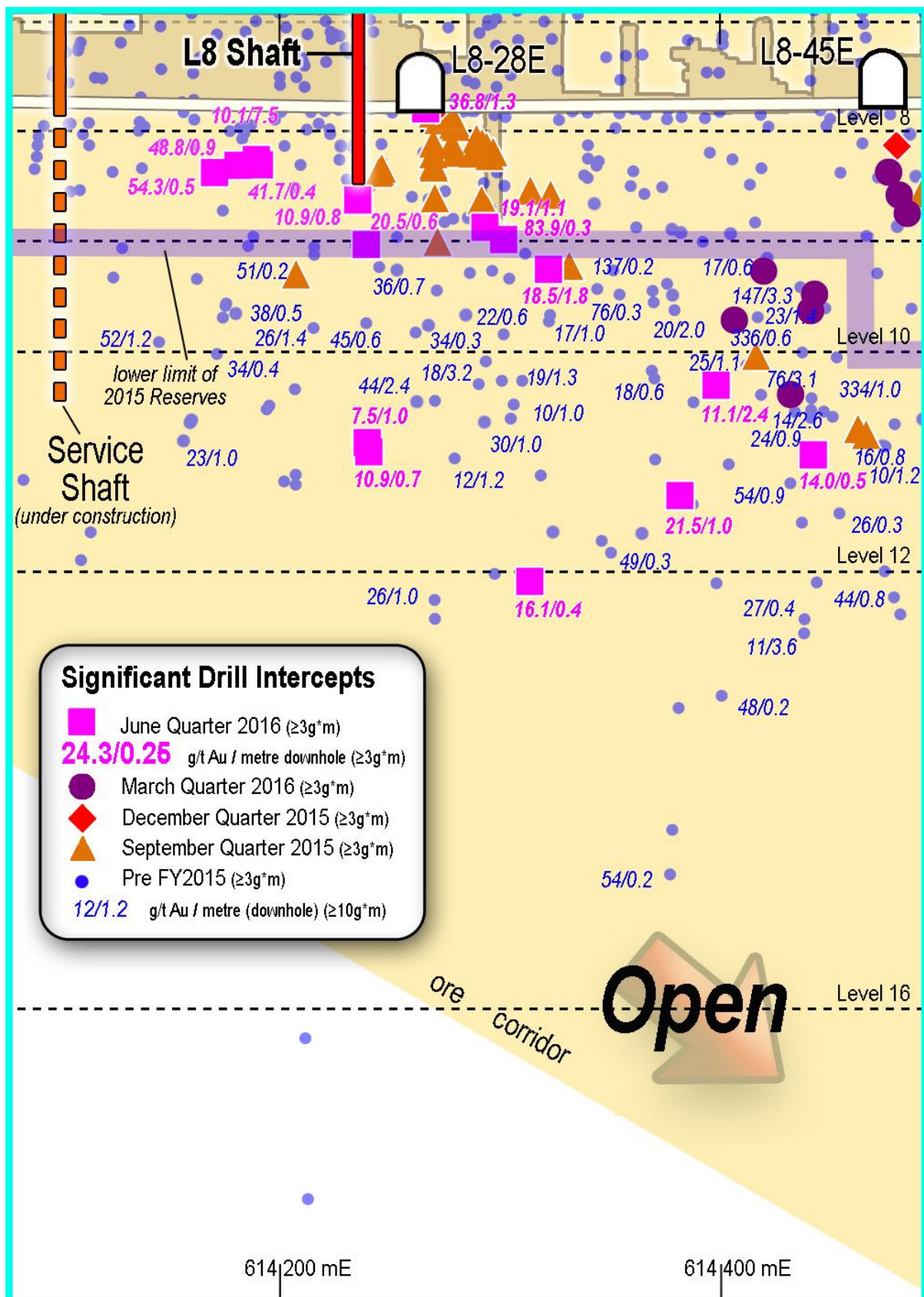


Figure 4. Inset 28E-45E – Significant intercepts obtained during the June 2016 quarter and significant intercepts obtained from previous drilling, beneath the lower limits of the June 2015 ore reserves.

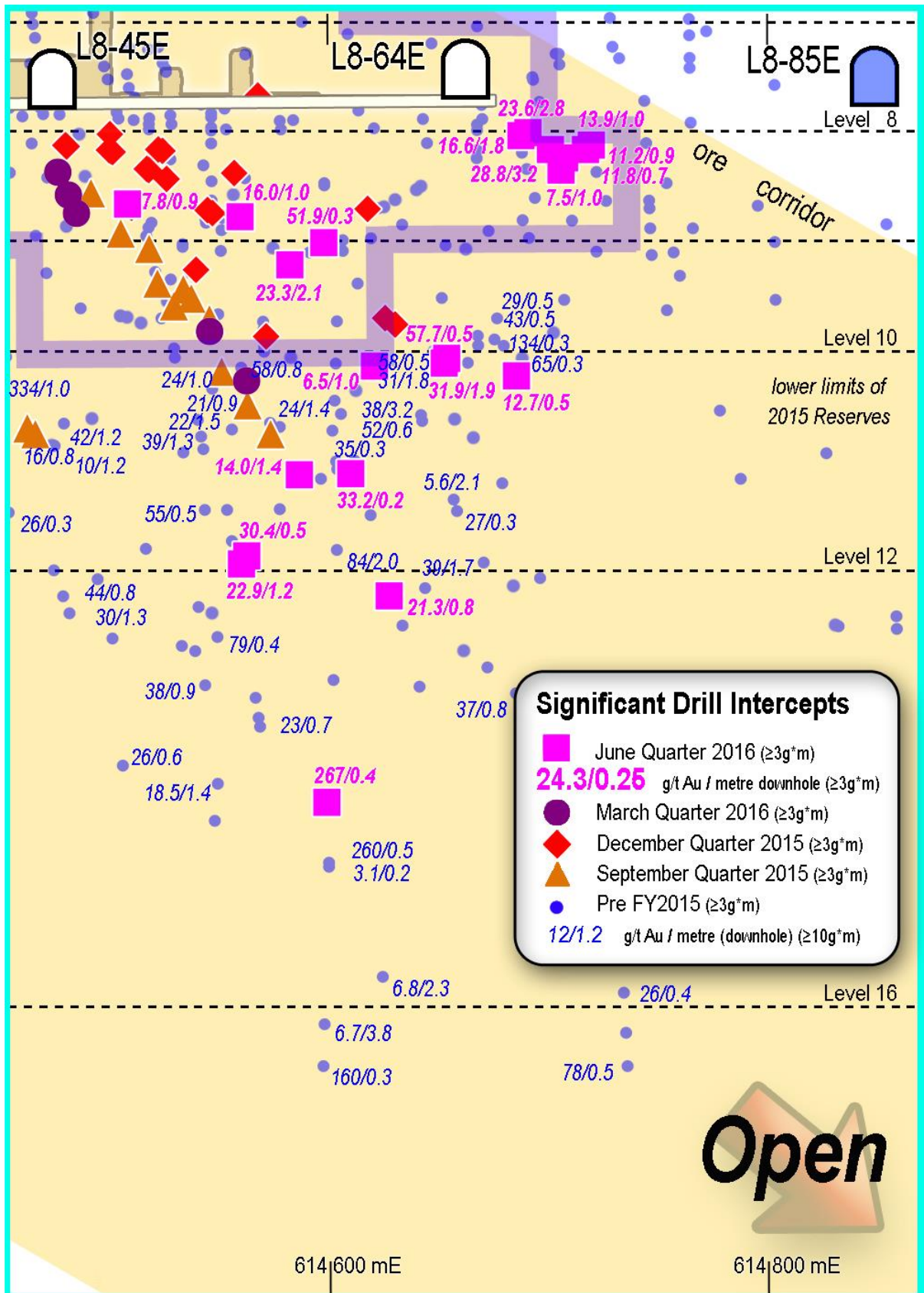


Figure 5. Inset 45E-64E – Significant intercepts obtained during the June 2016 quarter and significant intercepts obtained from previous drilling, beneath the lower limits of the June 2015 ore reserves.

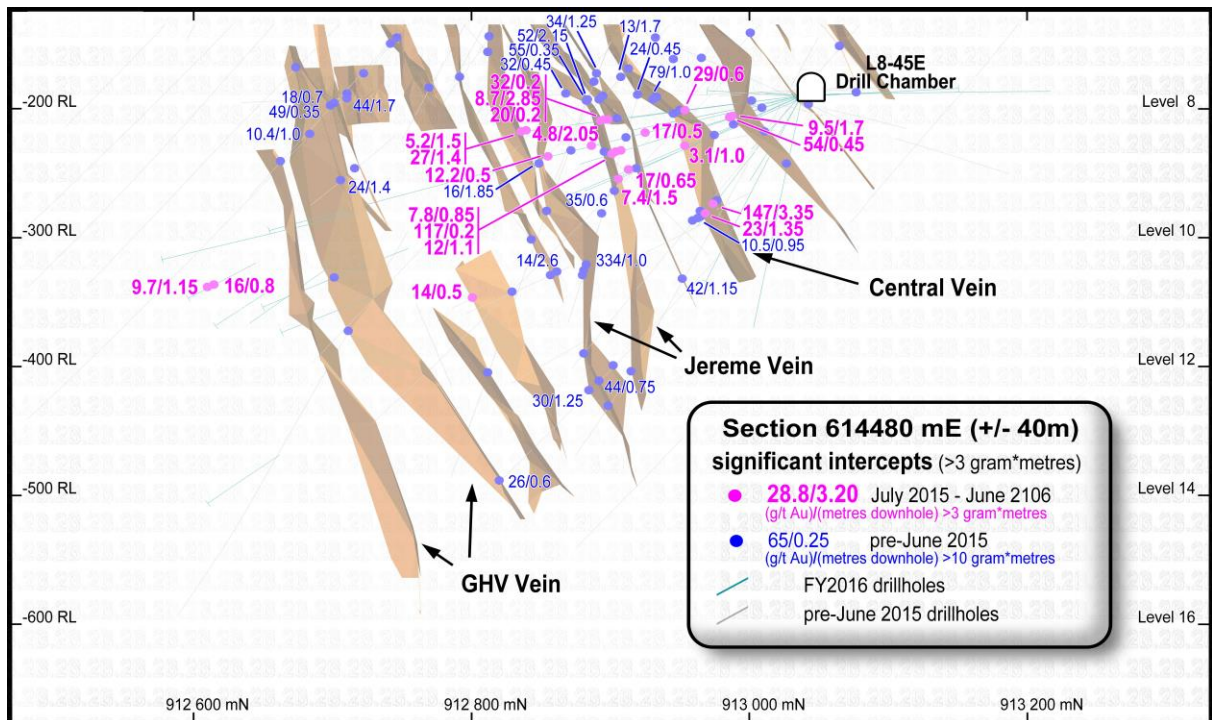


Figure 6. Schematic cross-section at 614480mE, showing the resource model wireframe, significant intercepts obtained from the June quarter and previous drilling, within a +/- 40m window.

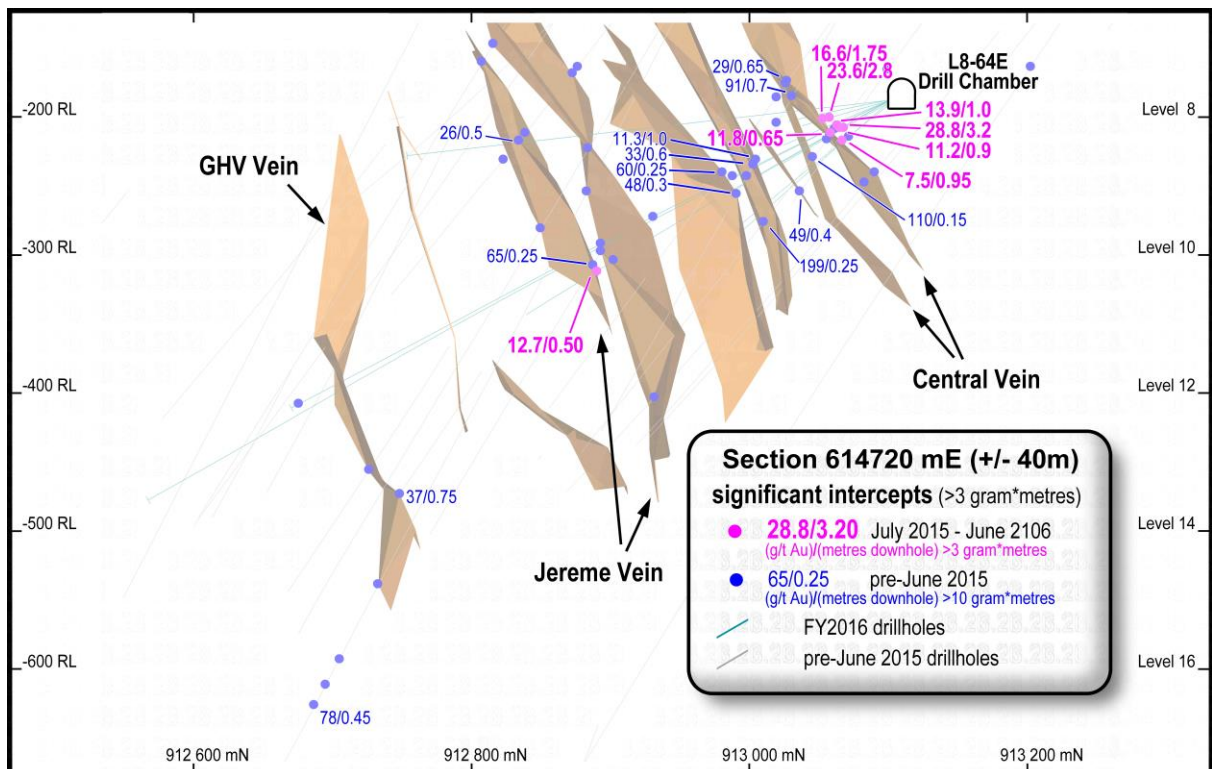


Figure 7. Schematic cross-section at 614720mE, showing the resource model wireframe, significant intercepts obtained from the June quarter and previous drilling, within a +/- 40m window.

Table III. Co-O Mine underground drill hole results  $\geq 3$  gram-metres/tonne gold (01 Jul 2015 to 31 Mar 2016\*)  
(Refer Appendix A for JORC Code, 2012 Edition - Table 1 Report)

Hole Number	East <sup>4</sup>	North <sup>4</sup>	RL <sup>4</sup>	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width <sup>2</sup> (metres)	Gold Grade <sup>1,3</sup> (uncut) (g/t gold)
<b>UNDERGROUND RESOURCE DRILLING - LEVEL 3</b>									
L3-17W-009	613893	913226	50	507	204	-37	469.45	1.15	7.19
L3-17W-010	613897	913226	51	419	171	-31	168.40	1.05	6.21
							292.00	0.80	4.43
							306.85	1.45	25.00
							313.40	1.40	12.69
L3-17W-012	613897	913226	50	502	172	-42	376.75	1.15	15.73
L3-17W-013	613895	913226	50	500	193	-40	244.45	1.00	4.17
<b>UNDERGROUND RESOURCE DRILLING - LEVEL 5</b>									
L5-17W-001	613831	913086	-43	380	278	-19	323.70	1.00	5.09
L5-17W-002	613829	913084	-42	374	221	-23	58.00	1.00	7.27
							107.30	1.00	8.36
L5-17W-004	613834	913084	-42	278	164	-31	74.00	0.90	8.53
L5-17W-005	613830	913083	-43	405	237	-19	66.70	1.70	4.15
							84.90	1.10	11.19
L5-40W-004	613591	913078	-40	498	184	-6	265.55	2.35	6.54
L5-40W-011	613595	913079	-40	513	173	-30	328.60	0.60	10.33
L5-40W-013	613596	913079	-41	500	150	-44	348.90	1.10	6.79
L5-40W-014	613595	913079	-38	522	150	-48	327.05	0.45	36.78
L5-40W-015	613596	913079	-39	381	149	-39	18.40	1.00	7.88
							339.25	0.70	10.26
L5-40W-016	613596	913079	-41	513	162	-42	333.30	1.30	7.96
L5-40W-017	613596	913079	-41	413	165	-29	331.35	0.70	55.50
L5-40W-018	613595	913079	-41	402	148	-27	138.45	1.00	20.72
							233.10	0.80	18.11
L5-40W-019	613595	913079	-41	84	149	-33	4.10	1.00	5.84
L5-40W-020	613595	913079	-41	348	194	-38	292.90	1.00	50.70
<b>UNDERGROUND RESOURCE DRILLING - LEVEL 8</b>									
L8-19E-025	614217	913136	-193	452	144	-22	29.65	0.40	12.81
L8-19E-028	614217	913136	-193	435	164	-36	226.80	2.40	44.23
L8-19E-029	614213	913136	-192	432	198	-41	141.35	0.50	38.40
							220.30	0.40	14.53
							235.20	1.00	22.75
L8-19E-030	614215	913136	-193	397	158	-33	172.55	0.30	33.58
							251.20	1.00	30.00
							345.60	0.80	4.18
L8-19E-032	614217	913135	-193	489	152	-32	27.95	0.20	50.04
							104.05	1.20	4.78
							176.00	0.60	21.53
							373.95	0.55	5.54
L8-19E-033	614218	913135	-192	451	116	-7	383.15	1.75	6.03
							387.20	1.20	16.63
							402.25	0.85	19.45
L8-19E-034	614218	913135	-192	470	116	-15	151.85	1.50	4.24
							194.70	1.40	3.66
							199.25	1.40	6.84
							246.65	1.75	5.08
							347.30	0.80	3.85
							350.65	0.95	10.52
L8-19E-035	614213	913136	-192	444	194	-15	334.65	0.95	66.16
							375.75	1.00	29.33
L8-28E-002	614270	912864	-190	365	141	-30	1.35	2.15	17.03
							10.55	1.20	4.45
L8-28E-003	614271	912863	-190	104	149	-16	2.00	0.35	21.27

Hole Number	East <sup>4</sup>	North <sup>4</sup>	RL <sup>4</sup>	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width <sup>2</sup> (metres)	Gold Grade <sup>1,3</sup> (uncut) (g/t gold)
L8-28E-004	614271	912864	-191	271	158	-17	5.30	0.50	6.37
							9.30	0.60	9.03
							24.80	0.80	112.81
							27.85	1.00	4.08
							73.60	0.40	126.02
							126.80	1.50	20.26
L8-28E-005	614270	912864	-190	221	177	-17	19.15	0.50	20.38
							58.00	0.65	5.12
							69.00	1.00	3.79
							141.05	0.25	97.90
							153.50	2.10	11.41
							158.90	1.00	3.07
L8-28E-006	614270	912864	-190	221	174	-18	7.80	2.50	4.27
							53.65	0.35	24.63
							69.35	0.80	35.31
							85.75	0.50	16.65
							89.55	1.00	20.03
							136.50	1.00	14.62
L8-28E-007	614269	912864	-190	231	203	-24	69.45	0.35	117.60
							72.40	0.40	16.76
							74.00	0.60	64.08
							100.90	1.20	128.06
							187.75	0.20	81.35
L8-28E-008	614270	912864	-190	254	163	-17	70.65	0.30	25.46
							239.65	0.20	136.63
L8-28E-009	614271	912866	-190	375	132	-25	11.35	0.45	50.07
							33.80	0.65	9.18
							42.10	1.00	5.24
							48.10	0.35	147.55
							266.30	1.00	4.50
							348.40	0.80	15.95
L8-28E-010	614271	912866	-190	380	130	-30	13.40	0.30	19.29
							32.55	0.65	13.30
							80.90	1.70	5.85
L8-45E-004	614469	913041	-190	137	124	3	121.35	0.45	166.98
L8-45E-007	614464	913036	-190	413	160	-24	95.45	1.00	3.12
							142.00	0.65	17.33
							200.25	0.85	5.18
							227.25	0.65	29.82
							305.35	1.00	24.36
							346.45	0.90	20.90
L8-45E-008	614464	913036	-191	415	155	-23	154.90	1.50	7.44
							199.90	0.50	20.62
							209.65	1.65	16.04
							233.10	1.30	3.64
L8-45E-011	614464	913036	-190	392	164	-8	143.45	0.20	32.12
							145.20	2.85	8.68
							149.50	0.20	19.74
							205.50	1.50	5.21
							209.00	1.40	26.55
							238.20	0.80	12.50
							349.80	2.90	10.98

Hole Number	East <sup>4</sup>	North <sup>4</sup>	RL <sup>4</sup>	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width <sup>2</sup> (metres)	Gold Grade <sup>1,3</sup> (uncut) (g/t gold)
L8-45E-012	614464	913037	-190	387	157	-7	92.00	0.90	29.39
							146.10	0.50	65.80
							149.90	2.25	35.12
							229.70	1.80	19.28
							374.50	0.35	60.46
L8-45E-013	614464	913036	-190	400	154	-18	53.30	1.70	9.51
							55.85	0.45	53.78
							146.55	0.20	116.52
							149.50	1.10	12.35
							245.35	0.55	13.11
							350.55	0.85	10.47
L8-45E-014	614464	913036	-190	425	147	-16	160.90	0.30	62.03
							165.15	1.05	26.39
							325.15	0.30	30.17
							334.30	1.00	226.60
L8-45E-015	614464	913036	-190	398	174	-14	115.25	0.50	17.30
							155.00	2.05	4.81
							188.20	0.50	12.23
L8-45E-018	614468	913037	-191	200	124	-45	139.00	2.95	19.59
							171.25	1.05	4.55
L8-45E-020	614465	913036	-189	181	200	-50	105.80	3.35	146.52
							116.25	1.35	22.82
							163.00	3.10	76.24
L8-45E-021	614464	913036	-191	272	215	-44	104.95	0.60	17.17
							137.05	0.55	336.20

**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.
- 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;
    - high-grade samples ( $\geq 300$  g/t gold) within composited interval are individually reported;
    - $\geq 3$  gram-metres, and
    - maximum of 1.0 metre of down-hole internal dilution at  $\leq 3$  g/t gold.
  - 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.

The above results consolidated on long-section figures 3-4-5 and cross-sections figures 6 and 7, give a more representative depiction of the drill data shown on tables II & III. The guidance for the FY 2016-17 resource drilling will remain at the meterage levels achieved in the June 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.

In the mine operations section 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.



## **Co-O SURFACE EXPLORATION**

### **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**

A detailed geological re-interpretation of the B1 deposit was completed during the March 2016 quarter. During the June quarter, various activities, such as QAQC studies (including survey, analytical, and small-scale mining depletion audits), and data verification have been completed. Geostatistical analysis, modelling and estimation of a mineral resource are nearing completion. A JORC Code 2012 compliant mineral resource estimate is expected to be completed, and reported during the September 2016 quarter.

## **REGIONAL EXPLORATION**

Regional exploration during the June quarter was limited to low impact reconnaissance activities throughout the tenement portfolio.

## **COAL EXPLORATION**

The reconnaissance diamond drilling program commenced in November 2015 was completed in May 2016. During the June 2016 quarter, eight (8) drill-holes were completed for a total advance of 785 metres. No results have been received during the June 2016 quarter. It is anticipated that all results will be received during the September 2016 quarter and reported accordingly. Location plans and summaries of significant intercepts will be reported at the end of the September 2016 quarterly period.

## **CORPORATE**

The Philippines Department of Environmental & Natural Resources, through Memorandum Order No 2006-01 dated 8 July 2016, requires mining companies to be ISO14001 certified.

Medusa’s Philippine entities’ are ISO14001 certified on 23 June 2016.

## FINANCIALS

As at 30 June 2016, the Company had total cash and cash equivalent in gold on metal account of approximately US\$22.0 million (31 Mar 2016: US\$16.8 million).

The Company sold 25,519 ounces of gold at an average price of US\$1,331 per ounce in the June 2016 quarter (YTD: 108,529 ounces sold at an average price of US\$1,173 per ounce; Mar 2016 quarter: 20,999 ounces sold at an average price of US\$1,173 per ounce).

During the June 2016 quarter, the Company incurred;

- exploration expenditure of US\$4.0 million (YTD: US\$9.3 million; Mar 2016 quarter: US\$0.6 million);
- US\$3.8 million on capital works (inclusive of new Service Shaft) and associated sustaining capital at the mine and mill (YTD: US\$17.2 million; Mar 2016 quarter: US\$3.9 million);
- US\$5.3 million on continued mine development (YTD: US\$25.6M; Mar 2016 quarter: US\$6.1 million); and
- corporate overheads of US\$1.6 million (YTD: US\$5.9 million; Mar 2016 quarter: US\$1.2 million).

In addition to the expenses highlighted above, which form part of AISC of US\$999 per ounce for the year (Mar 2016 quarter: AISC of US\$1,088 per ounce), the Company also expended cash totalling around US\$11.5 million in the following areas during the financial year:

- net movement of indirect value added tax (refundable in tax credits) of approximately US\$4.2 million;
- increase in warehouse inventory and stockpiles of around US\$5.3 million;
- net reduction in creditors/borrowings of around US\$1.5 million;
- provisional income tax paid of approximately US\$0.5 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 Gary Powell, and is based on information compiled by Philsaga Mining Corporation's technical personnel. Mr Powell is a member of The Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy. Mr Powell is Manager 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 Powell 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 June 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 31 March 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		