



MEDUSA

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4 September 2007

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

Dear Sir/Madam

713,000 RESOURCE OUNCES AND GROWING

Medusa Mining Limited (“Medusa” or the “Company”), the Australian based company operating and developing gold mines in the Philippines is pleased to advise that it has completed new resource and reserve estimations at the Co-O Mine.

The Resource estimation has increased the contained ounces by 446,000 ounces (266%) to 713,000 ounces using a lower cut of 3 g/t gold.

Category	> 0 g/t gold			> 3 g/t gold		
	tonnes	g/t gold	ounces	tonnes	g/t gold	ounces
Indicated	1,040,000	11.5	386,000	928,000	12.6	377,000
Inferred	1,320,000	8.3	351,000	1,106,000	9.5	336,000
Grand total	2,360,000	9.7	737,000	2,034,000	10.9	713,000

The Reserve estimation has increased the contained ounces by 162,000 ounces (272%) to 256,000 using a lower cut of 3 g/t gold.

Category	> 3 g/t gold		
	tonnes	g/t gold	ounces
Probable	717,000	11.1	256,000

Drilling is continuing with the objective to achieve a resource target of 1 million ounces of similar grade.

RESOURCE ESTIMATIONS

Discussion

A deep diamond drilling program was commenced in December 2006 with the aim of extending the known Co-O vein system to depth and along strike. A total of 25 drill holes have been completed of which 20 have been used in the resource estimation in conjunction with available underground sampling data. The 5 holes not used are outside the resource area.

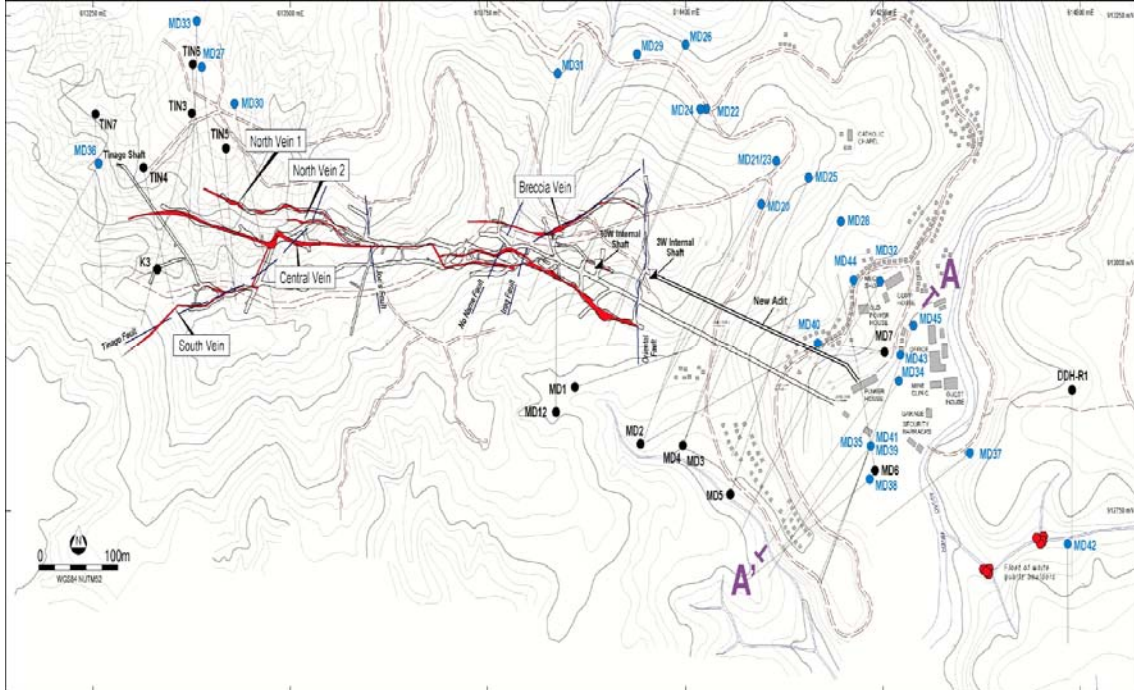


Figure 1: Surface map of the Co-O Mine area showing the location of the drill hole location with cross-section line A-A'.

Vein modelling

Cube Consulting Pty Ltd of Perth, Western Australia were contracted to undertake resource estimations based on a wire frame model of the vein system. As discussed in the announcement of 15 August 2007, the model has focused on the main veins and does not include other drill hole intersections which are attributed to vein splits.

The 3D model of the veins in Figure 2 shows a strike persistent vein system which is open at depth and along strike. Figure 3 shows the extent of the vein system 10 metres above the lowest level in the mine at the 3010 metre level. Figure 4 shows a cross-section through section line A-A' on Figure 1.

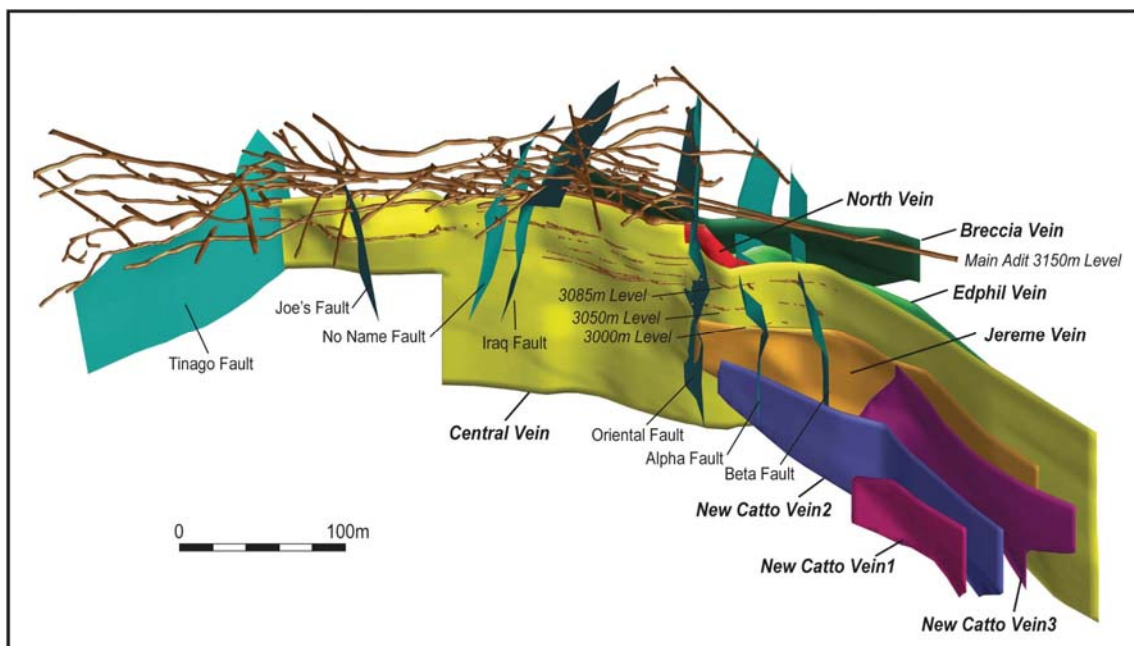


Figure 2: 3D model of the Co-O vein system and underground workings.

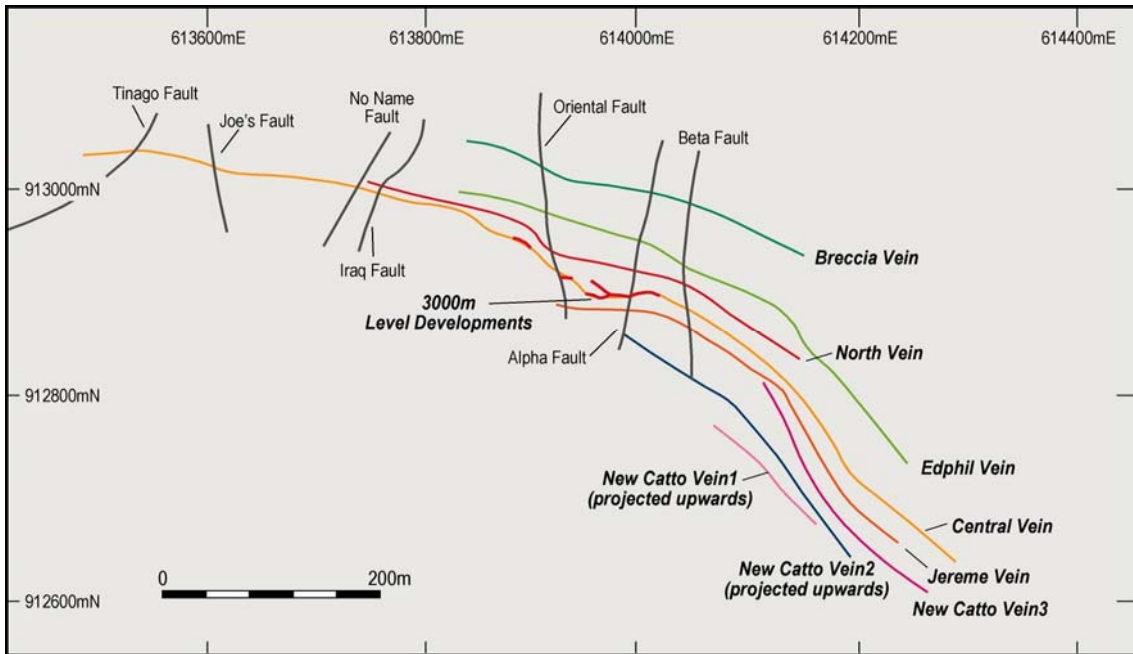


Figure 3: Level plan of the Co-O veins at the 3010 metre level.

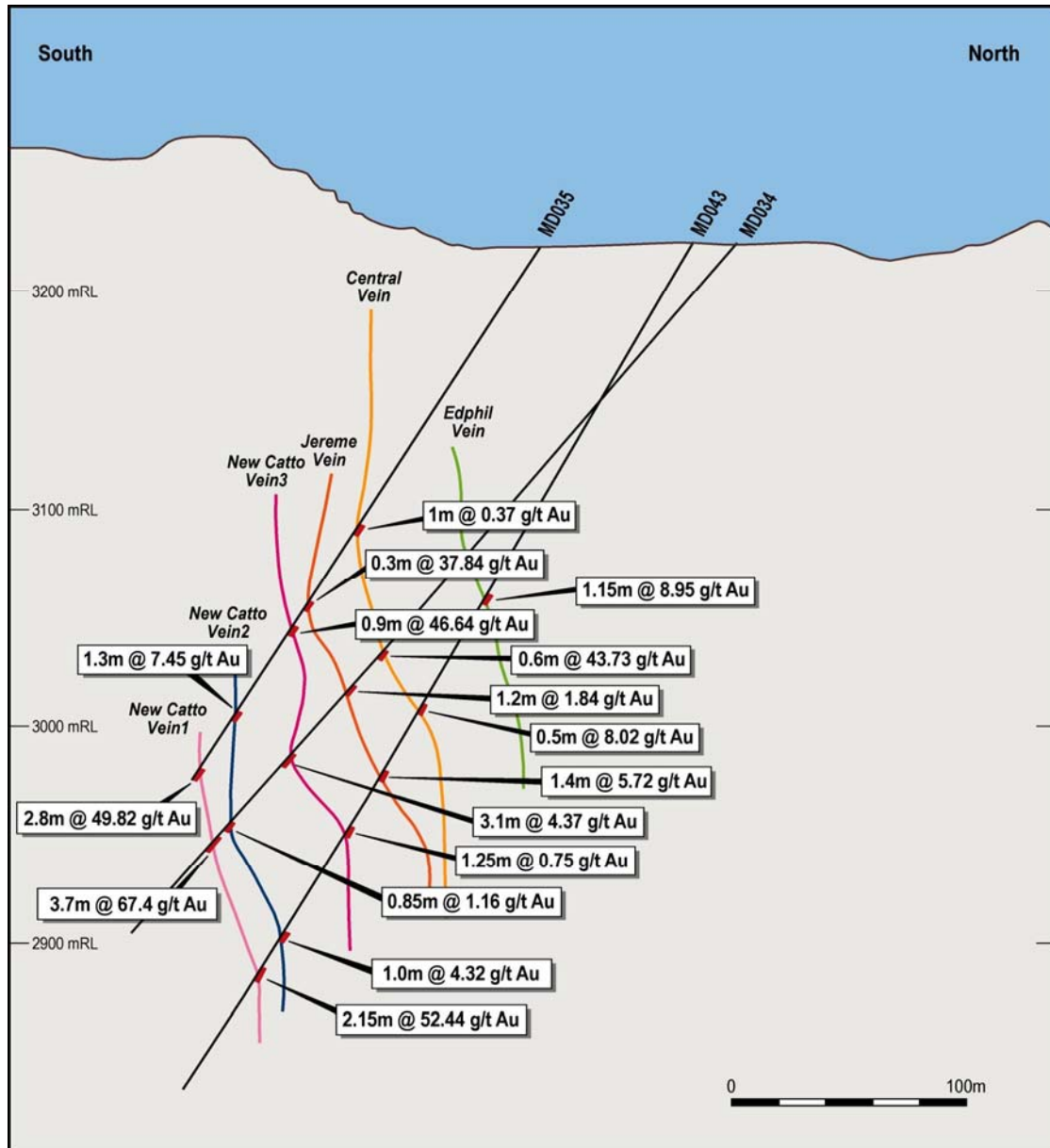


Figure 4: Cross-section through the Co-O veins along section line A-A' as marked on Figure 1.

Resource Estimations

The resource estimations have utilised the following methodologies and parameters:

- Creation of a digital geological interpretation based on all available information as at 31 July 2007 and comprising construction of digital hanging walls and footwalls for each vein;
- Estimation of vein resources below the 3150 metre level for veins which have current mine development (Central, Breccia and North Veins) and new veins defined by drilling alone (Edphil, Jereme, New Catto Veins 1, 2 and 3);
- Account for mining depletion to 31 July 2007;
- Provide technical input to resource classification and reporting of resources in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code); and
- Provide resource models suitable for VALMIN evaluation, planning and formulation of reportable reserves.

Table I. Co-O Mine mineral resource estimates

Vein name	Category	> 0 g/t gold			> 3 g/t gold		
		tonnes	g/t gold	contained ounces	tonnes	g/t gold	contained ounces
Central	Indicated	494,000	11.6	184,000	477,000	11.9	183,000
	Inferred	594,000	5.5	106,000	584,000	5.6	105,000
	Sub Total	1,088,000	8.3	290,000	1,061,000	8.4	288,000
North	Indicated	152,000	5.6	28,000	102,000	7.2	23,000
	Inferred	128,000	2.5	10,000	33,000	3.6	4,000
	Sub Total	280,000	4.2	38,000	135,000	6.3	27,000
Breccia	Indicated	30,000	5.5	5,000	24,000	6.2	5,000
	Inferred	124,000	2.8	11,000	31,000	4.5	4,000
	Sub Total	154,000	3.3	16,000	55,000	5.3	9,000
Jereme	Indicated	72,000	13.4	31,000	72,000	13.4	31,000
	Inferred	186,000	7.9	47,000	186,000	7.9	48,000
	Sub Total	258,000	9.5	78,000	258,000	9.5	79,000
Edphil	Indicated	163,000	5.2	27,000	124,000	6.0	24,000
	Inferred	112,000	5.7	21,000	96,000	6.3	19,000
	Sub Total	275,000	5.4	48,000	220,000	6.1	43,000
New Catto 1	Indicated	23,000	55.0	40,000	23,000	55.0	40,000
	Inferred	29,000	54.7	52,000	29,000	54.7	52,000
	Sub Total	52,000	54.8	92,000	52,000	54.8	92,000
New Catto 2	Indicated	53,000	5.6	9,000	53,000	5.6	9,000
	Inferred	87,000	6.0	17,000	87,000	6.0	17,000
	Sub Total	140,000	5.9	26,000	140,000	5.9	26,000
New Catto 3	Indicated	55,000	34.7	61,000	55,000	34.7	61,000
	Inferred	58,000	46.9	88,000	58,000	46.9	88,000
	Sub Total	113,000	41.0	149,000	113,000	41.0	149,000
Grand Total		2,360,000	9.7	737,000	2,034,000	10.9	713,000

The resource estimations have been undertaken by Cube Consulting Pty Ltd.

The modelling technique addressed the following issues:

- Variable mineralised vein thickness ranging from 0.5 to 9 metres;
- The taking of samples, by necessity, over geological intervals creating samples of unequal length or variable support;
- Assuming a relatively constant density;
- Undulating or variable zone geometry (dip and strike) and the presence of grade/thickness trends within this variable geometry;
- Across vein mining selectivity is unlikely; and
- Data spacing is variable and often clustered.

Cube applied a 2D longitudinal modelling approach based on an accumulation variable incorporating mineralised vein horizontal width and intercept grade.

Variography has been used to analyse the spatial continuity of the horizontal width and accumulation variables within the mineralised veins and to determine appropriate estimation inputs to the interpolation process. The accumulation variables were interpolated into blocks using Ordinary Kriging.

It is important to note that the “variable” that is estimated is “metal” based on the accumulation variable rather than the thickness or grade component alone, thus eliminating issues relating to variable thickness.

Variography was based on the Central Vein and resulted in well structured variogram models with a nugget effect of 37% and a maximum range of 62 metres for the accumulation variable. Variography of the horizontal width was similar with a relative nugget effect of 36% and a maximum range of 81.3 metres.

High grade limits were applied to gold prior to the calculation of the accumulation variable. Within the Central and North Veins a high grade limit of 300g/t gold was applied representing values in excess of the 99th percentile of the gold distribution data.

Reserve Estimations

Golder Associates Pty Ltd of Perth Western Australia were contracted to undertake a reserve estimation based on the resource wireframe model provided by Cube Consulting Pty Ltd as described above.

The reserve estimation was derived from the Indicated Resource of 928,000 tonnes at 12.6 g/t gold containing 377,000 ounces of gold.

Table II: Co-O Mine probable reserve estimates

Vein name	> 3 g/t gold		
	tonnes	g/t gold	ounces
Central	358,000	10.0	115,000
North	80,000	6.2	16,000
Breccia	18,000	5.2	3,000
Jereme	58,000	12.2	23,000
Edphil	99,000	5.5	18,000
New Catto 1	18,000	50.0	29,000
New Catto 2	42,000	5.1	7,000
New Catto 3	44,000	31.6	45,000
Grand Total	717,000	11.1	256,000

The reserve estimations have been undertaken by Golder Associates Pty Ltd.

The parameters utilised for the estimation include the following:

- A minimum diluted mining width of one metre;
- A block cut-off of 3 g/t gold;
- A dilution factor of 10% at 0 g/t gold; and
- A mining recovery of 73%.

Golder has classified the ore reserves in compliance with the JORC Code as Probable Reserves.

Yours faithfully,



Geoff Davis.
Managing Director

JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

Medusa Mining Limited

Information in this report relating to Exploration Results, is based on information compiled by Mr Geoff Davis, who is a member of The Australian Institute of Geoscientists. Mr Davis is the Managing Director of Medusa Mining Limited and has sufficient experience which is relevant to the style of mineralization and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Davis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Cube Consulting Pty Ltd

Information in this report relating to Mineral Resources has been estimated and compiled by Mark Zammit of Cube Consulting Pty Ltd. Mr Zammit is a member of The Australasian Institute of Mining & Metallurgy and has sufficient experience that 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 "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Zammit consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Cube Consulting is an independent Perth based resource industry consulting firm specialising in geological modelling, resource estimation and information technology.

Golder Associates Pty Ltd

The information in this report that relates to Ore Reserves is based on information compiled by Charles Hastie BAppSc (Mining Engineering), B AppSc (Multidisciplinary Science), MAusIMM and Peter Onley MBA, MSc, BSc (Hons), FAusIMM, CP. Mr Hastie and Mr Onley are full-time employees of Golder Associates Pty Ltd.

Messrs Hastie and Onley 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 Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Charles Hastie and Peter Onley consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Golder Associates is a global consulting group employing more than 5500 staff offering services in earth engineering and environmental sciences.