



**MEDUSA**

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21 January 2008

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

Dear Sir/Madam

## **NEW CATTO VEIN EXTENSIONS DISCOVERED**

Medusa Mining Limited ("Medusa" or the "Company") advises that continuing diamond drilling at the Co-O Gold Mine has located and extended the New Catto Vein system, previously discovered on the east of the Oriental Fault, **for approximately 200 metres to the west side of the Oriental Fault**. Development work is now in progress to prepare these veins for stoping in the third quarter of the year which will result in mining being conducted from five different levels in the mine.

Additional new significant intersections include:

<b>Hole Number</b>	<b>Intercepts (metres)</b>	<b>Grade (g/t gold)</b>
<b>MD 46</b>	<b>1.40</b>	<b>20.62</b>
<b>MD 48</b>	<b>1.95</b>	<b>22.02</b>
<b>MD 54</b>	<b>1.80</b>	<b>14.59</b>
<b>MD 57</b>	<b>3.30</b>	<b>26.09</b>
<b>MD 58</b>	<b>0.40</b>	<b>43.13</b>
<b>DBH 03</b>	<b>0.40</b>	<b>17.21</b>

The drill programme is continuing with four surface rigs and one underground rig. A new interim resource estimate will be completed in April 2008.

## Drilling programme and results

Figure 1 shows the location of the Co-O Mine and Figure 2 shows all the diamond drill holes drilled and in progress around the Co-O Mine since December 2006. Figure 3 shows the current three dimensional model of the vein system which will be updated in April.

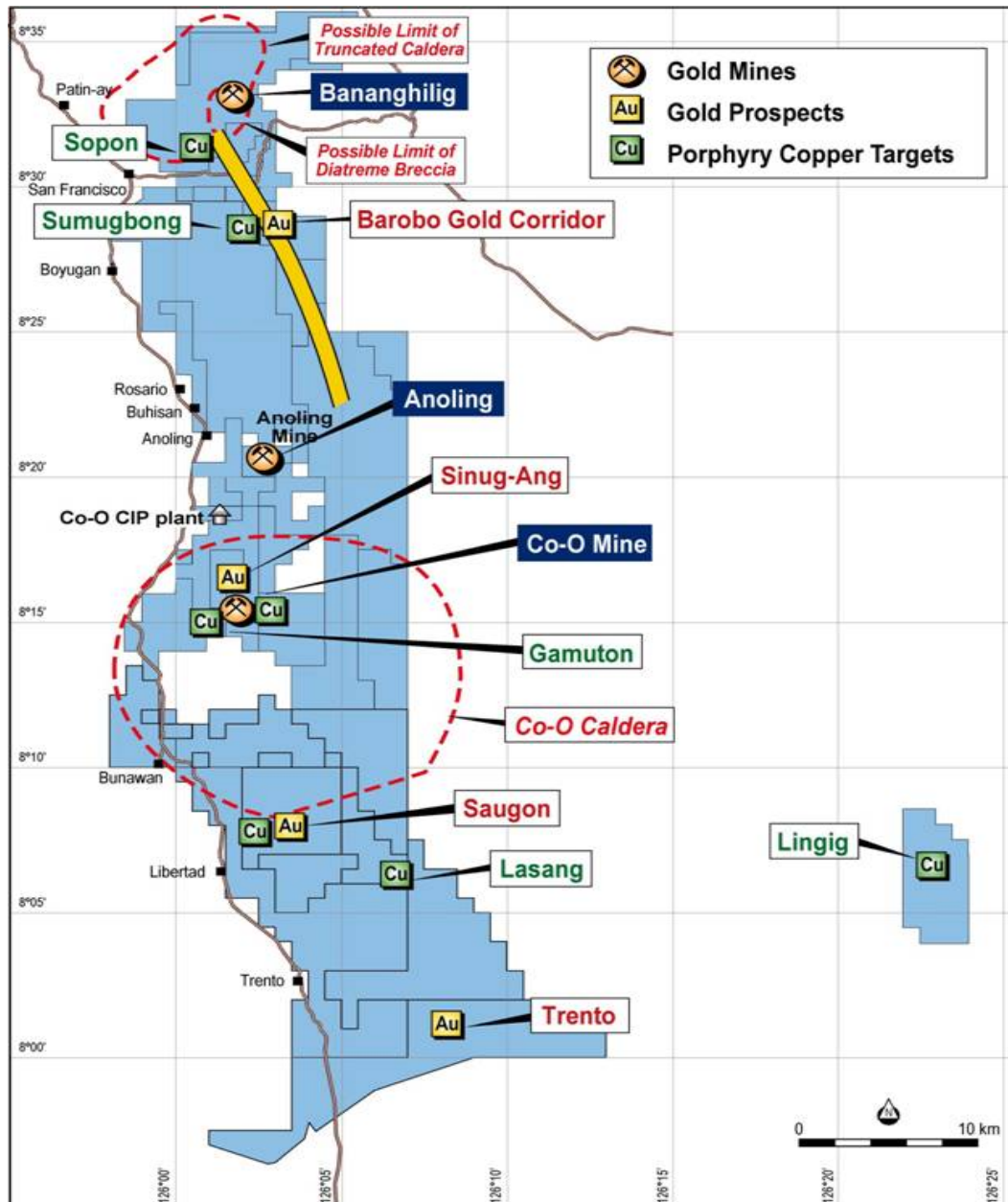


Figure 1: Location of the Co-O Gold Mine.

The resource estimate published in August 2007 (Table I) was based on drill holes up to MD 45.

**Table I. Resource Summary for the Co-O Mine**

Category	> 3 g/t gold		
	tonnes	g/t gold	ounces
Indicated	928,000	12.6	377,000
Inferred	1,106,000	9.5	336,000
<b>Grand total</b>	<b>2,034,000</b>	<b>10.9</b>	<b>713,000</b>

**Notes:**

- A lower cut-off of 3 g/t gold is the designated lower cut-off based on economic parameters;
- An uppercut of 300 g/t gold has been applied; and
- Resources are inclusive of reserves.

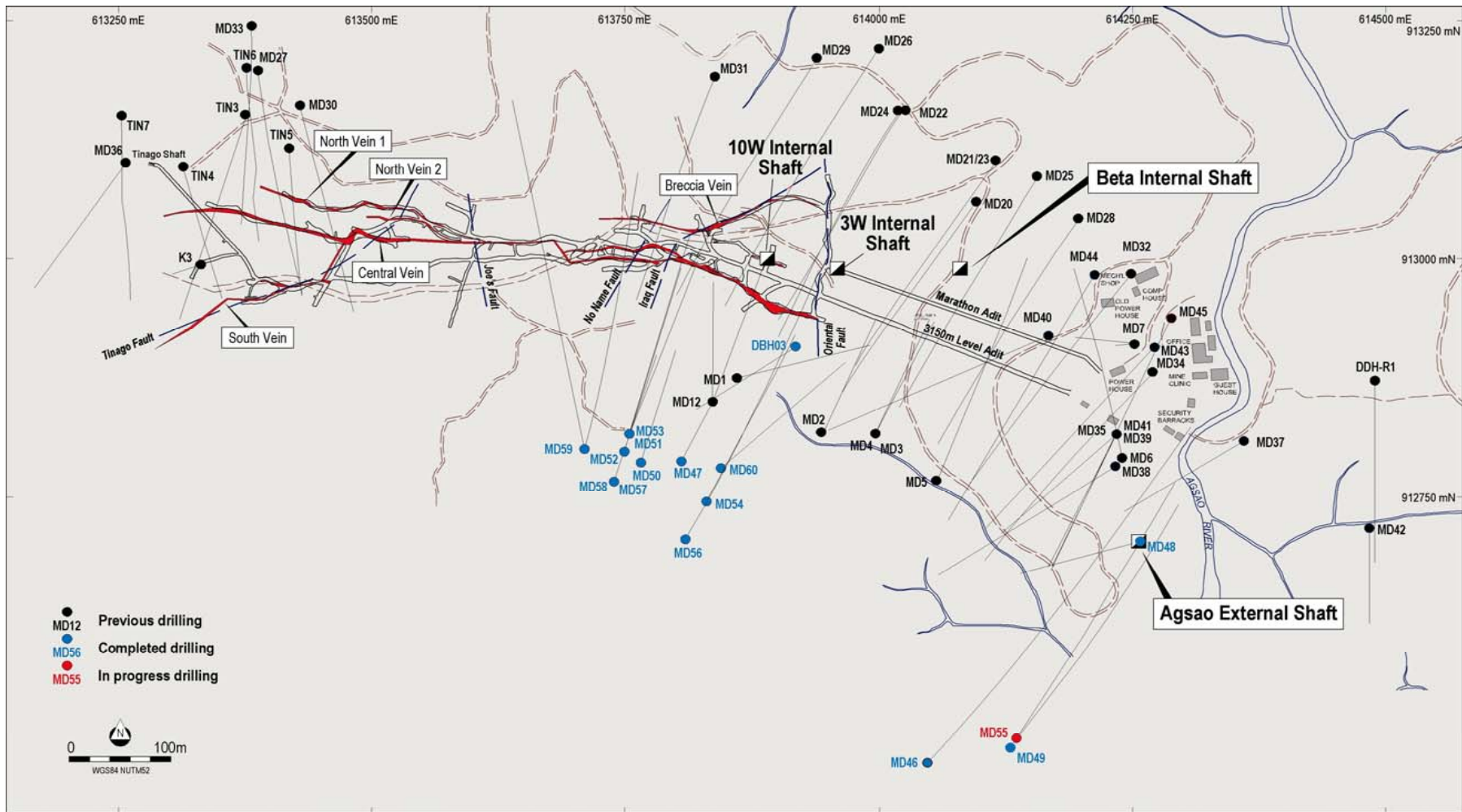


Figure 2: Map of the Co-O Mine area showing drill hole locations.

Since August 2007 a total of 13 new surface holes have been completed with assays awaited for hole MD 55. Hole MD 50 was abandoned due to bad ground conditions in a fault zone. Drilling is continuing with four surface drilling rigs and one underground rig.

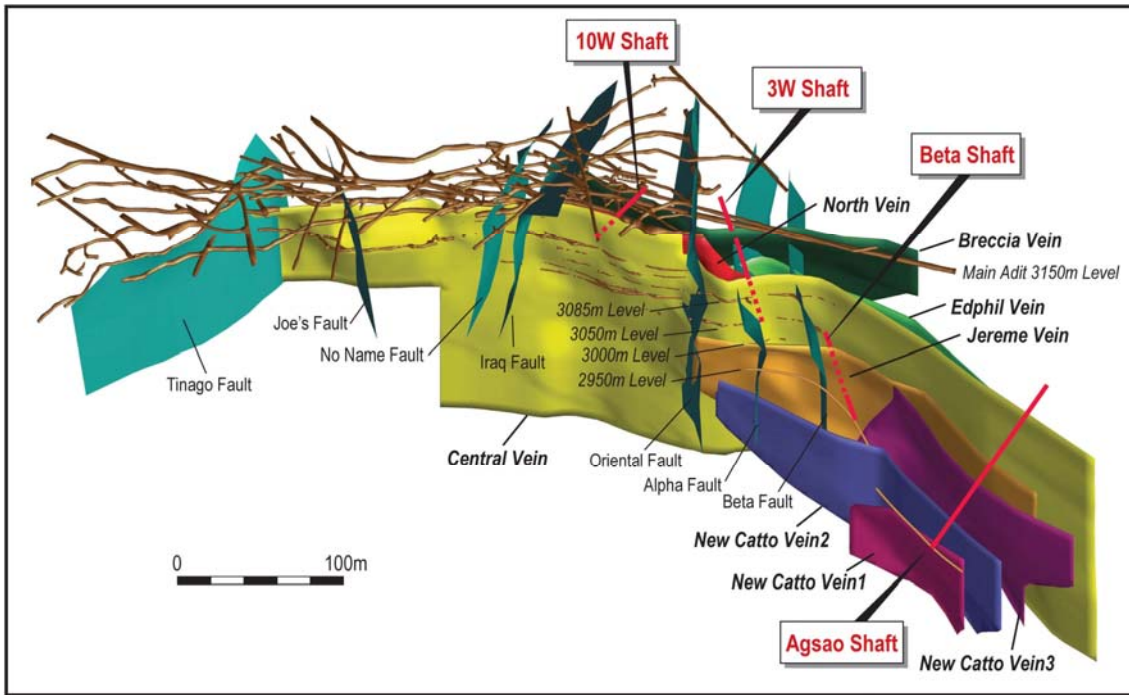


Figure 3: Three dimensional model of the Co-O Mine vein system looking north.

Table II lists the diamond drilling results from the Co-O Mine for drill holes MD 46 to MD 58 (excluding MD 50 and 55) and for underground drill hole DBH 03. Previous announcements on the Co-O drilling on 9 July, 15 May and 28 February 2007 contain information regarding drilling and surveying techniques, comments on vein interpretation and methodologies and assaying protocols.

Table II: Drill hole results greater than 3 g/t gold for holes MD 46 to 58 and DBH 03

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
<b>EAST</b>							
MD 46	614,047	912,472	-48	41	489.30	0.85	8.96
					501.40	0.40	4.50
					542.90	1.40	20.62
MD 48 (Agsao Shaft pilot hole)	614,257	912,704	-60	253	212.45	1.95	22.02
MD 49	614,129	912,487	-50	40	449.85	0.85	14.69
					463.90	1.00	4.24
<b>WEST</b>							
MD 47	613,805	912,788	-55	30	153.30	1.10	7.01
MD 51	613,749	912,798	-53	17	130.50	0.85	9.31 (*)
					155.75	0.25	41.06
					286.65	1.00	3.00 (*)
MD 52	613,754	912,816	-50	14	75.25	0.55	3.53
					157.60	0.30	5.31
					170.40	0.30	14.93
MD 54	613,830	912,745	-47	29	174.00	1.80	14.59
MD 56	613,809	912,706	-54	29	390.85	1.00	3.11
MD 57	613,739	912,767	-54	16	191.90	3.30	26.09
MD 58	613,739	912,767	-58	16	176.10	0.40	43.13 (*)
					207.00	0.70	7.15 (*)
					280.40	0.90	6.20 (*)
DBH 03	613,918	912,909	-0.2	236	29.05	1.05	6.58
					57.30	1.90	9.60
					72.20	0.40	17.21

**Notes:**

- (i) (\*) denotes Philsaga assays;
- (ii) Independent laboratory McPhar assays are quoted in preference to Philsaga assays;
- (iii) Grid coordinates based on the Philippine Reference System 92;
- (iv) Intersection lower cut-off grade is 3 g/t gold in line with resource estimation parameters; and
- (v) MD 55 not yet assayed and MD 50 abandoned.

## **Discussion**

All drill holes completed by the end of February 2008 will be included in a new interim resource estimate that is expected to be completed in April. However, drilling will continue after the resource estimate is completed.

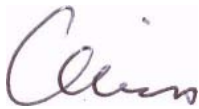
### **West of the Oriental Fault**

The drilling has now successfully demonstrated that the three New Catto Veins continue to the west of the Oriental Fault for approximately 200 metres and may extend through to surface similar to the Central Vein. Consequently development is underway to intersect them on the 3150 metre or adit level, on the 3100 metre level, and on the 3050 metre level as intersected in underground drill hole DBH 3. It is anticipated that stoping should commence from the west New Catto Veins on these three levels in the third quarter of this year. These veins are still open along strike to the west and at depth.

### **East of the Oriental Fault**

Hole MD 48 (Agsao Shaft pilot hole) intersected one of the east New Catto Veins and returned confirmatory high grades. Hole MD 46 (and MD 49) drilled through the top of the New Catto Veins returning anomalous values in the interpreted positions for these veins and intersecting the Central Vein (1.40 metres at 20.62 g/t gold) at approximately 400 metres below surface. Follow up drilling in this position is expected to intersect the New Catto Veins below MD 46.

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.