



MEDUSA MINING LIMITED

ABN: 60 099 377 849

Unit 7, 11 Preston Street
Como WA 6152

PO Box 860
Canning Bridge WA 6153

Telephone: 618-9367 0601
Facsimile: 618-9367 0602

Email: admin@medusamining.com.au
Internet: www.medusamining.com.au

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The Manager
Australian Stock Exchange Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam,

Co-O GOLD MINE EXTENSIONS, PHILIPPINES

- **DRILLING EXTENDS Co-O VEINS FOR 250 METRES ALONG STRIKE FROM RESOURCES**

Current resources in the Main Vein to the Co-O Gold Mine are 241,000 ounces at a grade of 29.7g.t Au west of the Oriental Fault.

Philsaga Mining Corporation ("Philsaga") has advised that diamond drill holes MD 1 to 6 have established gold mineralised veins for approximately 250 metres to the east of the Oriental Fault.

This extension of the Co-O Veins should lead to the establishment of a number of new stopes outside the current resource/reserve envelope and the estimation of significant additional resources as the drill hole data are verified by underground development.

- **NEW GOLD BEARING VEINS**

Detailed surface mapping and sampling have identified a number of new gold bearing veins, east of and generally parallel to the Co-O Vein and within a radius of a few kilometres. All veins have surface characteristics which are very similar to the Co-O Vein discovery outcrops.

First diamond drill hole MD 8 in Co-O East Extension Vein intersected 0.64 metres @ 14.11 g/t Au.

Additional new discoveries and extensions to known veins are expected to continue.

1. Co-O VEIN EXTENSIONS EAST OF ORIENTAL FAULT

Medusa has been advised by Philsaga that it has completed six diamond drill holes, MD1 to 6, east of the Oriental Fault, as shown on Figure 2. Philsaga is exploring around the Co-O Gold Mine to identify additional sources of ore.

These six holes confirm the extension of high grades in the Co-O vein system for approximately 250 metres to the east of the Oriental Fault which was the previously defined eastern limit to the Co-O Gold Mine's stoping on the Main Vein,

Re-logging and sampling of drill core indicated that several holes intersected a third and parallel hanging wall vein ("HW Vein"). Details of the vein geology suggest that these intersections in the HW Vein are at the very upper part of the vein, as probably are most of the intersections in the other veins east of the Oriental Fault, and that the veins are expected to develop further at depth..

All the intersections east of the Oriental Fault are listed below:

Hole	East	North	Azimuth	Dip	From	Intersection g/t Au
MD 1	613,862	912,907	75	46	164.60	VEIN 1: 1.20m @ 13.46
					178.00	VEIN 2: 1.65m @ 28.54
MD 2	613,948	912,850	23	53	199.40	VEIN 1: 2.60m @ 45.19
					221.60	VEIN 2: 11.70m @ 21.30
MD 3	614,000	912,847	23	60	102.90	HW VEIN: 1.50m @ 9.91
					242.90	VEIN 1: 1.00m @ 0.64
					260.50	VEIN 2: 1.70m @ 5.85
MD 4	614,000	912,847	23	50	141.20	HW VEIN: 3.90m @ 12.35
					181.50	VEIN 1: 2.10m @ 1.70
					205.60	VEIN 2: 1.10m @ 8.63
MD 5	614,060	912,800	23	45	201.00	VEIN 1: 1.80m @ 1.77
					229.50	VEIN 2: 0.80m @ 3.41
MD 6	614,240	912,810	350	45	267.25	VEIN 1: 0.27m @ 3.81
					270.22	VEIN 2: 0.68m @ 6.47

True widths in holes MD1 to 3 are currently estimated to be approximately 25 to 30% of the down hole widths and in MD 4 to 6 are estimated at approximately 25 to 35%. Cross-sections for holes MD 1 to 4 are shown on Figure 3.

Brecciation is present in many vein sections in holes MD 3 to 6. Comparison between drilled grades and mined grades in the mined section of the Co-O Main Vein indicates that drilled grades are generally at least half the mined grades.

2. NEW VEINS

(a) Surface descriptions

As shown on Figure 4, a number of new vein systems have been discovered and are being defined within a short distance from the Co-O Gold Mine.

In outcrop the Co-O Veins consist of narrow quartz veins generally < 0.5 metre wide within an alteration envelope of clay-minor pyrite with rare accessory barite. At surface these veins all carry moderate gold values only, commonly in the 1 to 5 g/t Au range.

All the new vein discoveries are gold bearing at surface with grades to 13 g/t Au and similar surface alteration characteristics to the Co-O Vein above the mined sections. There is the expectation that when these veins are tested at depth by systematic diamond drilling additional discoveries of ore grades similar to those found at depth in the Co-O Vein may result.

Additionally, a conglomerate horizon containing quartz vein pebbles and cut by later veining in a number of places is being sluiced by local prospectors at several locations as shown on Figure 4. This horizon appears to be laterally extensive and part of the sequence hosting the quartz veins, but clearly demonstrates the presence of several ages of quartz veins containing gold mineralisation.

The current exploration program of surface mapping and diamond core drilling initiated by Philsaga will continue as the major exploration thrust around the Co-O Gold Mine with the objective to expand the Mineral Resource and to establish multiple mining operations from which to source ore feed to the Co-O Treatment Plant. This plant has recently operated at about 20% of its rated throughput capacity.

(b) **Drilling**

Diamond drilling with 2 rigs has commenced immediately east of the Agsao River on the Co-O East Extension Veins. The first 2 holes, MD 8 and 9 were targeted at the Co-O East Extension vein system where a number of veins assaying up to 7.70 g/t Au were located in trenching amidst abundant boulders of low temperature grey jasperoidal silica.

Hole MD 8 (Figure 4) intersected wide zones of silica-minor pyrite alteration cut by stockworks of quartz veinlets containing magnetite and chalcopyrite in volcano-sedimentary rocks, indicative of porphyry copper style alteration and assaying in the range from 0.1 to 0.4 g/t Au and 0.1 to 0.3% Cu. Within these alteration zones are epithermal gold-rich veins and epithermal styles of silica, with the best vein intersection in MD 8 containing 0.64m at 14.11 g/t Au from 121 metres which is interpreted to correspond to surface vein samples assaying 7.70 g/t Au.

The drilling indicates that the intersections are in the upper parts of the Co-O East Extension epithermal vein system as indicated by the silica varieties and that gold grades appear to be increasing with depth. This is consistent with the Co-O Vein extensions intersected east of the Oriental Fault where geological interpolation is that the whole vein system has been downthrown and has been fully protected from erosion.

FURTHER INFORMATION

For further information contact the undersigned on +618 9367-0601 or by email to admin@medusamining.com.au Detailed descriptions of the Company's projects can be viewed on www.medusamining.com.au

Yours faithfully



Geoff Davis.
Managing Director

The information in the above announcement was compiled by Geoff Davis, who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Geoff Davis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Ted Coupland and Rick Adams of Cube Consulting, who are Members of the Australasian Institute of Mining and Metallurgy. Ted Coupland and Rick Adams have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 1999 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Ted Coupland and Rick Adams consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Cube Consulting is an independent Perth based resource consulting firm specialising in geological modelling, resource estimation and Information Technology.



Figure 1: Location diagram for Philippines projects

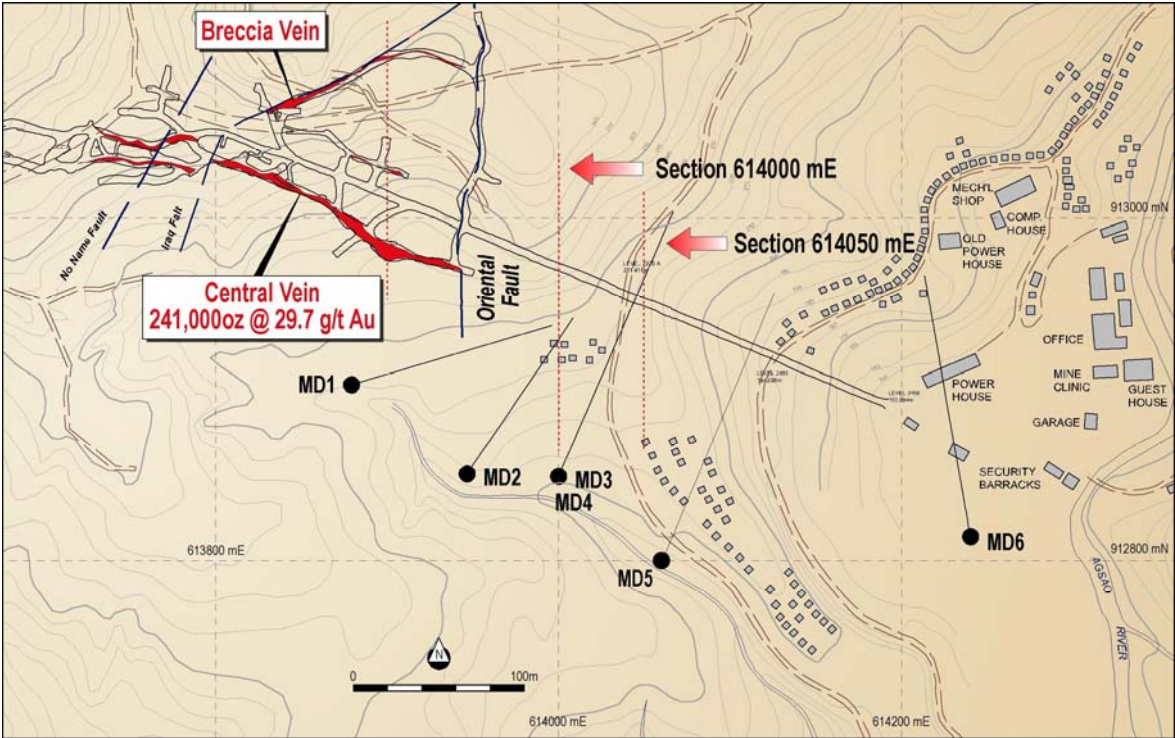


Figure 2: New Co-O Gold Mine surface diagram with Central Vein and eastern extensions

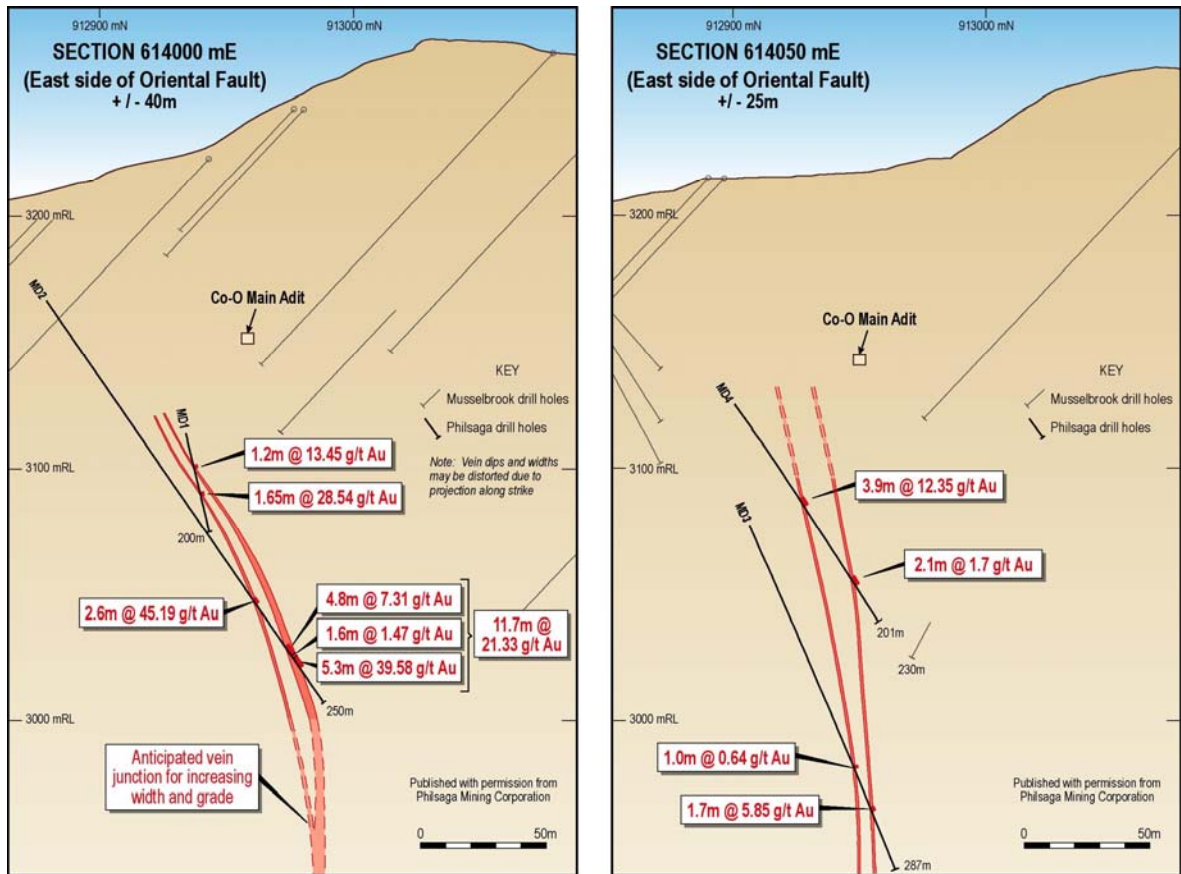


Figure 3: Cross-sections through the Co-O Gold Mine and to the east of the Oriental Fault

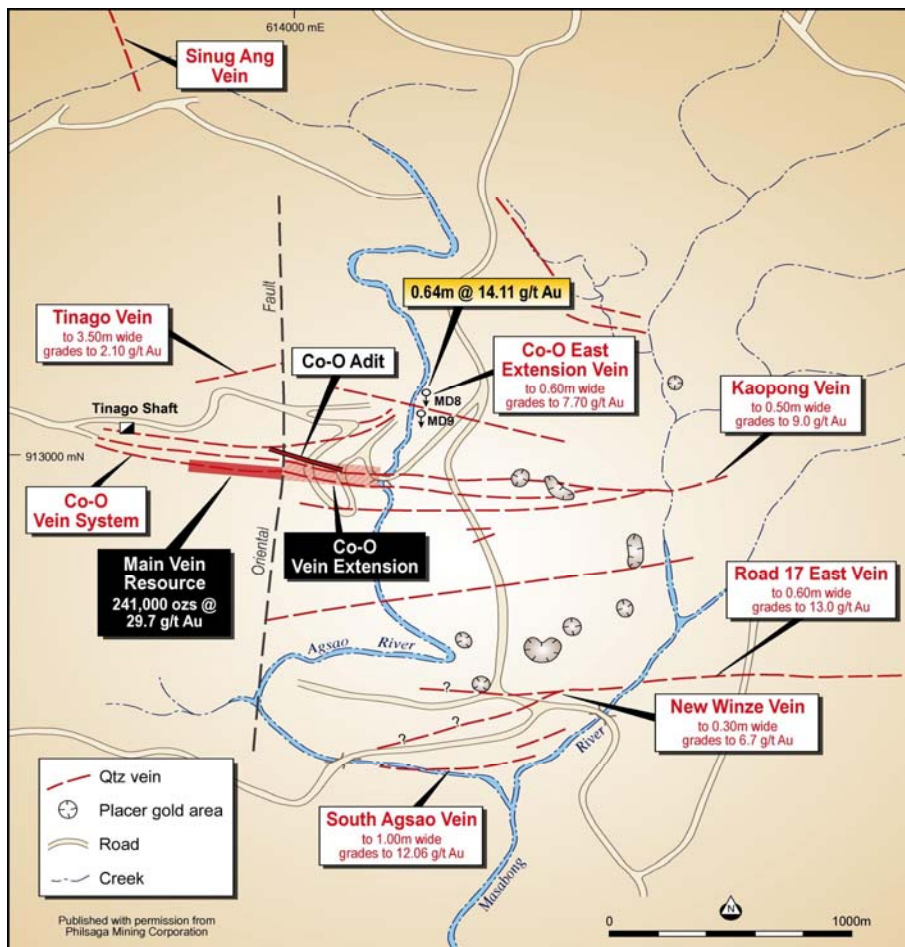


Figure 4: Surface map of veins around the Co-O Gold Mine