



MEDUSA

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The Manager
Australian Stock Exchange Limited
Level 4
20 Bridge Street
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Dear Sir/Madam

Co-O MINE DEEPS DRILLING - HIGH GRADE INTERSECTIONS CONTINUE WITHIN THE 1.5 KM LONG VEIN SYSTEM

Medusa Mining Limited (“Medusa” or the “Company”), the Australian based company operating and developing gold mines in the Philippines, advises that it has continued to intersect high grade veins during the continuing deep drilling programme of the Co-O Deposit within the 1.5 km long vein zone. The results confirm extensions of high grade veins to depth below the Central Vein for over 200 metres west of the Oriental Fault and extends the high grades along strike for over 300 metres east of the Oriental Fault. In addition the on-going drilling is outlining the significant potential of numerous parallel veins.

The results from new drill holes MD 25-34 (and MD 20-24 announced in February 2007) re-inforce the Company’s expectations for the potential size and grade of the Co-O Deposit. Some of the new significant intercepts include:

Intercepts	Grade
2.70 metres	87.16 g/t gold
2.80 metres	15.35 g/t gold
2.30 metres	19.30 g/t gold
2.10 metres	15.65 g/t gold
1.40 metres	14.89 g/t gold
1.50 metres	13.73 g/t gold
0.60 metres	37.93 g/t gold
1.30 metres	16.45 g/t gold

DRILLING RESULTS

Programme description

The Company commenced a diamond drilling programme in December 2006 which is designed to intersect the Co-O Mine vein system at approximately 100 metres below the current bottom of the mine (level 2950 metres) which is approximately 200 metres below the adit to the mine (level 3150 metres). Holes are being spaced at approximately 50 metre intervals along strike, but the intersection depth and position of each drill hole is dependent on topographic constraints. Two deeper drill holes at approximately 250 to 300 metres vertically below the adit level have also been completed and other deeper tiered holes may be completed as required to confirm vein orientations. Each drill hole has been surveyed every 50 metres downhole using a multishot digital camera.

The first five holes (MD 20-24) were reported on 28 February 2007 and subsequently holes MD 25-34 (excluding MD 33) have been completed. Drilling is continuing.

A surface map showing the position of the drill holes is contained in Figure 1 and the longitudinal projection for the Central Vein with selected intersections is shown in Figure 2. Intersections of more than 4 g/t gold from all drill holes are presented in Table I. The lower grade intersections are important because of the variability of grades within the veins and because they define gold mineralised veins requiring further investigation. Numerous other intersections in the 2 to 4 g/t gold range are not included in Table I but these are used extensively to demonstrate vein continuity in interpretations.

It is important to note that drilling of narrow epithermal veins at best generally provides only an indication of the presence of the gold mineralised vein and rarely provides good quantitative data with respect to accurate grade and volume estimations for some or all of the following reasons:

- Veins commonly pinch and swell and may be brecciated or displaced by faults;
- Gold distribution is commonly erratic, in shoots or controlled by structures within the vein; and
- Drill core recovery can be reduced because of the brecciation and soft unconsolidated material and hence the recovered material may not be representative of the material drilled.

Consequently, the Company regards the initial drilling as indicative only and operates the policy of using drilling to locate the extent of the mineralised veins. This is then followed by level development to support the drilling results, to provide a more accurate estimate of vein grades and to facilitate the estimation of resources.

Table I: Summary of drilling results for holes MD 20 to MD 34 for intersection grades >4 g/t gold

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
PREVIOUSLY REPORTED DRILL RESULTS (MD 20 - 24)							
MD 20	614099	913092	-51	214	230.10	1.50	16.75
					250.25	0.85	4.22
					265.90	0.45	7.19
					290.70	0.60	4.92
					311.40	4.70	57.66
					323.10	1.70	15.76
					333.10	1.50	4.65
					337.05	4.55	6.98
					352.20	0.80	11.41
					359.60	0.80	4.14
					361.55	1.55	15.23
381.95	0.35	15.56					
MD 21	614120	913134	-50	214	41.40	0.70	13.53
					185.90	1.80	5.04
Hole stopped at 268.10 m							
MD 23	614120	913134	-56	214	45.20	1.70	8.30
					190.80	1.40	14.77
					349.10	0.40	7.98
MD 22	614025	913188	-45	210	135.50	0.55	30.95
					161.60	0.30	14.50
					324.15	0.65	8.78
					360.80	4.80	8.19
MD 24	614026	913190	-55	210	281.25	0.55	21.47
					357.75	1.25	12.38
					407.60	0.60	4.76
NEW DRILL RESULTS (MD 25 - 34)							
MD 25	614160	913120	-49	210	309.60	1.00	5.82 (*)
					393.05	0.50	19.88
					400.25	1.85	4.13
					410.40	0.25	11.54
MD 26	614003	913253	-48	211	165.00	1.50	5.13
					359.75	0.65	8.74
					364.20	0.25	16.02
					412.70	0.85	6.15
MD 28	614200	913075	-48.5	212	199.70	0.20	9.18
					246.70	0.70	8.62
					295.20	0.40	11.69
					320.50	2.80	15.35
					346.50	0.30	4.93
					412.55	2.10	15.65
MD 29	613942	913243	-45	211	356.70	1.00	9.47
MD 31	613842	913223	-49	200	221.10	0.30	18.08
					325.30	1.40	14.89
					330.50	1.50	13.73
MD 32	614254	913017	-51	217	282.10	0.80	5.75
					313.80	2.30	19.30
					321.10	1.30	16.45
MD 33	613388	913279	-52	181	Pending		
MD 34	614285	912923	-50	227	242.40	0.60	37.93 (*)
					304.20	1.10	8.18 (*)
					354.30	2.70	87.16 (*)

Note: McPhar Geoservices Inc. assays are quoted; and (*) Awaiting check assays from McPhar

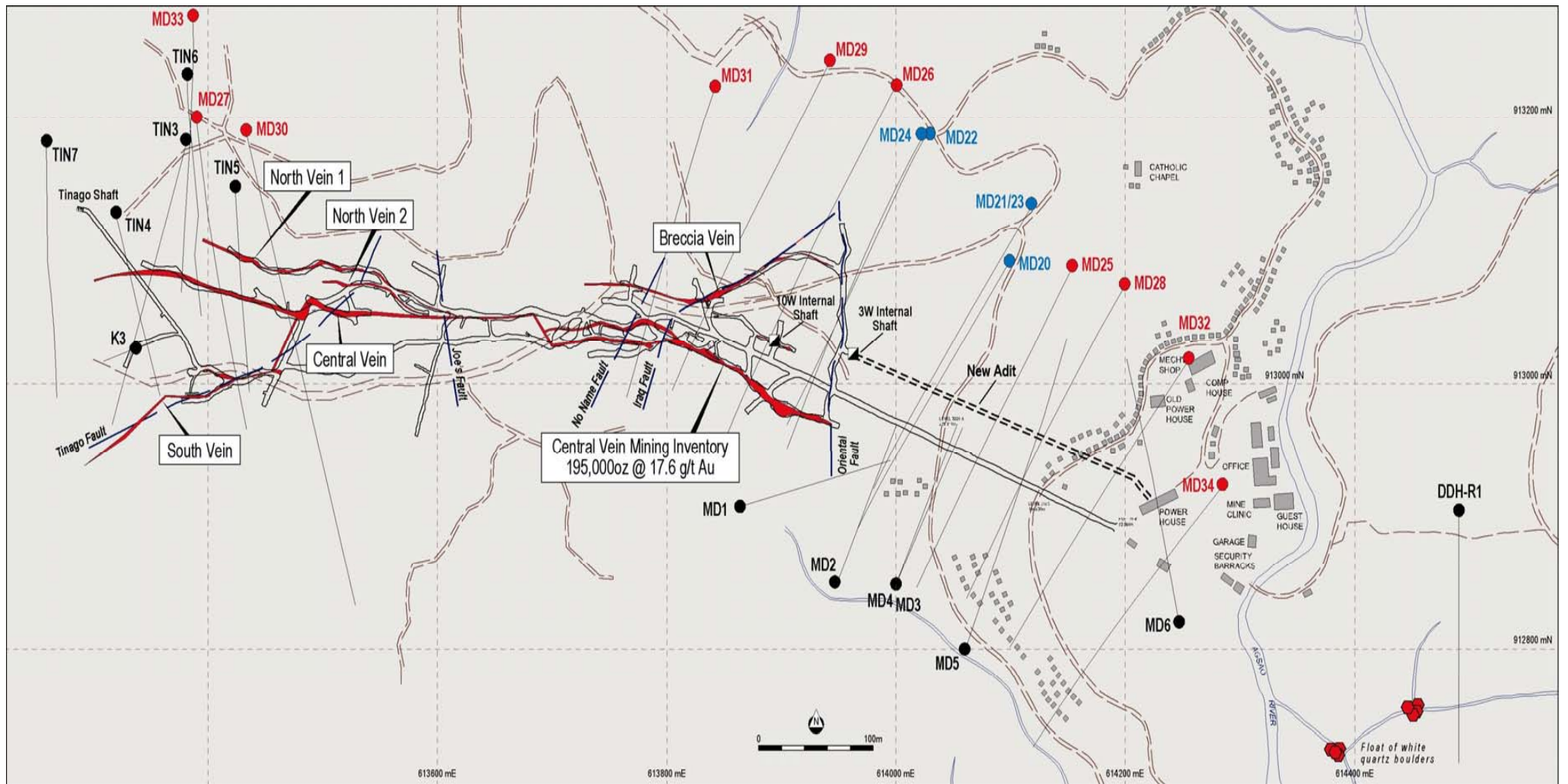


Figure 1. Location map showing adit level workings and drill holes MD 20 to 34.

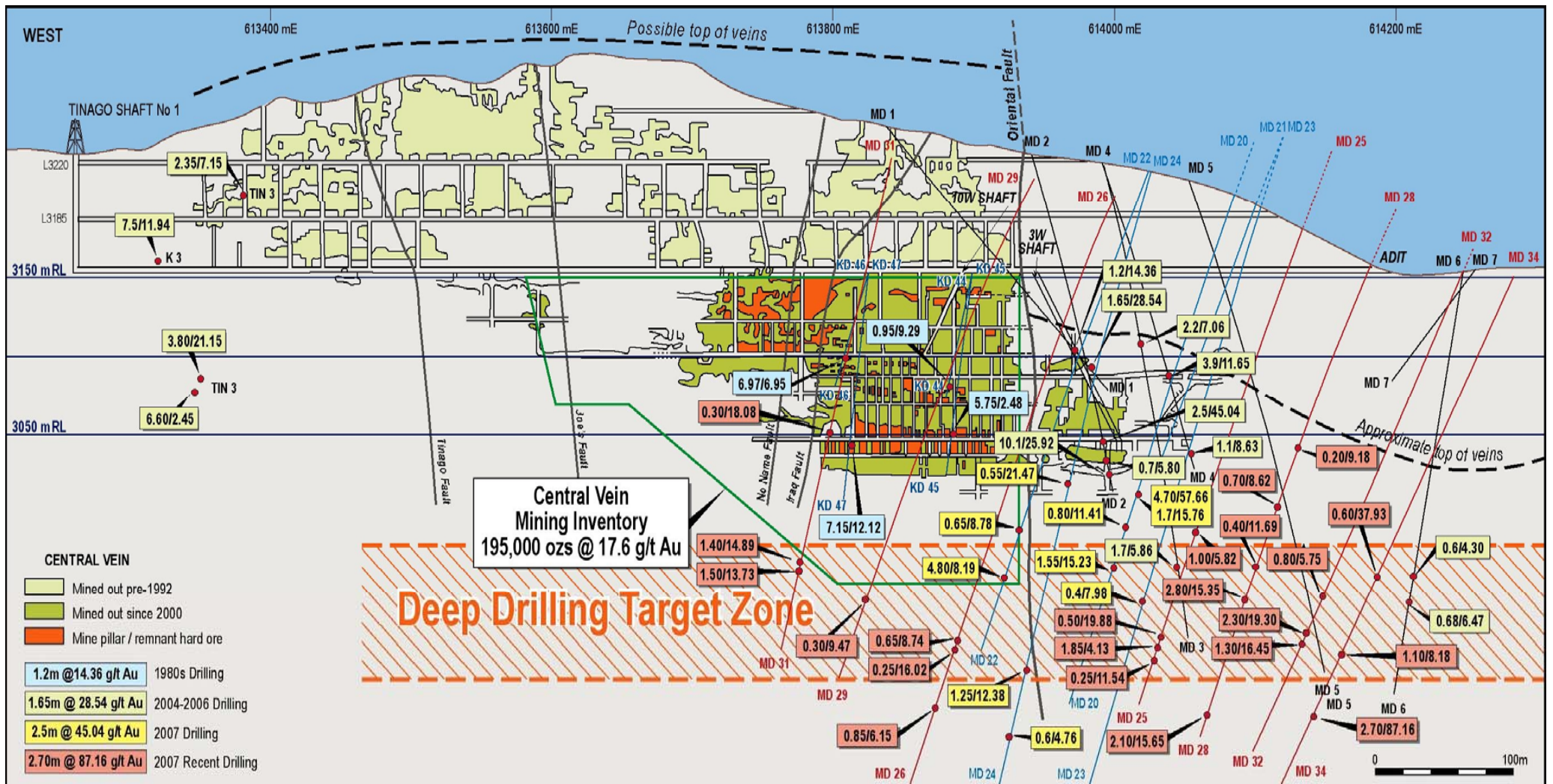


Figure 2. Co-O Mine Central Vein longitudinal projection

Drilling east of the Oriental Fault

Results are contained in Table I. A discussion on the Co-O vein system is contained in the 28 February 2007 announcement.

MD 25 intersected 10 veins with grades over 2 g/t gold, most of which can be correlated with the intersections in holes MD 20 and 23 on the next section to the west. In general the grades are lower and the reasons for this will be determined when underground development along the veins is undertaken.

MD 28 intersected twelve veins with grades over 2 g/t gold as well as the three high grade veins. Again the lateral continuity appears to be good from along strike interpretations.

MD 32 intersected a total of twelve veins with grades over 2 g/t gold including the veins with over 4 g/t gold as shown in Table I.

MD 34 intersected a total of three veins with grades over 2 g/t gold including the veins with over 4 g/t gold listed in Table I and the highest grade drill intersection achieved to date at the project being 2.70 metres containing 87.16 g/t gold.

Drilling west of the Oriental Fault

Results are contained in Table I.

Hole MD 26 intersected a total of seven veins with grades over 2 g/t gold including the veins with over 4 g/t gold listed in Table I. Of particular note are the high grade intersections adjacent to the lower boundary of the previous resource estimate.

Hole MD 29 intersected two veins with grades over 2 g/t gold.

Hole MD 31 intersected a total of seven veins with grades over 2 g/t gold including the veins with over 4 g/t gold listed in Table I. Of particular note are the two high grade intersections near the previous resource boundary which highlight the potential for resource extensions.

Drilling west of the Oriental Fault in the Tinago area

Holes MD 27, 30 and 33 have been completed in the Tinago area seeking to extend the intersection contained in TIN 3 of 3.80 metres at 21.15 g/t gold. To date this has not been successful (MD 33 results pending), except for 0.60 metres at 2.47 g/t gold in MD 30, based on an interpreted westerly-trending gold bearing structure. It is planned for drilling to be undertaken at a different orientation as recent surface and underground work has identified possible north-easterly and north-westerly mineralised structures.

Sampling and Assaying

All samples were taken from mainly HQ sized and some NQ sized drill core. The selected sample intervals were halved by diamond saw and half the core was bagged, numbered and sent to the Company laboratory. In a small number of cases to confirm the geological logging, the selected interval was re-split and ¼ core re-submitted for assay.

Initial sample preparation and assaying was undertaken at the Company's on-site laboratory. Samples were dried at 105°C for 6 to 8 hours, crushed to less than 1.25 cm by jaw crusher, re-crushed to less than 3 mm using a secondary crusher followed by ring grinding of 700 to 800 grams of sample to nominal less than 200 mesh. Barren rock wash is used between samples in the preparation equipment. The samples were assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5 g/t gold were re-assayed using gravimetric fire assay techniques on a 30 gram sample.

The majority of samples which contained more than 0.5 metres at more than 2 g/t gold were re-assayed by McPhar Geoservices Phils Inc ("McPhar"), a NATA registered laboratory in Manila. The pulps were airfreighted to McPhar who fire assayed 30 grams of sample using AAS finish and a selected number of samples were checked using gravimetric fire assay techniques.

When reporting results, where available, the McPhar assays have given priority over the Company laboratory's results.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Geoff Davis', is written over a light pink rectangular background.

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.