



MEDUSA

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

Dear Sir/Madam,

Co-O MINE UPDATE, DEVELOPMENT and RESEARCH

Medusa Mining Limited ("Medusa" or "The Company"), the Australian based company operating and developing gold mines in the Philippines, advises that it anticipates achieving production of 10,000 ounces for the current June quarter (annualised 40,000 ounces). Re-estimation of the Co-O Mine resources is due in the third quarter.

Development

Continuing development on the 3050 metre level (100 metres below the adit level) confirms the vein interpretations from the first deep drill holes (MD 20 and 23) on the east side of the Oriental Fault as described in the announcement of 28 February 2007. Driving north from the bottom of the 3W shaft has intersected the North Vein, which was known on the west side of the Oriental Fault, and the new Edphil Vein which have both returned good grades. Figure 1 shows the 3050 metre level.

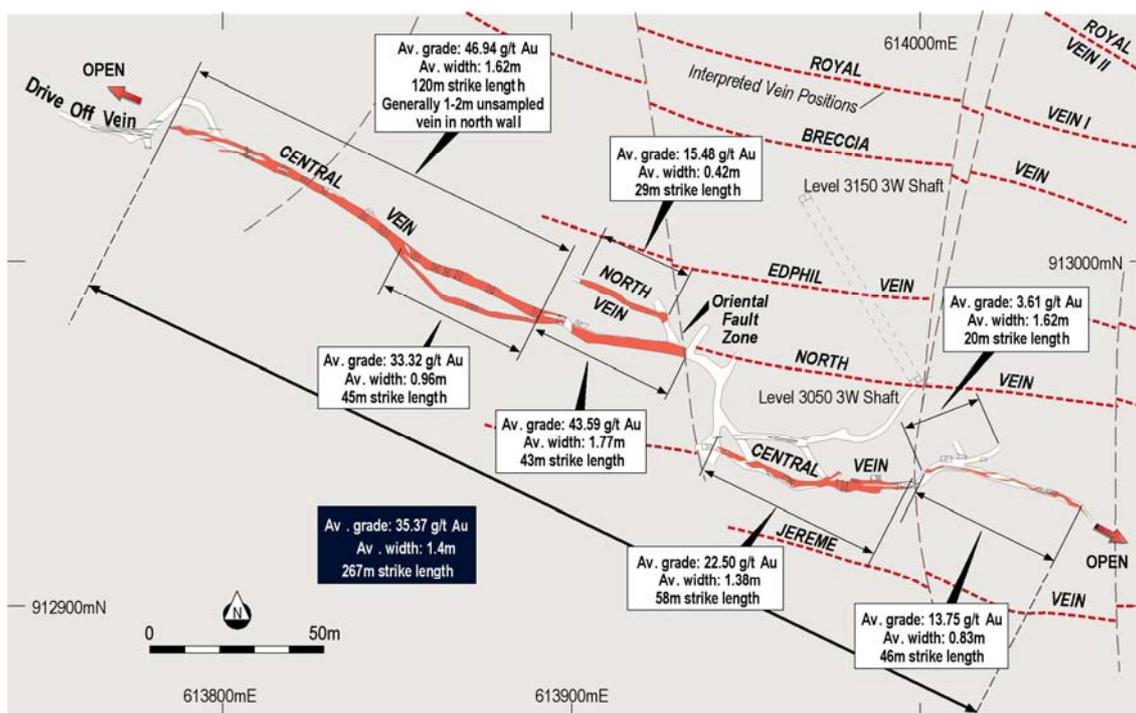


Figure 1. Co-O Mine 3050 metre level.

At the 3010 metre level, 140 metres below the adit level, development on the Central Vein has shown it is up to 4 metres wide, and generally averages in excess 20 g/t gold.



Plate 1. Photograph width approximately 4 metres of Central Vein on 3010 metre level.

The Central Vein consists of dominantly colloform white to bluish to greyish banded chalcedony (low temperature quartz), quartz and lesser calcite. It also contains natural cavities lined with quartz crystals, which in places are up to man-sized.

Plate 2 from the 3010 metre level shows bands of high grade **“black leaders”** (local terminology) which commonly contain gold grades of 200 to 400 g/t. The black leaders consist of sphalerite-galena-minor pyrite and rare chalcopryrite and are usually associated with colloform chalcedony and calcite.



Plate 2. Photograph of “black leader” bands in Central Vein banded and colloform quartz and chalcedony.

Research

The Co-O gold deposit is located in the northern section of a large alteration anomaly as determined by airborne magnetics and shown on Figure 2.

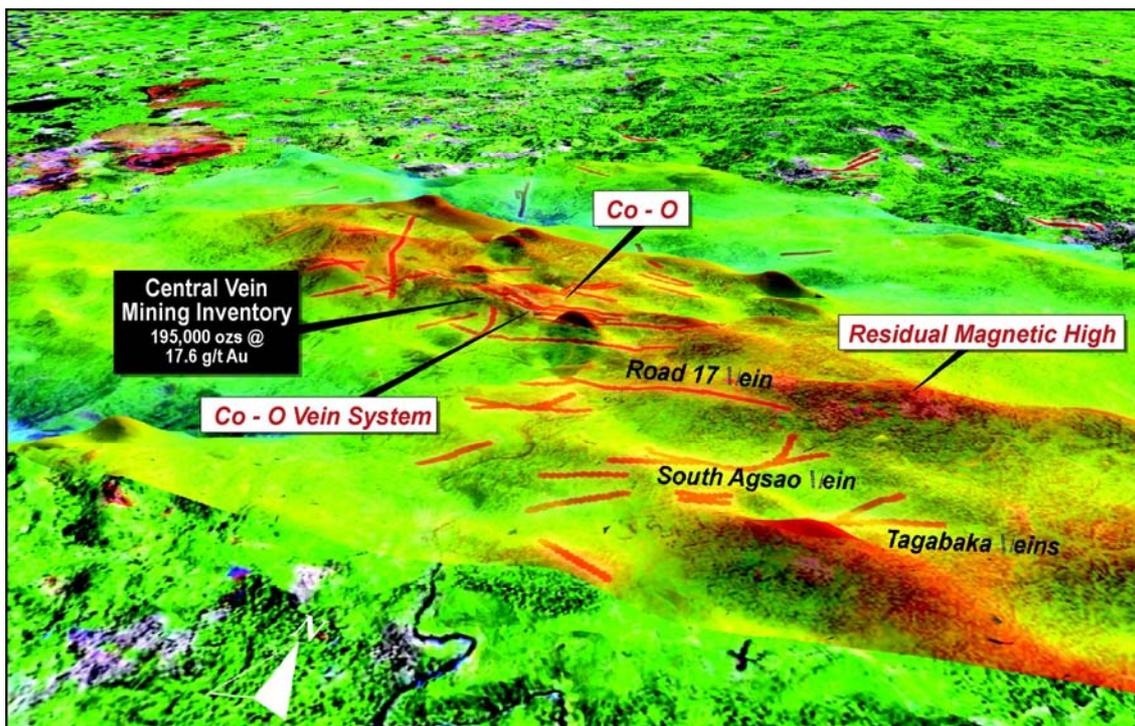


Figure 2. Residual aeromagnetic signature over the Co-O area.

In 2006 the Company, in cooperation with the Centre for Exploration Targeting at the University of Western Australia, contracted the services of a post graduate research geologist to undertake detailed studies, initially on the Co-O Mine followed by other deposits and prospects. The aim of the research is to understand the depth potential of the Co-O veins through determination of the temperature of vein deposition, vein and alteration mineralogies and other characteristics within the regional structural framework of the mineralising Philippine Rift Fault. In addition these results would be utilised to determine if they could be used as vectors to locate potential porphyry copper-gold intrusives which the Company interprets may be the source of mineralisation within the Co-O aeromagnetic anomaly.

In summary, the work to date has identified the following important features:

- The Co-O veins are comprised of two gold bearing phases, the first being a quartz-chalcedony ± calcite phase deposited at a temperature of approximately 180°C, and a second phase comprising blocky calcite-quartz ± barite likely deposited from boiling fluids in a temperature range of 200 to 250°C; and
- The top of the Co-O mineralisation formed most probably in the upper 300 metres of the crust and therefore the veins are essentially fully preserved (meaning the veins have been subjected to minimal erosion only). This implies that to date the drilling is in the upper levels of the vein system and that the vein system is still open at depth with two of the deepest intersections east of the Oriental Fault returning high grades (2.10 metres at 15.05g/t gold in MD 28 and 2.70 metres at 87.6g/ gold in MD 34) at approximately 300 metres vertically below the mine adit.

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.