



**MEDUSA**

# QUARTERLY ACTIVITIES REPORT

## PERIOD ENDING

### 30 JUNE 2007

#### COMPANY PROFILE:

- **High grade mining inventory (195,000ozs @ 17.6 g/t gold) at Co-O Gold Mine set to increase;**
- **New resource/reserve estimations expected by early September 2007;**
- **Centrally located mill, multiple mines;**
- **Initial production target of 40,000 ounces per annum;**
- **Expanding production profile;**
- **Estimated long term cash costs of approximately US\$200 per ounce;**
- **Extensive exploration area of >700 km<sup>2</sup>, along 70 km strike of the richly endowed East Mindanao ridge;**
- **Regional assessment confirms excellent prospectivity for gold and porphyry copper-gold deposits.**

#### **Share capital as at 30 June 2007:**

Shares: 142,037,548 (ASX code :MML)  
Unlisted options: 6,821,446

#### **Listings**

Australian Stock Exchange  
Alternative Investment Market (London)  
Frankfurt Stock Exchange

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#### KEY POINTS:

##### **Co-O MINE PRODUCTION**

- Gold production for the quarter totalled 8,132 ozs at an average grade of 17.7 g/t gold and average cash cost of US\$217 per ounce;
- Production affected by local government elections and mine workforce re-organisation;

##### **Co-O EXPLORATION**

- New very high grade discoveries with up to 1.0 metre at 198.84 g/t gold, 2.7 metres at 92.03 g/t gold and 2.15 metres at 58.88 g/t gold. Next full drill report due in August 2007;
- New Co-O Mine resource/ reserve estimations are expected by early September 2007.

##### **ANOLING**

- Drilling in progress with 300 metres of potentially mineralised section of the Hope Vein outlined with best intersection 4.0 metres at 17.17 g/t gold.

##### **BAROBO CORRIDOR**

- 16 km corridor with numerous gold targets and two porphyry copper targets identified.

##### **TAMBIS BANANGHILIG**

- Data compilation and drilling continuing;
- Update expected in August.

##### **SINUG-ANG**

- Data assessment in progress.

##### **CORPORATE**

- Completed a fund raising of A\$20.125 million before costs via the issuance of 17,500,000 shares at A\$1.15 per share;
- Acquisition of a life of mine 1.32% uncapped gross royalty over the Co-O Mine and surrounds for A\$1.12 million.



## PROJECT OVERVIEW

The locations of the Company's projects are shown on Figure 1.

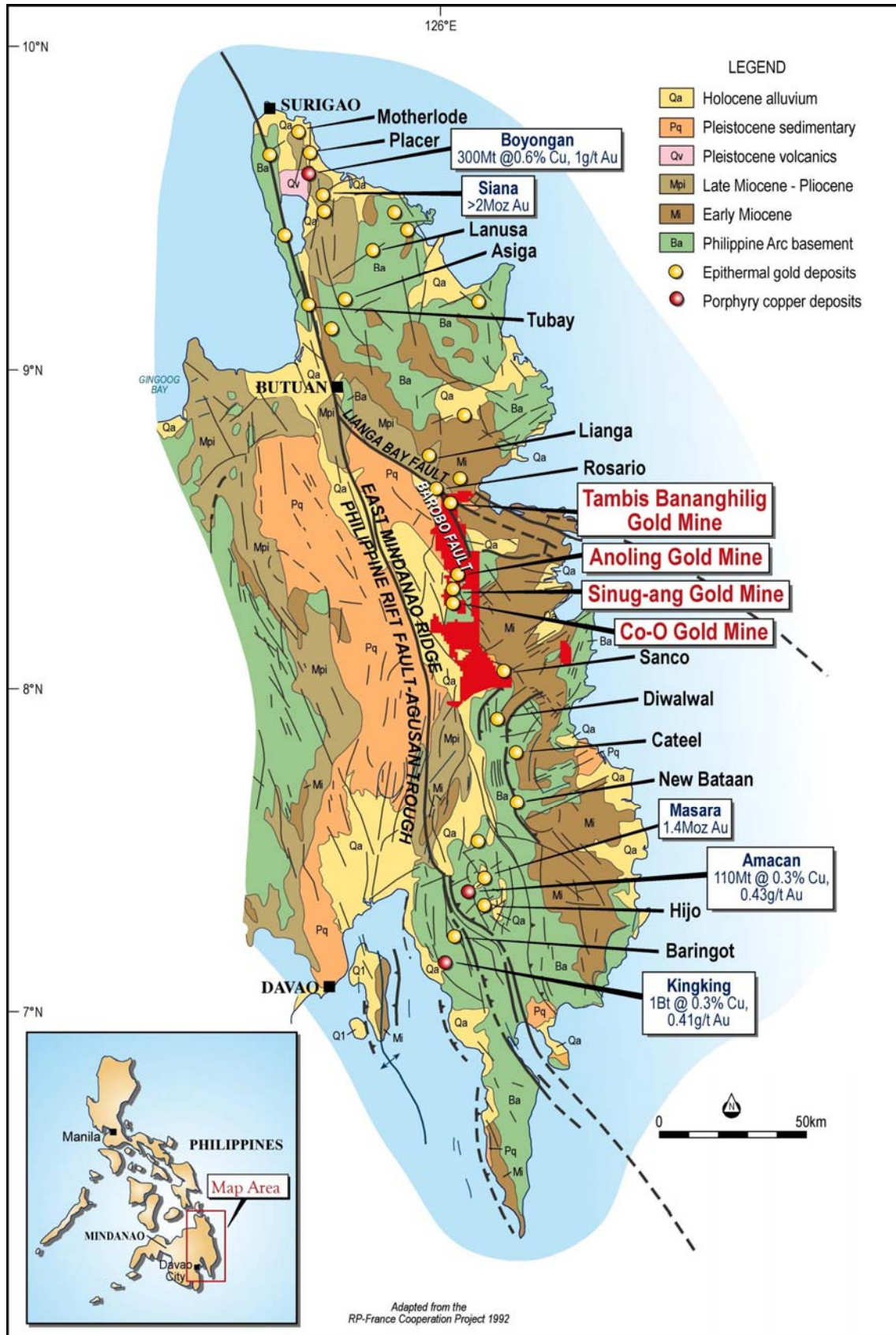


Figure 1: Location diagram

Figure 2 shows the location of the Company's tenement interests in East Mindanao.

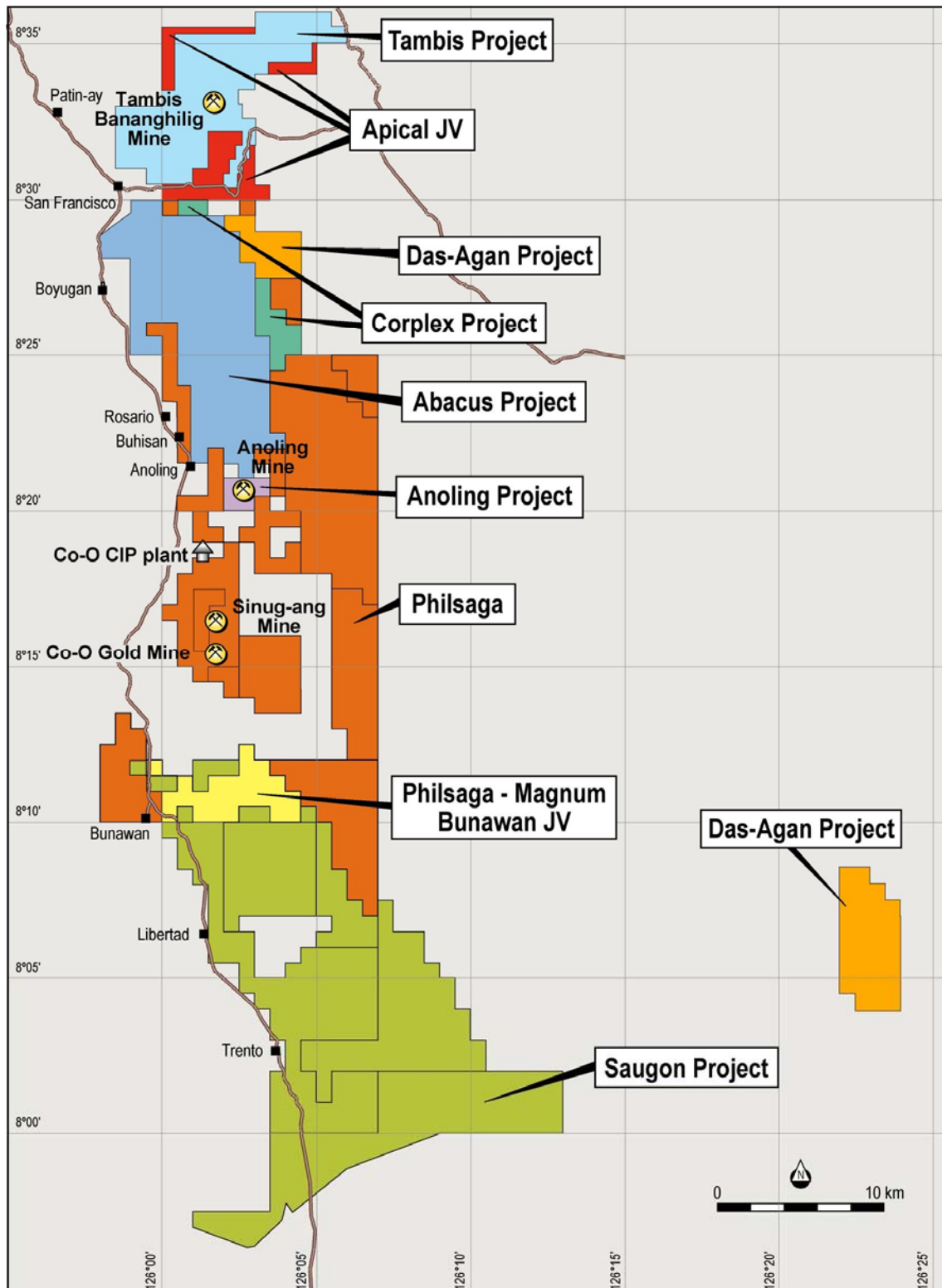


Figure 2: Regional tenement map

## GOLD PRODUCTION

The production statistics for the current financial year are summarised in Table 1.

**Table 1: Gold Production**

Period	Gold produced	Head grade	Cash costs	Comments
	(ozs)	(g/t gold)	(US\$ per oz)	
9 months from Jul 2006 to Mar 2007	8,484	9.1	308	Major development, stope ore and re-establishment of mine access.
Apr to Jun 2007	8,132	17.7	217	Continued mine development and stope ore. Grade enhanced by presence of "black leaders".
TOTAL	16,616	11.9	269	

The Company produced 8,132 ounces of gold at an average grade of 17.7 g/t gold and average cash production costs of US\$217 per oz. The grade for the quarter has been enhanced by the presence of "black leaders".

Production was hampered during the quarter by local government elections which resulted in the status quo being maintained in the Company's areas of operation, and also by a re-organisation of the mine workforce which has subsequently increased the efficiency of production, reduced costs and improved the overall mine operation.

## Co-O MINE

### Development on the 3050 and 3000 metre levels

Development of the 3050 metre level at the bottom of the 3W shaft has progressed well with access gained to the Central Vein, the North Vein and the Edphil Vein on the east side of the Oriental Fault, and to the Breccia Vein on the west side of the Oriental Fault.

Access to the west of the Oriental Fault along the Central Vein drive was cut off early in the second half of the quarter by a rock fall in the main drive near old inactive and brecciated stoping areas at the junction of the first Central Vein split. To ensure continuing long term safe access to the west, it was decided to develop a new by-pass drive in waste of approximately 70 metres in length. This has been completed and has re-established access to the high grade Central Vein extensions to the west of the previously stoped area. This disruption to mine production scheduling has not impacted on the June quarter's production but will restrict production during the September quarter to similar levels.

A new pumping station has been commissioned and two electric locomotives now operate on the 3050 metre level increasing the efficiency of materials handling.

Stoping operations are underway on the four metre wide section of the Central Vein east of the Oriental Fault in the area where "**black leaders**" occur. Plate 1 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 chalcopyrite and are usually associated with zones colloform chalcedony and calcite.





Plate1. Photograph of "black leader" bands in Central Vein banded and colloform quartz and chalcedony.

A new main haulage level development has commenced on the 3000 metre level in the Central Vein.

Figure 3 shows the 3050 metre level plan with the along strike average assay values and widths for the Central Vein.

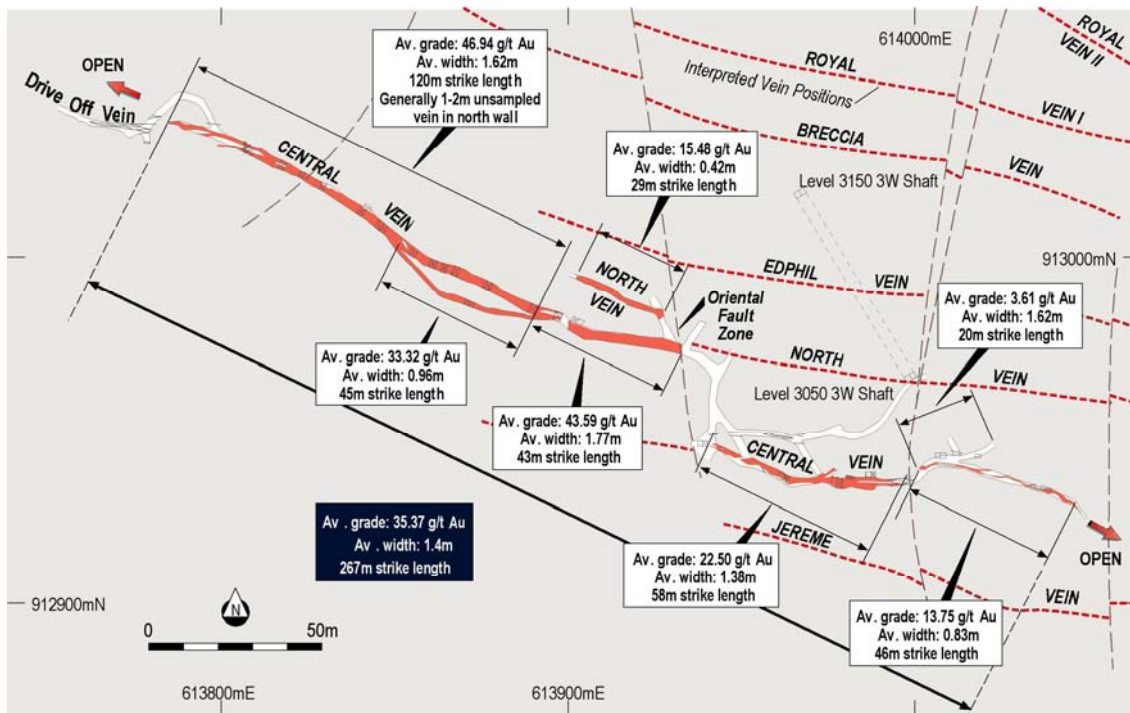


Figure 3: Level plan 3050 metre level.

## New Adit Development

The new adit that commenced late January to service the 3W shaft is nearing completion. Difficult ground conditions for over more than half its length have required close spaced timber support and in places concreting. This additional intense work has considerably increased the time taken. However this new rail link will decongest the main adit and improve the overall ventilation to the mine.

## Deep Drilling

### Programme description

In December 2006 the Company commenced a drilling programme designed to intersect the Co-O Mine vein system at approximately 100 metres below the current bottom of the mine (ie, at 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, but the intersection depth and position of each drill hole is dependent on topographic constraints. The next drilling update is expected to be available by mid-August.

A surface map showing the position of the drill holes is contained in Figure 4 and the longitudinal projection for the Central Vein with selected new intersections is shown on Figure 5. Intersections of >4g/t gold from the drilling are presented in Table II.

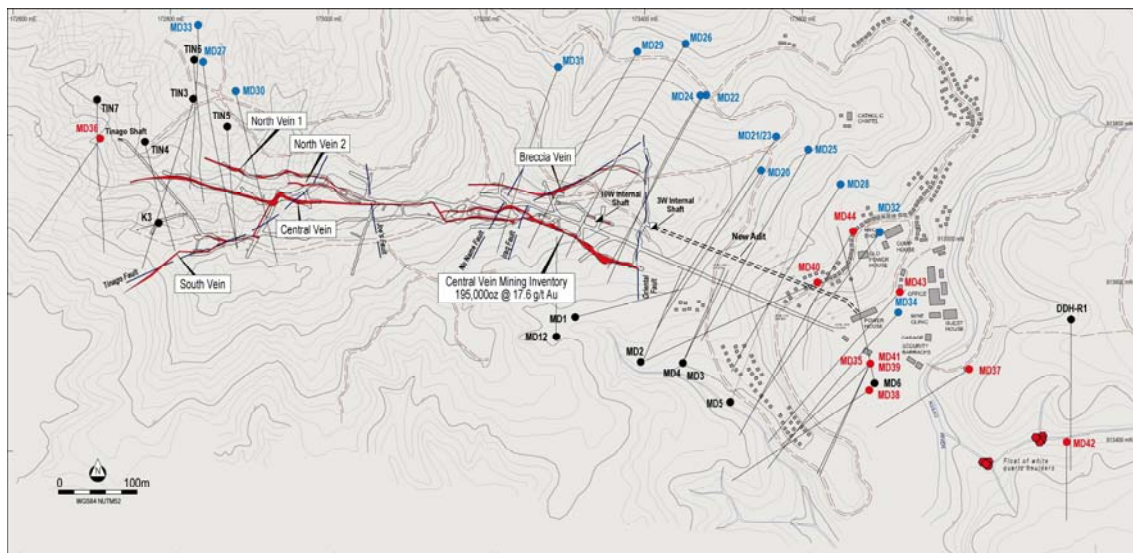


Figure 4: Location map showing drill hole MD 20 to 44 locations.

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; &
- 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, which provides a more accurate estimate of vein grades and facilitates the estimation of resources.

## **Co-O Vein System Discussion**

The Co-O Mine vein system trends westerly and is truncated by a major north-trending fault (the Oriental Fault) which has vertically downthrown the vein system on the eastern side of the fault by an estimated 300 metres and moved the veins horizontally by approximately 20 to 40 metres, with the east side moved to the south. The effect of the downthrow is that the Co-O veins on the east side of the fault are not exposed at surface and the tops of the veins appear to commence approximately 160 metres below surface and below the 3150 metre adit level .

When the mine was originally developed in the late 1980s, the vein system had only been discovered on the west side of the Oriental Fault (despite exploration drilling on the east side) and all mine development was carried out on the west side over approximately 600 metres of strike length. Drilling, which commenced in late 2004 (holes MD 1 to 8), intersected the vein system on the east side of the Oriental Fault and subsequently delineated the vein system over a strike length of approximately 250 metres to east. Drilling and mapping to the east of the Oriental Fault have demonstrated that the Co-O Vein system is still open to the east and is potentially over 1.5 km in length.

The recent discovery by drilling of the exceptional grade Jereme and five New Catto Veins south of the known Co-O system has enhanced the potential of the project. These veins are further discussed below Table II.

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 system. 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 200-250°C, and
- The top of the Co-O mineralisation formed most probably in the upper 300 metres from the surface, therefore the veins are essentially fully preserved (meaning the veins have been subjected to minimal erosion). This implies that to date the drilling is in the upper parts of the vein system and does not appear to have reached the bottom of the mineralisation with two of the deepest intersections east of the Oriental Fault returning high grades (2.70 metres at 92.03 g/t gold in MD 34 and 1.90 metres at 79.05 g/t gold in MD 44) at approximately 300 metres vertically below the mine adit.

## New Drill Holes MD 20 to MD 44

Results of the new diamond drill holes MD 20 to 34 are contained in Table II and the longitudinal projection of the intersections are shown on Figure 5.

On 9 July the Company announced the discovery of exceptional intersections in the Jereme and New Catto Veins which are summarised in Table III. An update drilling report is due in August.

**Table II: Drill results >4 g/t gold for holes MD 20 to MD 34**

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
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 metres							
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
MD 24	614026	913190	-55	210	360.80	4.80	8.19
					281.25	0.55	21.47
					357.75	1.25	12.38
MD 25	614160	913120	-49	210	407.60	0.60	4.76
					309.60	1.00	5.82 (*)
					393.05	0.50	19.88
MD 26	614003	913253	-48	211	400.25	1.85	4.13
					410.40	0.25	11.54
					165.00	1.50	5.13
MD 28	614200	913075	-48.5	212	359.75	0.65	8.74
					364.20	0.25	16.02
					412.70	0.85	6.15
MD 29	613942	913243	-45	211	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
MD 31	613842	913223	-49	200	412.55	2.10	15.65
					221.10	0.30	18.08
					325.30	1.40	14.89
MD 32	614254	913017	-51	217	330.50	1.50	13.73
					282.10	0.80	5.75
					313.80	2.30	19.30
MD 34	614285	912923	-50	227	321.10	1.30	16.45
					242.40	0.60	44.60
					304.20	0.50	18.92
					306.50	0.80	4.12
					354.30	2.70	92.03

Notes: (i) McPhar Geoservices Inc. assays are quoted where available/ (ii) (\*) denotes Philsaga assays



The tops of the New Catto Veins are presently believed to be between the same elevation as the bottom of the 3W shaft at 3050 metres and the new sublevel at the 3000 metre elevation. All veins are open in at least three directions. It is now apparent that some of the early holes have drilled over the top of some of the veins or were not deep enough.

Current interpretations are based on 3D plotting and modelling of the data available, and future interpretations may be subject to change as more data become available.

The Jereme Vein has been identified on the 3050 metre level to the south of the 3W shaft but was not previously recognised as a coherent high grade vein.

**Table III: Initial Drill Results greater than 4 g/t gold from the Jereme and New Catto Veins**

Hole	East	North	Dip (°)	Azimuth (°)	Vein name	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD 28	614003	913253	-48	211	NCV 2	413.00	0.90	32.32
MD 32	614254	913017	-51	217	Jereme	313.80	2.30	16.97
					Jereme South Split	321.90	0.50	38.55
					NCV 2	371.10	0.70	6.66
MD 34	614285	912923	-50	227	NCV 2	304.20	0.50	18.92
					NCV 1	354.30	2.70	92.03
MD 35	614243	912851	-58	297	Jereme	198.30	0.30	34.59 (*)
					NCV 3	209.30	0.60	75.39 (*)
					NCV 2	253.50	0.90	9.34
					NCV 1	268.50	1.70	55.77
MD 38	614240	912815	-47	237	NCV 1	187.90	0.30	65.56
MD 39	614240	912850	-58	205	Jereme	209.70	0.20	64.56 (*)
					NCV 3	233.55	0.45	33.24 (*)
MD 40	614173	912951	-52	245	NCV 4	312.90	1.70	10.19 (*)
					NVC 5	324.25	1.80	10.41 (*)
MD 41	614240	912849	-65	205	Jereme	240.60	1.00	198.84 (*)
					NCV 3	261.55	1.35	75.98 (*)
MD 43	614273	912908	-60	221	Jereme	277.90	0.40	19.74 (*)
					NCV 2	360.07	0.60	6.06 (*)
					NCV 1	383.50	2.15	58.88 (*)
MD 44	614212	912983	-54	209	Jereme	262.80	1.95	15.39 (*)
					NCV 3	270.45	0.70	42.29 (*)
					NCV 2	359.60	0.50	18.23 (*)
					NCV 1	376.90	0.20	57.19 (*)
					NCV 4	413.60	4.50	20.05 (*)
					NCV 5	436.90	1.90	79.05 (*)

Notes: McPhar Geoservices Inc. assays are quoted when available; (\*) Awaiting check assays from McPhar; and MD 28, 32 and 34 results previously reported.

In summary, the new drilling east and west of the Oriental Fault has successfully demonstrated a system of multiple high grade veins over a strike length of over 500 metres which is open in most directions within a known 1500 metre long vein system.

A new resource/reserve estimation incorporating all relevant drill holes is expected by early September 2007.

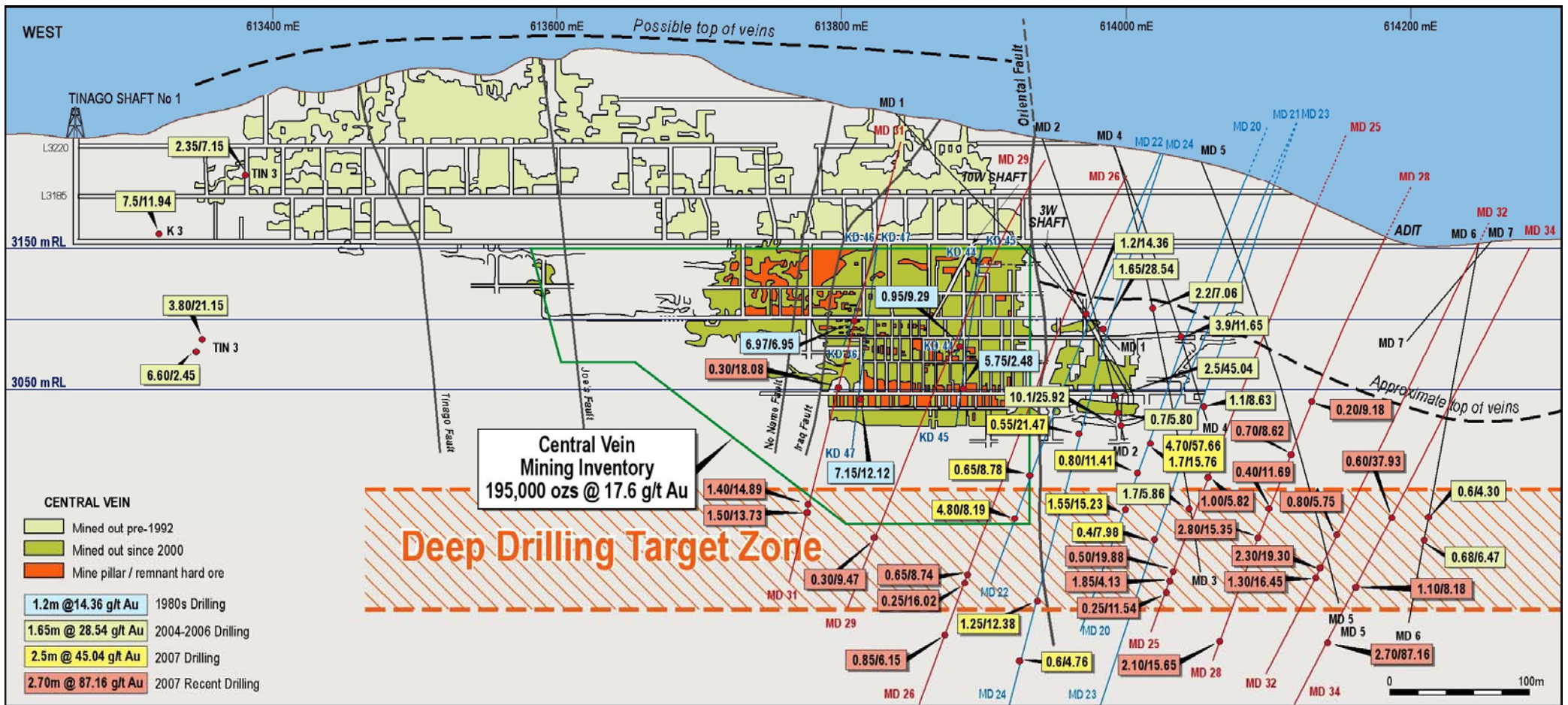


Figure 5: Co-O Mine Central Vein longitudinal projection for holes MD 20 to MD 34.

## BAROBO CORRIDOR

As announced on 16 July 2007, the Barobo Corridor has been defined from regional mapping, aerial photography and aeromagnetics and surface sampling and is located at the northern end of the Company's tenements as shown on Figure 1. The aeromagnetics, regional mapping, pan concentrate and surface sampling were completed by the Company. All other information provided is historic.

The Barobo Corridor extends over approximately 16 km straddling a major fault named the Barobo Fault as shown on Figure 6 and which parallels the main Philippine Rift Fault located approximately 25 km to the west.

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

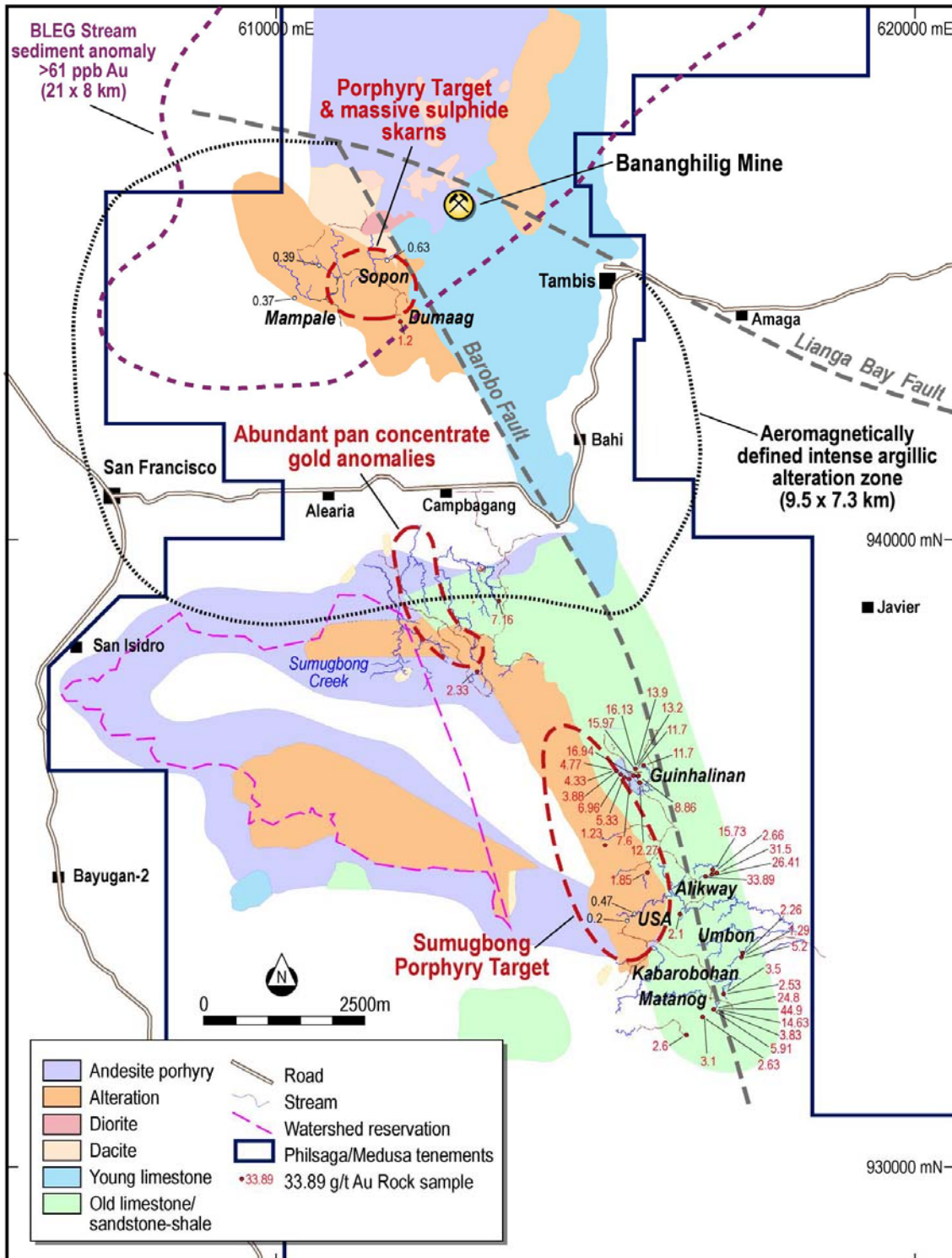


Figure 6: Map of the Barobo Corridor showing regional structures, aeromagnetic target areas and mineralisation targets identified to date



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 on the south side of the intersection of two regional scale faults, the Barobo Fault and the west-northwest trending Liang Bay Fault and partly straddling the Barobo Fault. The faults intersect immediately to the west of the Bananghilig Gold Mine.

It should be emphasised that reconnaissance field exploration to date has been restricted to 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 regional scale data for prioritising targets for additional work.

### **Porphyry targets**

At the northern end of the Barobo Corridor is the Sapon porphyry copper target which consists of an altered and quartz veined diorite with visible copper minerals. 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 Sapon 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 BLEG anomaly shown on Figure 6. The BLEG survey was a systematic programme carried out to specifically target gold.

The Sumugbong porphyry target consisting of altered and quartz veined diorite is located to the west of the Alikway and Guinhalinan Prospects further to the south on the west side of the Barobo Fault. 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 anomalous copper values of up to 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 discriminate 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 6 summarises the surface sample gold values and also highlights the large BLEG gold anomaly defined by previous explorers within 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, 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. 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. Some of these bodies also contain mineralised breccia zones.
- Veins: a large number of veins have been identified commonly with a northeast trend. The most consistent of these to date is the Alikway Vein where high grade mineralisation has been identified over a distance of 500 metres and is open in both directions. Numerous other veins in the Alikway vicinity, particularly to the south, have also been discovered.

It should also be noted as shown on Figure 6 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 Sapon porphyry target and other prospective areas.



## TAMBIS BANANGHILIG

As shown on Figure 2 the Tambis Bananghilig Mine is located approximately 35 km by the National Highway to the north of the Co-O Plant.

The project is subject to on-going drilling and assessment. Underground exploration has been suspended while the assessment and drilling are being advanced. Once the assessment programme is sufficiently advanced, a comprehensive report on activities will be provided during the next quarter.

## SINUG-ANG

The Sinug-ang Project situated immediately north of the Co-O Mine and shown on Figure 2 comprises two prospects. The Banbanon Prospect is where most of the current drilling has been completed and was explored in the 1980s by surface sampling and drilling. The Sinug-ang prospect is located further to the north on the same vein system which trends in a NNW direction parallel to the Philippine Rift Fault trend. Some small scale mining activities of selected parts of the Banbanon Vein and with limited lateral extent have been undertaken to a depth of approximately 130 metres below surface and one shaft extends to approximately 190 metres below surface.

Following a topographical survey, a full assessment and interpretation of all drilling and underground mapping sampling is in progress.

## ANOLING

The MOA with Alcorn Gold Resources Inc. covers Mining Production Sharing Agreement ("MPSA") application number 039-XIII situated to the north of the Co-O mine and millsite as shown on Figure 2.

Following the granting of two Small Scale Mining Permits during the previous quarter, the processing of the Anoling MPSA is now being pursued.

### Diamond Drilling and Geology

Two parallel veins trending westerly have been defined to date over respective strike lengths of approximately 650 metres for the Hope Vein and approximately 750 metres for the Loring Vein, and both veins are open to the east. Within the long strike lengths, drilling and surface sampling has started to define potentially economically mineralised zones. There are also northeast trending vein segments, such as was explored in the Alcorn exploratory shaft, but the veins on this orientation, from current information, appear to have shorter strike lengths than the westerly-trending veins. Indications of other parallel veins have recently been located during routine mapping and drilling.

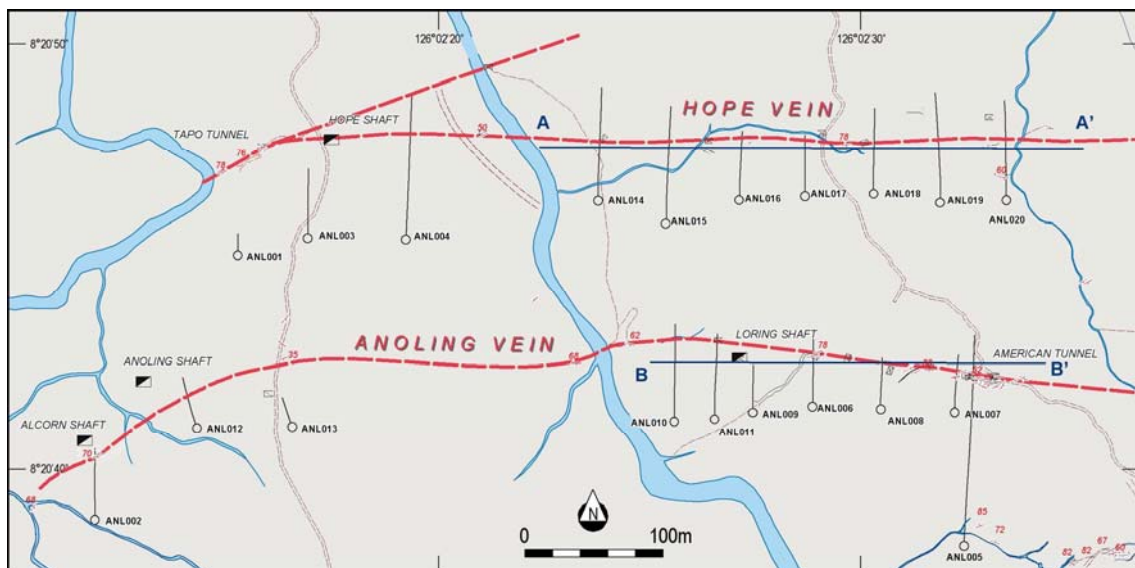


Figure 7: Surface geology and drill hole locations.

Figure 7 shows the vein projections from surface mapping and sampling and the location of the first twenty diamond drill holes totalling approximately 2,269 metres that have been completed to date to intersect veins at approximately 50 to 100 metres below surface. Table I summarises all the diamond drill hole intersections greater than 2 g/t gold.

**Table IV: Summary of drilling results for holes ANL5 to ANL20 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

Notes: (i) McPhar Geoservices Inc. assays are quoted where available/ (ii) (\*) denotes Philsaga assays

As shown on the Hope Vein longitudinal projection in Figure 8, exploratory diamond drilling has achieved potentially economic intersections over a strike length of 300 metres to date which is still open east and west and at depth. Further infill drilling is in progress prior to a decision to commence underground exploration.

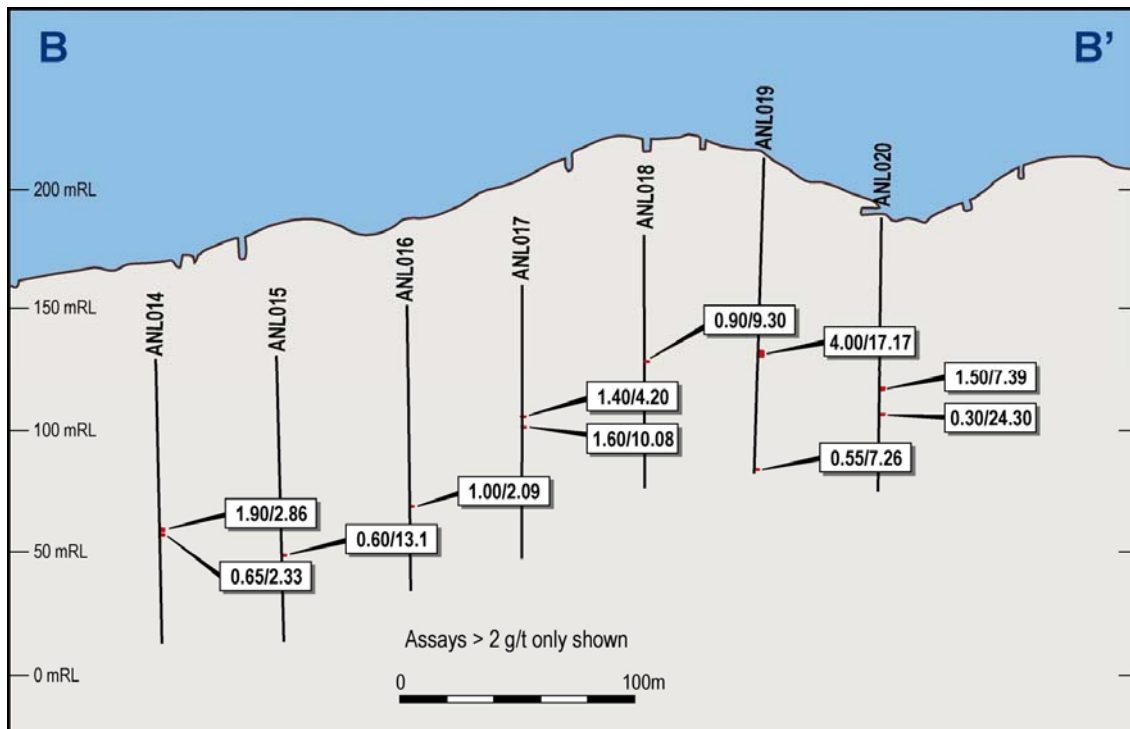


Figure 8: Longitudinal projection of the Hope Vein.

The Loring Vein has been tested by underground sampling of old workings and by six drill holes with good grades being returned from the underground sampling and from drill hole ANL009.

Whilst other drill holes have returned lower grades, owing to the pinch and swell nature of the veins, underground exploration has commenced through the refurbished Loring Shaft, previously dug by local prospectors, which provides quick and cheap access to the vein for exploratory purposes. To date underground sampling has established 40 metres of strike length of mineralised vein averaging 6.87 g/t gold over an average width of 0.90 metres.

The exploration programme is continuing.

## **OTHER PROJECTS**

### ➤ **Abacus Project**

The Mines Operating Agreement (“MOA”) with Abacus Consolidated Resources and Holdings Inc. covers Exploration Permit (“EP”) application number 000028-XIII situated to the north of the Co-O mine and millsite as shown on Figure 2.

The granting process for the Abacus EP is now being pursued.

### ➤ **Das-Agan Project**

The MOA covering MPSA application number 039-XIII comprising two parcels and situated to the north and east of the Co-O Mine and millsite as shown on Figure 2. The granting process for the Das-Agan MPSA is now being pursued as a high priority to facilitate drilling of the Lingig porphyry later in the year.

The Lingig porphyry discovery was tested by one drill hole only in 1974 returning 150 metres containing 0.4% copper with the hole ending in high grade copper mineralisation with accessory gold.

### ➤ **Saugon Project**

The Saugon Exploration Permit has been renewed and an exploration review is in progress.

### ➤ **Panaon Project**

The Company has terminated the joint venture with Goldsearch Limited and due to the Company’s commitments at the Co-O Project, the Panaon Project has been returned to the claim owners.

### ➤ **Bunawan Project** (*Magnum Gold NL earning 50%*)

No field work was conducted during the quarter.

## CORPORATE

- On 27 June 2007, the Company advised the ASX that Gallagher Holdings Limited had become a cornerstone investor in Medusa via the placement of 17,500,000 fully paid shares at A\$1.15 per share to raise A\$20,125,000 before costs. A total of 7,000,000 unlisted options exercisable within 18 months at a price of A\$1.60 will also be issued to the investor subject to shareholder approval at a meeting to be held on 7 August 2007.

The funding is being used for early payment of vendor finance resulting from completion of the Philsaga acquisition in December 2006, and will be used for drilling the Lingig porphyry copper discovery later in the year, as well as expanding exploration in the Barobo Corridor and at other prospects.

- As part of the Company's ongoing corporate rationalisation in the Philippines, the Company completed the acquisition of a 1.32% uncapped gross royalty over the Co-O Mine and surrounding areas for A\$1,120,000.

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.



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98. 30/9/2001.

Name of entity

**MEDUSA MINING LIMITED**

ACN or ARBN

**099 377 849**

Quarter ended ("current quarter")

**30 June 2007**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>		
1.1 Receipts from product sales and related debtors	3,427	9,936
1.2 Payments for (a) exploration and evaluation	(941)	(4,168)
(b) operation	(2,093)	(6,792)
(c) administration	(552)	(2,876)
1.3 Interest and other items of a similar nature received	5	96
1.4 Other	(86)	(179)
<b>Net operating cash flows</b>	<b>(240)</b>	<b>(3,983)</b>
<b>CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>		
1.5 Payments for (a) prospects	-	-
(b) equity investment	(1,123)	(9,123)
(c) fixed assets	(188)	(1,388)
(d) development	(330)	(3,979)
1.6 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	(25)
(c) fixed assets	-	-
1.7 Loans to other entities	-	(50)
1.8 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(1,641)</b>	<b>(14,565)</b>
1.9 Total operating and investing cash flows (carried forward)	(1,881)	(18,548)
<b>CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>		
1.10 Proceeds from issues of shares, options, etc.	20,125	35,908
1.11 Proceeds from borrowings	-	-
1.12 Repayment of borrowings	-	-
1.13 Other (issue expenses)	-	(722)
<b>Net financing cash flows</b>	<b>20,125</b>	<b>35,186</b>
Net increase (decrease) in cash held (carried forward)	18,244	16,638

**Appendix 5B**  
**Mining exploration entity quarterly report**

	<b>Net increase (decrease) in cash held (brought forward)</b>	18,244	16,638
1.14	Cash at beginning of quarter/year to date	1,982	3,534
1.15	Exchange rate adjustments to item 1.14	(58)	(4)
1.16	<b>Cash at end of quarter</b>	20,168	20,168

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.17	Aggregate amount of payments to the parties included in item 1.2	158
1.18	Aggregate amount of loans to the parties included in item 1.7	-
1.19	Explanation necessary for an understanding of the transactions	
	Salaries and consulting fees paid to Directors of the Company	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

--

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,500
4.2 Development	300
<b>Total</b>	<b>1,800</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	73	488
5.2 Deposits at call	20,095	1,494
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.16)</b>	<b>20,168</b>	<b>1,982</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note 2)	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3)	Amt paid up per security (see note 3)
7.1 <b>+Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	142,037,548	142,037,548		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	17,500,000	17,500,000	\$1.15	\$1.15
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	6,821,446	-	<i>Exercise price</i> (see note 6)	<i>Expiry date</i> (see note 6)
7.8 Issued during quarter	171,446	-	\$0.65	13 Nov 2008
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.



## Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.



Sign here: \_\_\_\_\_ Date: \_\_\_\_\_  
Company Secretary 31 July 2007

Print name: Roy Daniel \_\_\_\_\_

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

6. Unlisted options:

<u>Number issued</u>	<u>Exercise price</u>	<u>Expiry date</u>
600,000	\$0.4334	23 Dec 2009
3,000,000	\$0.5764	16 Dec 2007
250,000	\$0.7200	02 Oct 2008
1,500,000	\$0.9000	02 Oct 2008
500,000	\$1.5000	02 Oct 2008
171,446	\$0.6500	13 Nov 2008
800,000	\$0.7128	19 Dec 2009