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

16 July 2007

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

Dear Sir/Madam

BAROBO MINERALISED CORRIDOR

Medusa Mining Limited ("Medusa" or the "Company") advises that it has now received all sample results and assessments undertaken during the regional evaluation of the northern section of tenements in the Company's portfolio. The regional exploration initiative was referred to in the announcement of 27 June 2007 as being in progress.

This work has identified the newly designated **16 km long Barobo Corridor** which has a combination of features suggestive of a regional scale mineralisation system capable of hosting several different styles of gold deposits as well as porphyry copper-gold and related deposits.

These features include:

- the intersection of the regional scale mineralised north-northwest trending Barobo Fault with the Lianga Bay Fault which is interpreted to be the major focal point for the extensive Tambis area 9.5 km by 7.3 km aeromagnetically defined intense argillic alteration zone;
- the prominent Barobo Fault corridor extending southwards from the Tambis area appears to control numerous vein style and siliceous replacement gold occurrences with high grades in outcrops and boulders in favourable host rocks; &
- the presence of diorite and dacite intrusives exhibiting porphyry copper style alteration and shedding associated anomalous stream sediment copper values.

Barobo Corridor

The Barobo Corridor has been defined from remote sensing techniques including satellite imagery, aerial photography and aeromagnetics, as well as regional mapping, and surface sampling where appropriate. The aeromagnetics, regional mapping, pan concentrate and surface sampling were completed by the Company. All other information provided is historic. The Barobo Corridor is located at the northern end of the Company's tenements as shown on Figure 1.

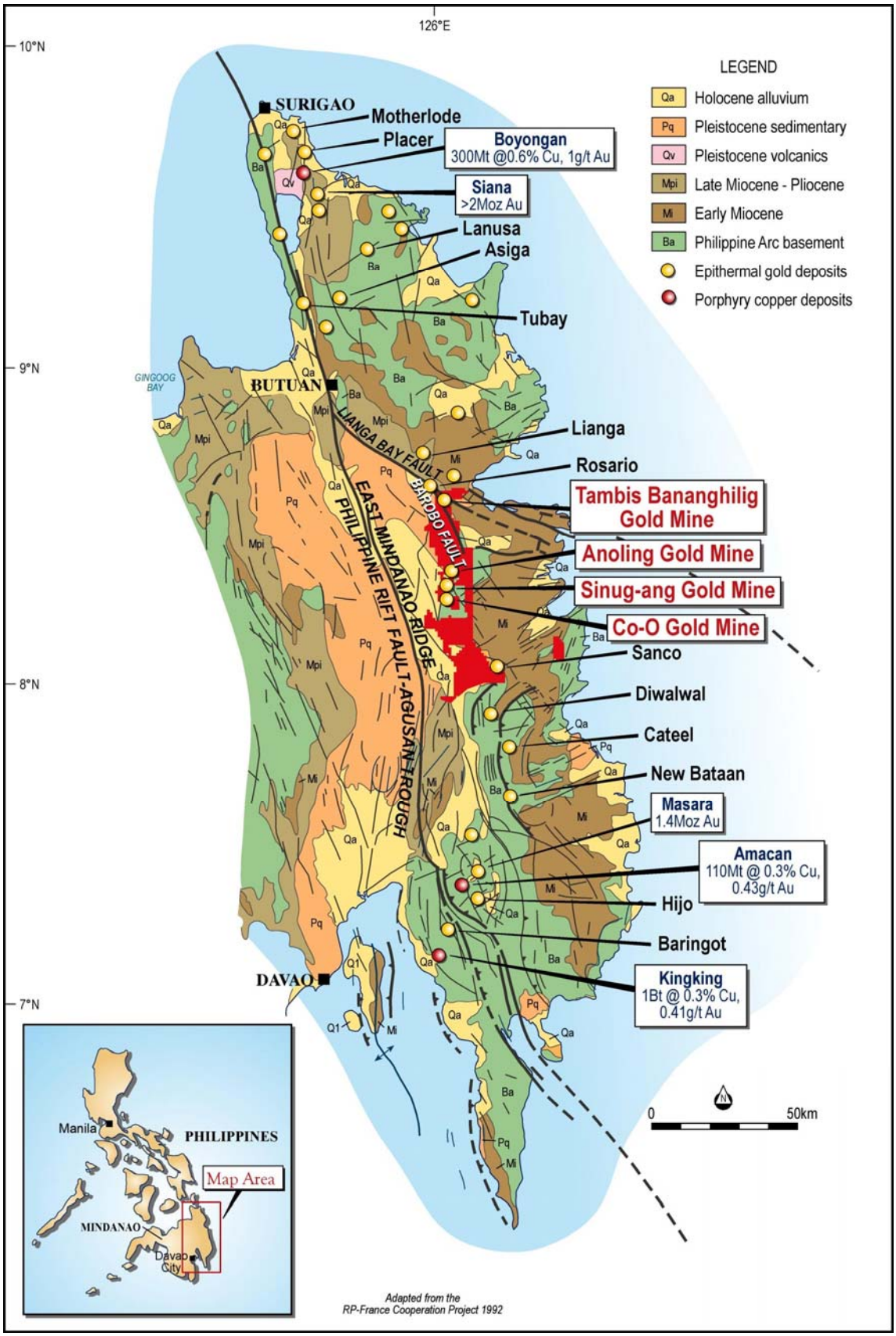

Figure 1: Map of the East Mindanao Ridge showing the regional structures and the position of the Company's tenements.

The Barobo Corridor extends over approximately 16 km (and open to the south) straddling a major fault named the Barobo Fault as shown on Figure 2 that parallels the main Philippine Rift Fault located approximately 25 km to the west.

The Barobo Fault is a significant aeromagnetic feature and is topographically distinctive.

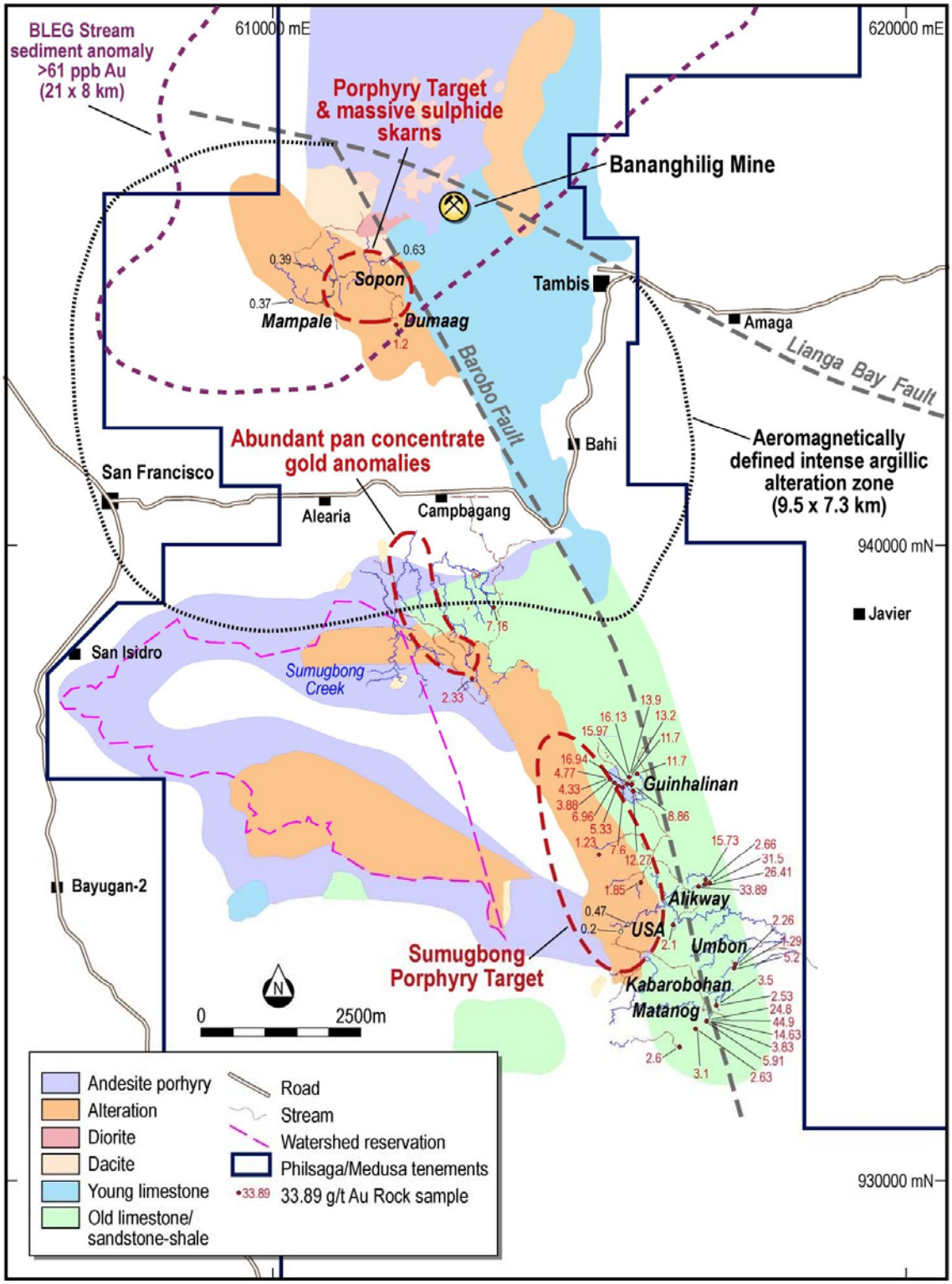

Figure 2: Map of the Barobo Corridor showing regional structures, aeromagnetic target areas and mineralisation targets identified to date.

The Tambis regional area is located within a bullseye 9.5 km by 7.3 km aeromagnetic anomaly indicative of and resulting from intense argillic alteration. This widespread alteration has been field verified in numerous places and is located to the south of the intersection of two regional scale faults, the Barobo Fault and the major west-northwest trending Lianga Bay Fault and partly straddling the Barobo Fault. The fault intersection is to the immediate west of the Bananghilig Gold Mine.

It should be emphasised that reconnaissance field exploration to date has been restricted to mapping and sampling of outcropping rocks on ridges and in creeks and silica boulder trains with a large number of the outcrops being identified as potentially mineralised. Various exploration methods are being assessed to provide detailed regional scale data for prioritising targets for additional work.

Porphyry targets

At the northern end of the Barobo Corridor is the Sopon porphyry copper target which consists of an altered and quartz veined diorite with visible copper minerals. The target is associated with an area of aeromagnetic complexity within the large intense argillic alteration anomaly. The diorite is associated with massive sulphide skarn-style mineralisation which is not yet fully defined. In the 1990s stream sediment sampling programme described below, one sample in a small creek near the Sopon porphyry copper prospect recorded an anomalous value of 124 ppm copper, and a stream sediment sample 2 km to the west recorded 17.3 ppm gold.

A regional stream sediment sampling programme carried out in the 1990s over the entire strike length of the Company's tenements by a previous explorer located the highest regional stream sediment copper values in three creeks draining the Bananghilig Mine area, being 1,662 ppm, 616 ppm and 530 ppm. This programme was not systematic in that coverage was restricted to drainages accessed by roads, with large areas not sampled.

The above stream sediment sampling programme post dates the large Bulk Leach Extractable Gold ("BLEG") anomaly shown on Figure 2. The BLEG survey was a systematic programme carried out specifically to target gold.

The Sumugbong porphyry target consists of altered and quartz veined diorite located to the west of the Alikway and Guinhalinan Prospects located in the southern part of the Barobo Corridor. The 1990s regional stream sediment survey referred to above also sampled in two creeks distant from and draining southwards from this porphyry target and recorded regionally anomalalous copper values of up 124 ppm.

Gold targets

A plethora of gold targets of several different styles have been located along the Barobo Fault over a strike length of over 10 km and still open to the south. Pan concentrates were initially employed to delineate gold targets but the presence of ubiquitous visible gold in all creeks has rendered pan concentrates sampling as essentially non-discriminating, hence other regional methods are being investigated. Figure 2 summarises the surface sample gold values and also highlights the large BLEG gold anomaly. This is a very large area (approximately 21 km by 8 km as shown on Figure 2), encompassing the Bananghilig Mine and Sopon porphyry target and other prospective areas, of anomalous stream sediment BLEG gold values defined by an earlier explorer. The area partially overlaps the extensive argillic alteration zone. Some of the styles are:

- Silica replacement style targets in sediments: These include the Guinhalinan Prospect and number of areas to the north of Guinhalinan where silicification of limestones and siltstones has occurred and where outcrops have returned up to 2.3 metres @ 16.23 g/t gold and 1.85 metres @ 8.86 g/t gold, and grab samples returning up to 16.94 g/t gold. The silicified zones are commonly controlled by numerous northeast-trending structures which may result in the development of large areas of silicification. Some of the silicified zones are also brecciated such as south of Campagang where outcrops have returned up 80.26 g/t gold. Gold mineralisation appears to be ubiquitous in the silicified zones, along with common lead and zinc mineralisation in potentially commercial quantities. Copper mineralisation has also been identified in some areas.
- Skarn style targets in limestones: Some subtle aeromagnetic anomalies have been identified as containing skarn-style silica replacement in limestones with gold, lead and zinc and disseminated magnetite, including in the area slightly north east of Sumugbong Creek.
- Veins: A large number of veins have been identified commonly with a north-east trend. The most consistent of these to date is the Alikway Vein where high grade mineralisation (including 1.40 metres @ 33.89 g/t gold, 0.5 metres @ 26.41 g/t gold and 0.4 metres @ 15.73 g/t gold) has been identified over a distance of approximately 500 metres and is open in both directions. Numerous other veins in the Alikway vicinity, particularly to the south, have also been discovered, such as at Matanog where samples have returned up to 0.6 metres at 24.8 g/t gold.

It should also be noted as shown on Figure 2 that there is a very large area of anomalous stream sediment BLEG gold values defined by an earlier explorer covering an area of approximately 21 km by 8 km in the area encompassing the Bananghilig Mine and Sopon porphyry target and other prospective areas.

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.