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

Dear Sir/Madam

ANOLING GOLD PROJECT – CONTINUING POSITIVE DRILL RESULTS

Medusa Mining Limited (“Medusa” or the “Company”), the Australian based company operating and developing gold mines in the Philippines, advises that diamond drilling has continued to return encouraging intersections from the Anoling Project’s on-going exploration programme.

Diamond drilling has been continuing along the Hope and Alcorn Veins since June 2007. The vein systems are open at depth and to the east.

Some of the significant diamond drill hole intersections for holes AN 21 - 32 include:

Intercepts (metres)	Grade (g/t gold)
0.70	11.16
0.60	14.28
3.35	13.14
2.60	7.27

Project Background

On 19 March 2007 the Company announced that two Small Scale Mining Permits had been granted over prospective areas at the Anoling Gold Project which is shown on Figure 1. The project is located approximately eight kilometres by road from the Co-O Plant.

Results of drill holes ANL 1-20 were announced on 20 June 2007. One drilling rig is assigned to the project and the subsequent 12 holes (ANL 21 to 32) have continued to outline the veins.

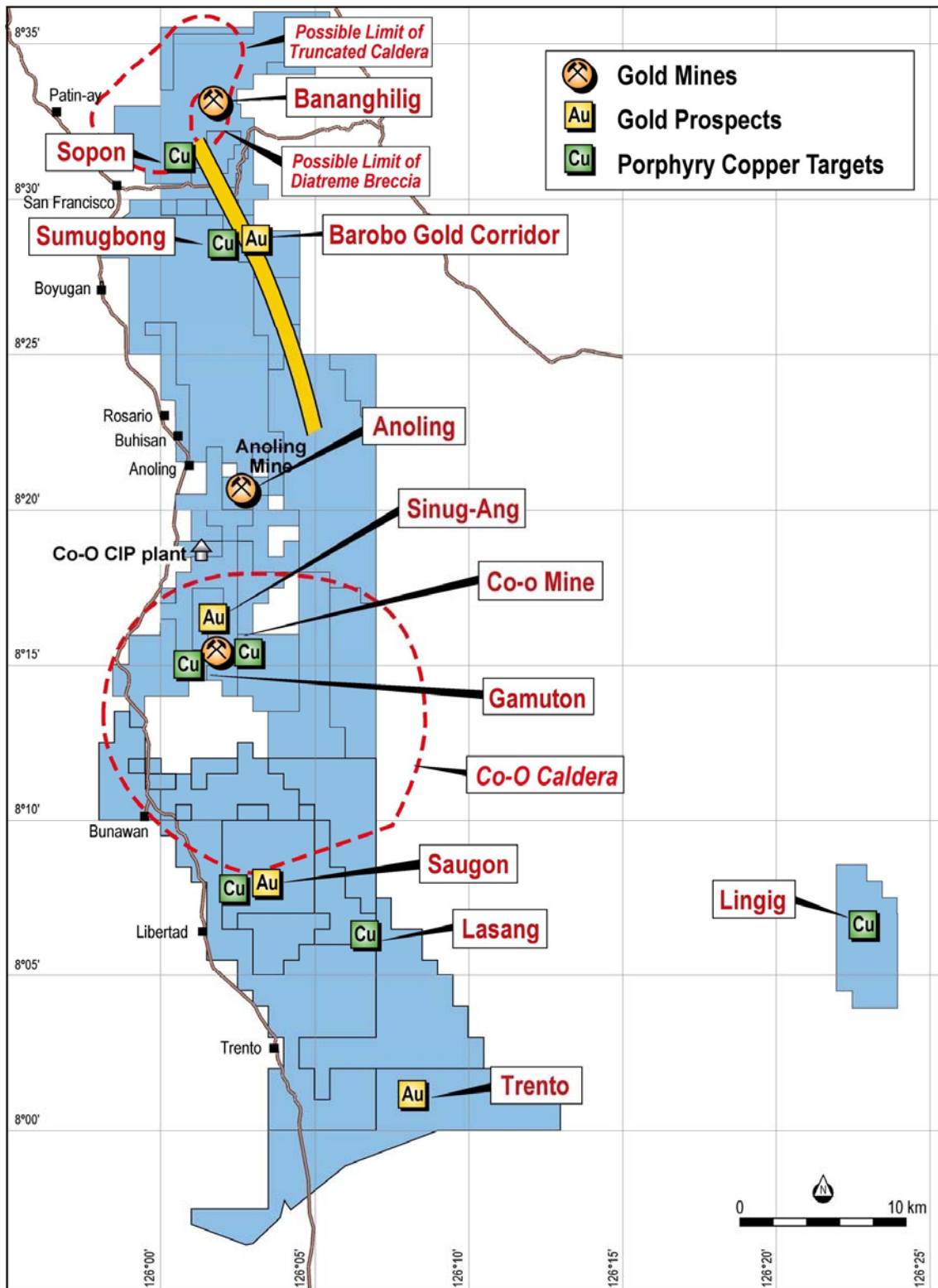


Figure 1. Location map showing the Anoling Project.

Diamond Drilling and Geology

The two parallel Alcorn and Hope veins, when undeformed, consist of banded quartz carbonate with minor pyrite and base metal sulphides. The veins are controlled by shear zones with consequent brecciation of the vein material in some places. The shearing has also induced vein width variations due to pinch and swell characteristics. Both veins are open to the east.

Figure 2 shows the vein projections from surface mapping and sampling and the location of the all diamond drill holes completed to date. Table I summarises all the diamond drill hole

intersections greater than 2g/t gold (including holes ALN 01 – ALN 20 as previously announced).

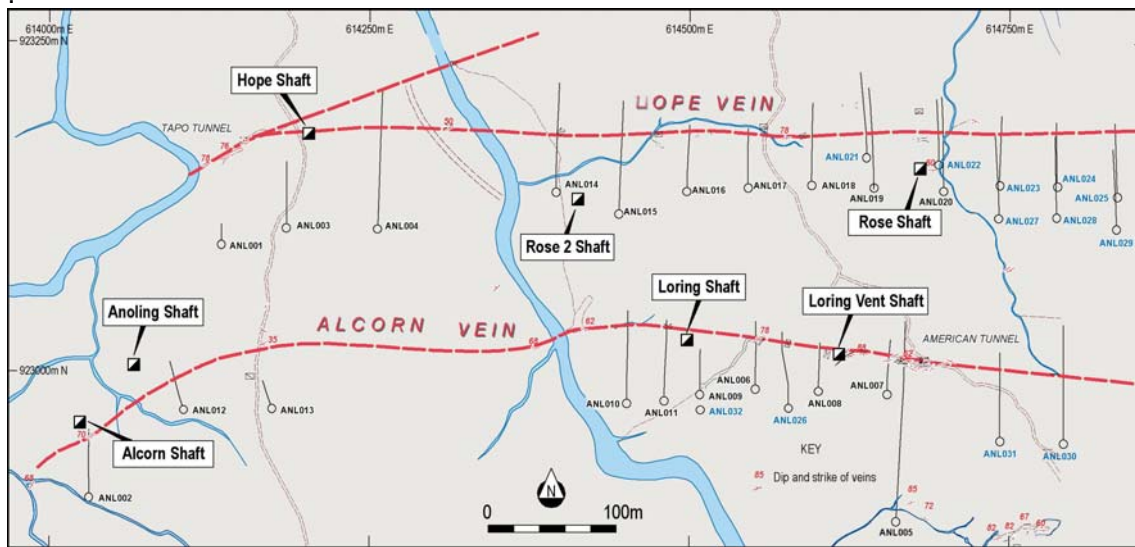


Figure 2. Surface geology and drill hole locations.

Table I: Summary of drilling results for holes ANL 01 to ANL 32 for intersection grades >2 g/t gold

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
ANL 05	614662	922889	-56	3	190.25	0.95	4.39 (*)
ANL 06	614552	922989	-65	0	66.80	0.50	4.07 (*)
ANL 08	614601	922987	-60	0	59.00	0.95	2.95 (*)
ANL 09	614508	922984	-60	0	55.90	2.70	13.96 (*)
ANL 11	614480	922980	-50	0	65.45	0.45	7.77
ANL 14	614395	923137	-55	0	84.50	1.90	2.86
					87.40	0.65	2.33
ANL 15	614445	923123	-55	0	99.40	0.60	13.10
ANL 16	614498	923140	-68	0	88.95	1.00	2.09
ANL 17	614545	923143	-70	0	57.30	1.40	4.20
					62.70	1.60	10.08
ANL 18	614595	923143	-60	0	59.70	0.90	9.30
ANL 19	614644	923139	-60	0	91.50	4.00	17.17
					147.70	0.55	7.26
ANL 20	614692	923139	-60	0	92.50	1.50	7.39
					104.60	0.30	24.30
ANL 21	614639	923164	-60	0	34.60	0.40	2.04 (*)
ANL 22	614696	923158	-40	0	32.40	0.70	11.16 (*)
ANL 25	614836	923133	-60	0	51.80	0.70	2.30 (*)
					66.30	1.00	2.36 (*)
ANL 26	614578	922972	-50	0	74.85	0.60	14.28 (*)
ANL 27	614743	923118	-60	0	72.05	0.55	2.80 (*)
ANL 28	614789	923117	-60	0	102.15	3.35	13.14 (*)
ANL 30	614794	922947	-50	0	102.90	1.00	3.51 (*)
ANL 31	614744	922947	-50	0	90.20	2.60	7.27 (*)
ANL 32 (in progress)	614508	922971	-68	0	28.65	0.50	5.44 (*)

Note: (*) denotes assays conducted by the Philsaga on-site laboratory.
All other assays undertaken by McPhar Geoservices Inc.

Figure 3 shows the Hope Vein long section with projected drill hole intersections. Also shown are the nearly completed Rose exploration shaft and a recently commenced ventilation shaft. These shafts will be used to conduct underground exploration at a depth of 40 metres below surface.

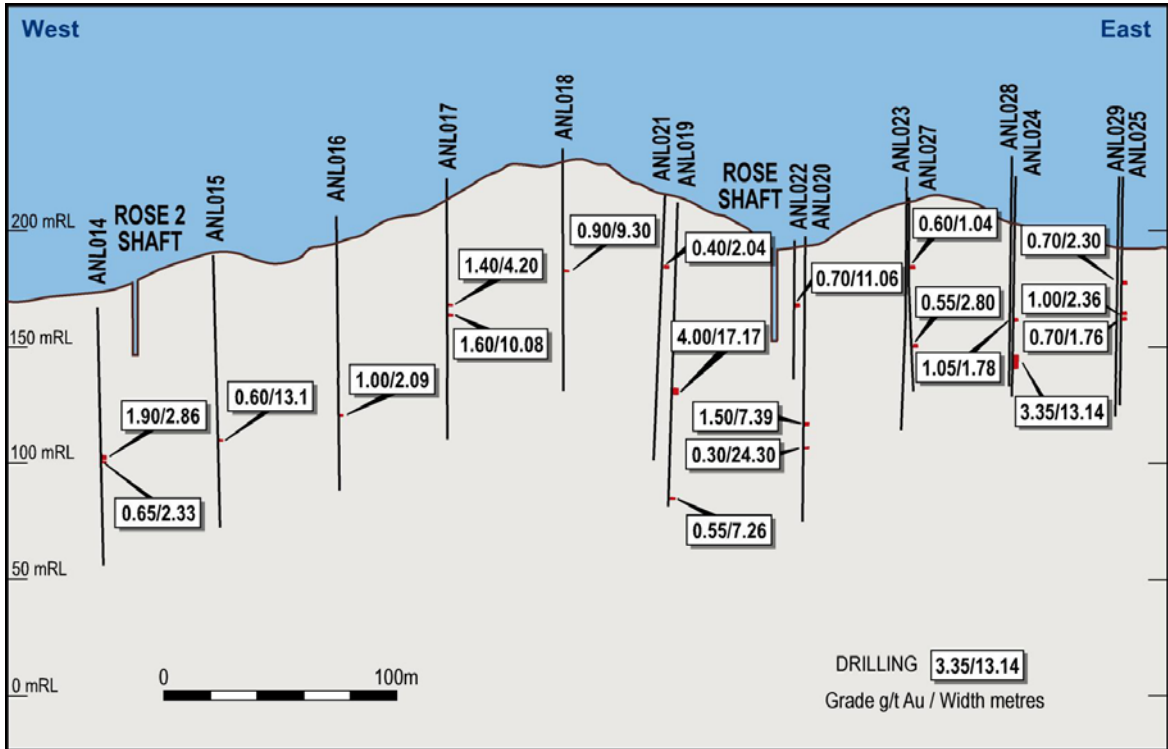


Figure 3. Longitudinal projection of the Hope Vein.

Figure 4 shows the Alcorn Vein longitudinal projection with the projected drill hole results, the Loring Shaft and the ventilation shaft. Also shown are the assays returned from the underground exploration drives.

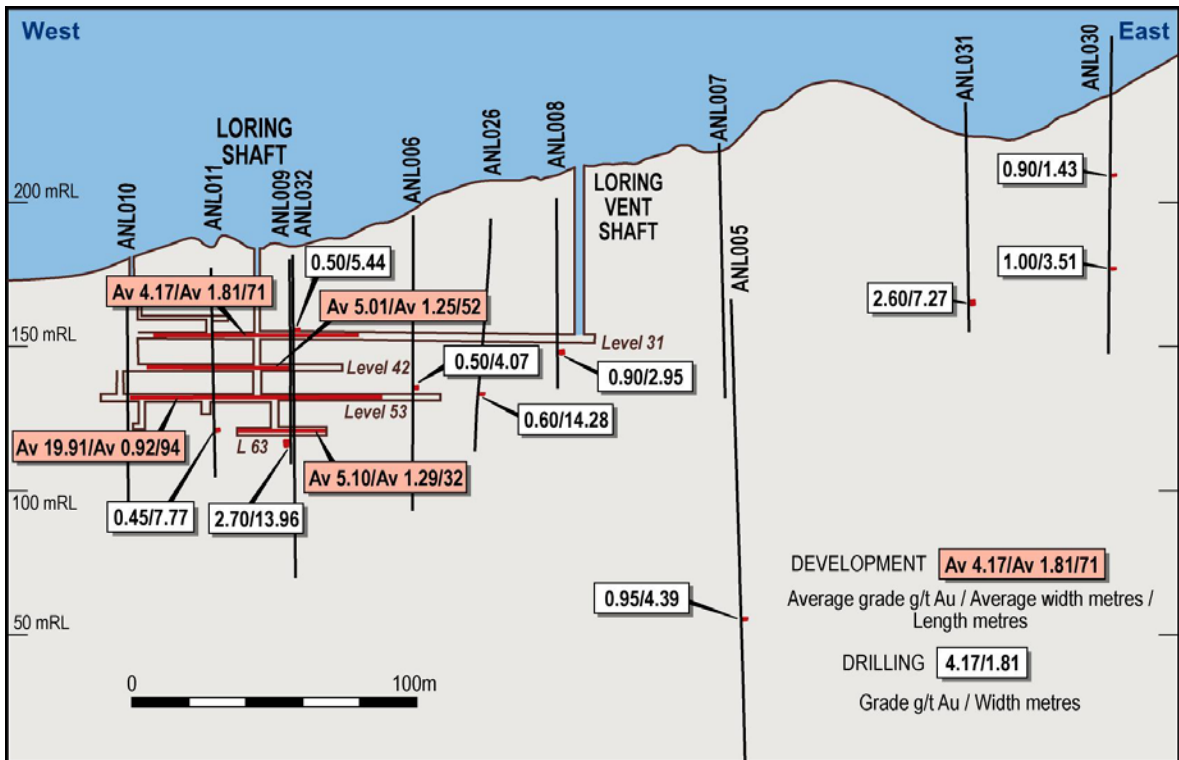


Figure 4. Longitudinal projection of the Alcorn Vein showing the Loring and ventilation shafts, drill hole intersections and underground development results.

Work in Progress

Underground exploration will continue from the two Rose and two Loring Shafts to verify the drill results achieved to date and to assess mining conditions. Positive results from this work may allow production from these veins to commence in the third quarter of 2008.

Drilling will continue along strike of the known veins as well as to the north and south to outline possible additional zones of mineralisation that may justify underground exploration and assessment.

Sampling and Assaying

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 particle size of 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.

Samples that contain more than 0.5 metres at more than 2 g/t gold will be re-assayed later this year by McPhar Geoservices Phils Inc ("McPhar"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps will be airfreighted to McPhar who will fire assay 30 grams of sample using AAS finish and a selected number of samples will be checked using gravimetric fire assay techniques. Duplicate samples and standards are included in each batch of check samples.

When reporting results, where available, the McPhar assays have been given priority over the Company laboratory's results due to McPhar's independent status.

Yours faithfully



Geoff Davis
Managing Director

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 mineralisation 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.