



MEDUSA

QUARTERLY ACTIVITIES REPORT

PERIOD ENDING

30 SEPTEMBER 2007

COMPANY PROFILE:

- Resources at Co-O Mine rise by 266% to 713,000 ounces @ 10.9 g/t gold;
- Reserves at Co-O Mine rise by 272% to 256,000 ounces @ 11.1 g/t gold;
- Centrally located mill, multiple mines;
- Major expansion at Co-O to increase production;
- Estimated long term cash costs of approximately US\$200 per ounce;
- Extensive exploration area of >820 km² 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 September 2007:

Shares: 142,037,548
Unlisted options: 13,821,446
ASX code: MML

Listings

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

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KEY POINTS:

Co-O MINE & RESOURCES EXPANSION

- Major expansion underway through two new shafts to access high grade New Catto Veins with benefits anticipated to start mid-2008. At completion, mine production will increase to approximately 60,000 ounces from the Co-O Mine.
- Installation of grid power to the mine to cut power costs by 75%;
- Indicated and Inferred resources now 2,034,000 tonnes containing 713,000 ounces @ 10.9 g/t gold. Drilling continuing, targeting one million ounces;
- Probable reserves now 717,000 tonnes containing 256,000 ounces @ 11.1 g/t gold.

Co-O MINE PRODUCTION

- Gold production for the quarter totalled 5,050 ounces at an average grade of 9.45 g/t gold and average cash cost of US\$248 per ounce;
- As advised, production was reduced by workforce shortages combined with re-assignment of mining crews to commence the expansion programme.

LINGIG PORPHYRY DISCOVERY

- Drilling scheduled in first quarter 2008 below previous End of Hole intersection of 150 metres at 0.4% copper in phylitically altered quartz diorite and mineralised volcanic rocks.

ANOLING

- Underground exploration continuing on the Alcorn Vein and an exploration shaft underway on the Hope Vein.

BAROBO-TAMBIS AREA

- Discovery of sub-horizontal "blanket-style" gold mineralisation with best horizontal intersection of 98.9 metres at 4.23 g/t gold;
- Delineation of regionally significant volcanic features favourable for gold and base metal mineralisation.

REGIONAL

- Joint venture with Bunawan Mining Corporation over additional 88 km² of contiguous tenements.



PROJECT OVERVIEW

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

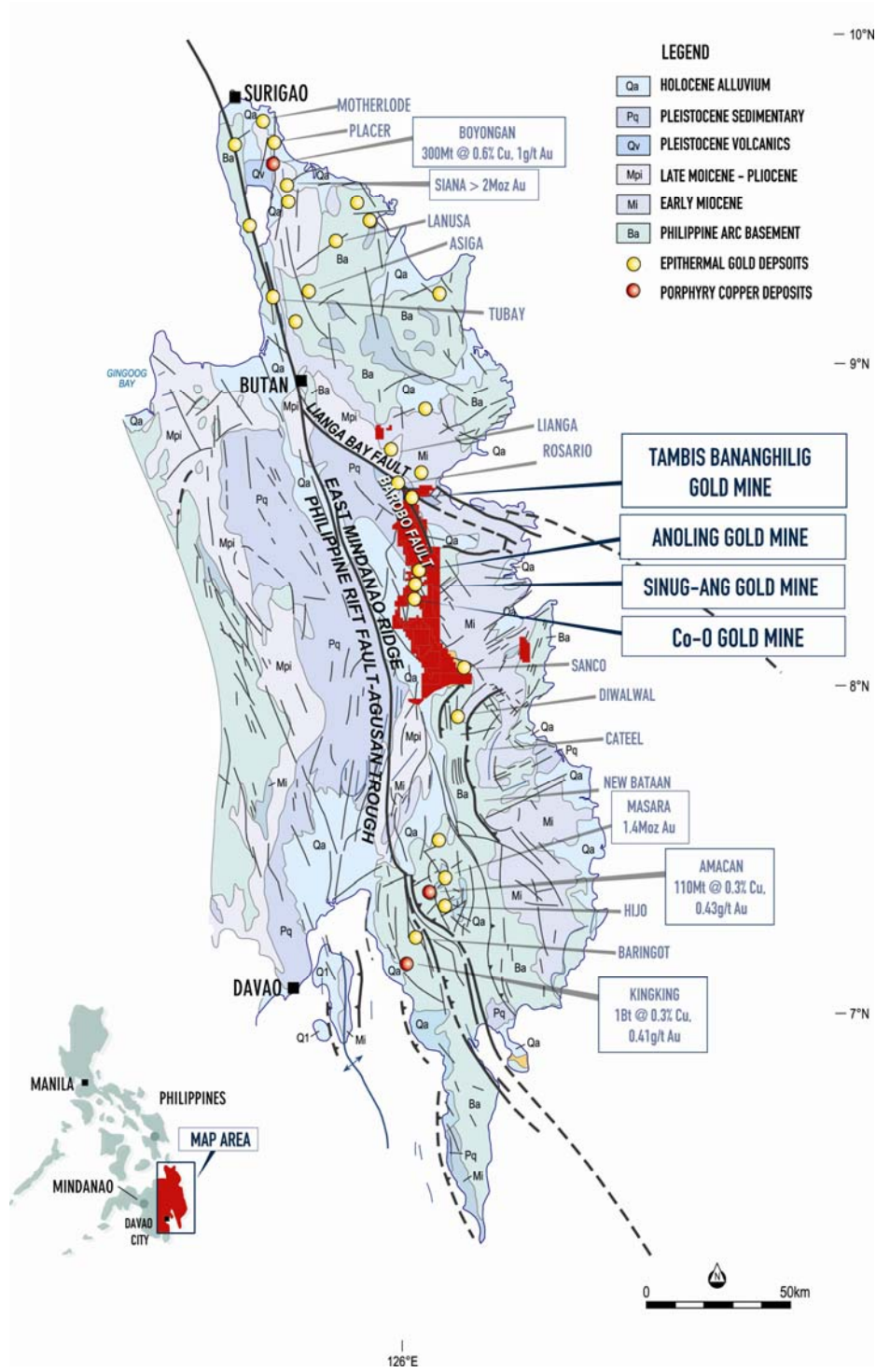


Figure 1: Location diagram

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

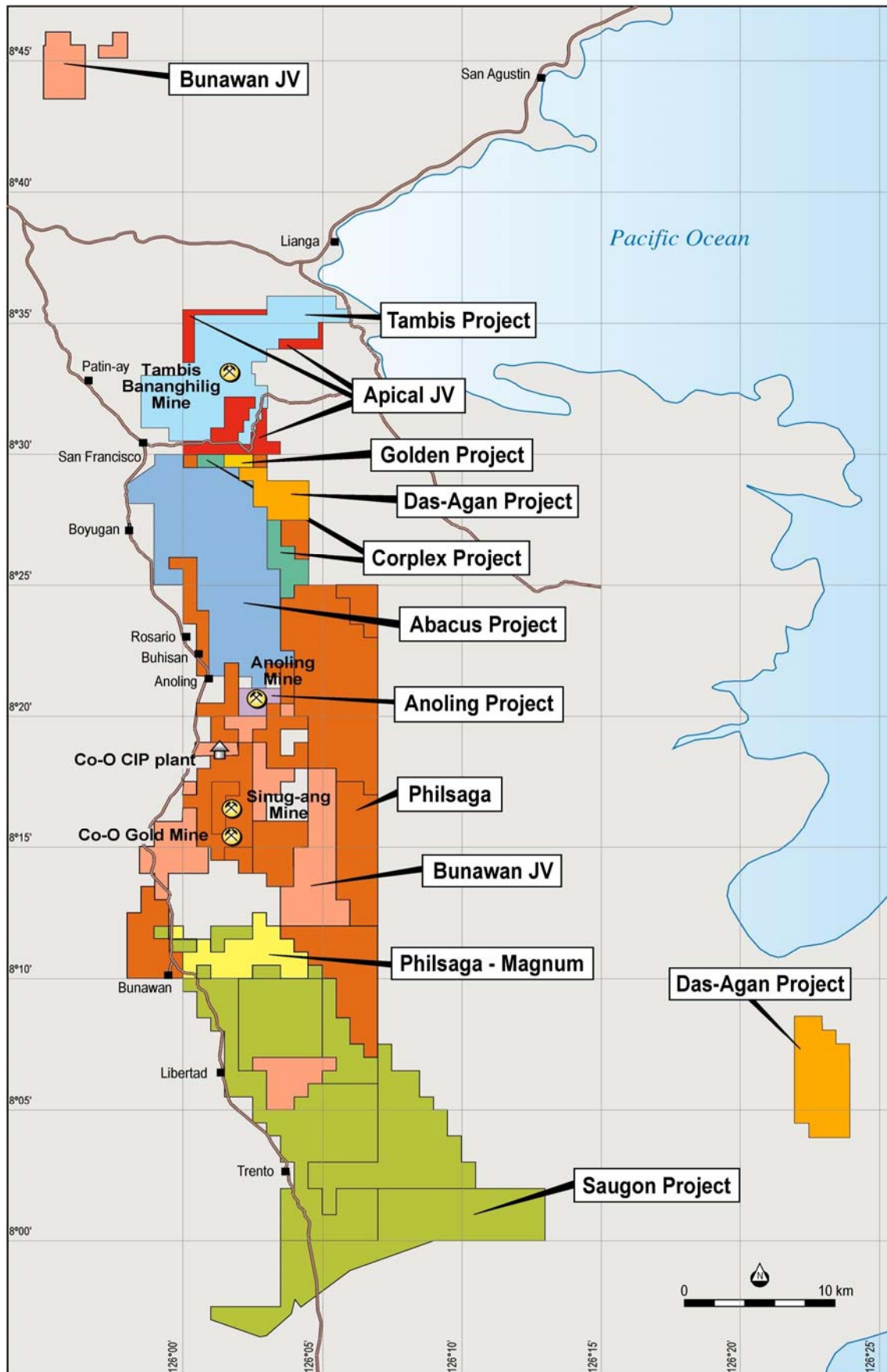


Figure 2: Regional tenement map

GOLD PRODUCTION

The production statistics for the current quarter are summarised in Table I.

Table I: Gold Production

Period	Tonnes treated	Gold produced	Head grade	Cash costs	Comments
	(dmt)	(ozs)	(g/t gold)	(US\$ per oz)	
Jul to Sep 2007	18,074	5,050	9.45	\$248	Stopping of accessible lower grades due to shortage of miners and re-assignment of workforce to the mine expansion.
TOTAL	18,074	5,050	9.45	\$248	

The Company produced 5,050 ounces of gold at an average grade of 9.45 g/t gold and average cash production costs of US\$248 per ounce. The “black leader” zone was mined out late last quarter and the surrounding vein material, whilst maintaining good widths, has an increased calcite content which has resulted in lower grades in the 7 to 9 g/t gold range.

Following the re-organisation of the mine workforce during the last quarter and as part of the Company’s duty of care and social responsibility, all mining personnel were required to undergo a full medical examination. Thirty-one of the mining workforce, including some of the Company’s leading development miners, did not pass the medical test, which together with an industry shortage of skilled miners and the new expansion programme, have impacted and will impact on the short term gold production profile. Medusa places a heavy emphasis on the health and welfare of its workforce and consequently is willing to accept short term reductions in gold production. These personnel have been placed on light duties or sick leave and all are expected to rejoin the workforce over the coming months.

During the expansion programme it is anticipated that production levels will remain at approximately 5,000 ounces per quarter with estimated cash costs of US\$250 per ounce. Cash flow generated from gold production should be sufficient to fund the expansion, and on-going operating, capital and exploration activities.

Ore will be sourced during the expansion period primarily from the more developed Central Vein with grades expected to be approximately in line with the reserve grade of 10 g/t gold. The first benefits of the expansion should start to flow through in mid-2008.

It is expected that mine production will be minimal for approximately 10 days during the Christmas-New Year festive period.

Co-O MINE

Resource and Reserve Increases

The Resource estimation in Table II is based on the 3D model of the Co-O Vein system shown on Figure 4. The estimation has increased the contained ounces by 446,000 ounces (266%) to 713,000 ounces using a lower cut of 3 g/t gold.

Table II: Resource estimation summary

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

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.

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

The Reserve estimation in Table III has increased the reserve ounces by 162,000 ounces (272%) to 256,000 ounces.

Table III: Reserve estimation summary

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

Notes:

- Reserves based on a minimum diluted mining width of one metre and a block cut-off grade of 3 g/t gold, and
- Reserves are included in the resource estimate.

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 as shown on Figure 4;
- 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); and
- Account for mining depletion to 31 July 2007.

Table IV: 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	24,000
	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	28,000
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	47,000
	Sub total	258,000	9.5	78,000	258,000	9.5	78,000
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
Sub-totals	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 resource estimations have been undertaken by Cube Consultants Pty Ltd (2007).

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 V: 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.

Mine Expansion

The current workforce shortage means that for the Company to undertake the mine expansion it has re-assigned miners away from production only activities during the expansion phase. Under normal circumstances with a full skilled workforce, these activities would be carried out simultaneously. With the added benefit of the strike length of the resources at the mine now extended and after taking into account all factors, the Company has prioritised the sinking of two new shafts and driving to access the New Catto Veins.

The new underground developments are being co-ordinated so that most of the waste rock generated during this phase can be disposed of into mined out areas. This is to avoid the increased costs of having to haul the waste rock to the surface.

Shaft sinking requires significant preparation, which in the case of underground shafts, includes: cutting a large chamber to accommodate the headframe and winder, which is located 4 to 6 metres behind the shaft; meshing; rock bolting and shotcreting of the chamber for stability and waterproofing; and digging of large holes in the floor for concrete footings for both the shaft and the winder. For external shafts a heavy duty steel collar is manufactured, set in the ground to several metres depth and cemented in before the headframe can be erected. All the timber that is used to line the shafts is suspended from the collar. Footings for the headframe and winders have to be dug and cemented, a winder room constructed and services connected.

Each shaft will contain two fully timbered compartments, one for skip haulage and one as a ladder way and for carrying services including water for drilling as well as potable water, power lines, compressed air lines, ventilation bags and water pumping lines for dewatering the shaft during sinking as well as after completion. The haulage compartment will have rails installed on the underside for skip haulage.

A large diameter drill hole (siter hole) has been completed for the Agsao Shaft (which passed through one of the New Catto Veins returning 0.75 metres at 54.29 g/t gold) to help determine ground conditions in advance as well as to provide open space for rock expansion during blasting. Whilst this drill hole is indicative of ground conditions likely to be encountered, it has only sampled a small volume of the rock that will be excavated during the sinking process and further difficult ground conditions may be encountered that were not intersected in the drill hole. Preparations are underway for the drilling of the siter hole for the Beta Shaft as cutting of the winder and headframe chamber is in process. In bad ground conditions apart from the timbering, rock bolting is undertaken at regular intervals, and in some cases, meshing and other ground supporting measures are installed. Excess water flows during shaft sinking cause problems due to pumping of particle laden water that accelerates pump wear and makes drilling and blasting conditions difficult.

Once the shafts reach the required depth, they have to be sunk a further 4 to 6 metres to act as a sump for water collection as well as for loading the skip. The access area or plat to the shaft has to be cut followed by tunnel development to reach the veins and to commence on-vein development and eventually to link with other workings in the mine to achieve through-flow ventilation.

Rails then have to be installed along the drives for ore and waste rock haulage, electrical sub-stations installed for electric locomotive battery charging facilities as well as power to the level for ventilation fans, pumps and lighting, water lines, compressed air lines, sumps for water drainage and associated pumping stations to keep the mine dewatered.

On completion of this development programme, the haulage capacity of the mine is projected to increase to 400 tonnes of ore per day equating to approximately 60,000 ounces per year of mine production plus waste haulage as required.

(a) Horizontal drive to the top of the New Catto Veins

A new horizontal drive approximately 150 metres long is being undertaken from the Central Vein southwards to intersect the Jereme and New Catto Veins 1 to 3. The New Catto Vein 3, currently has a probable reserve of 45,000 ounces at 31.6 g/t gold and the New Catto Vein 1 has a probable reserve of 29,000 ounces at 50 g/t gold. Both veins are open in three directions.

Provided ground conditions are reasonable, production should commence in the 3rd quarter of 2008.

(b) Beta Shaft

The new internal inclined Beta Shaft, to a vertical depth of 100 metres (120 metres on the incline) has commenced from near the bottom of the existing 3W shaft. This will connect from the 3050 metre level down to the 2950 metre level. The position of the new shaft is shown on Figures 3 and 4.

Provided ground conditions are reasonable, ore production through the Beta Shaft should commence in the last quarter of 2008.

(c) Agsao Shaft

The new external Agsao Shaft, to a vertical depth of 200 metres (240 metres on the incline) has been commenced at the eastern end of the vein system as shown on Figures 3 and 4 to access the New Catto Veins and other veins in that vicinity. The bottom of this shaft will be at the 2950 metre level and will be connected to the new internal inclined shaft (described above) at the same 2950 metre level. This external shaft will be dedicated to ore haulage.

Provided ground conditions are reasonable, ore production through the Agsao Shaft should commence early in 2009.

Development on the 3050 and 3000 metre levels

Development of the 3050 metre level at the bottom of the 3W shaft has continued on the east side of the Oriental Fault, and the western end of the mine has been re-opened with driving now proceeding past the Iraq Fault which is opening new areas of the Central Vein.

On the 3000 metre level, development has proceeded during the quarter on the eastern side of the Oriental Fault, which has now extended across the Oriental Fault and into the Central Vein on the western side of the fault. Rail has been laid on the level and several winzes are in progress down to the 2950 metre level to provide ventilation and access for when the Beta Shaft reaches the same level.

New Adit Development

The new adit, named the Marathon Adit, has finally been completed after encountering severe ground conditions over most of its length.

Resource Drilling

The Company commenced a deep diamond drilling programme in December 2006 designed to intersect extensions to the Co-O Mine vein system on approximately 50 metre centres.

The drilling discovered a new set of very high grade veins which have been named the New Catto Veins ("NCV") and the Jereme Vein. 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 as shown on Figure 5. 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. Figure 6 shows a typical cross-section through the veins.

Figure 3 is a surface map showing the position of the drill holes MD 20 to 45 which have been used in the new resource estimations. Table VI contains the intersections for the Edphil, North, Central, Jereme and New Catto Veins 1, 2 and 3 which are greater than 3 g/t gold that have been incorporated into the resource model. An announcement dated 15 August 2007 contains numerous other intersections from veins which have not been incorporated into the resource model.

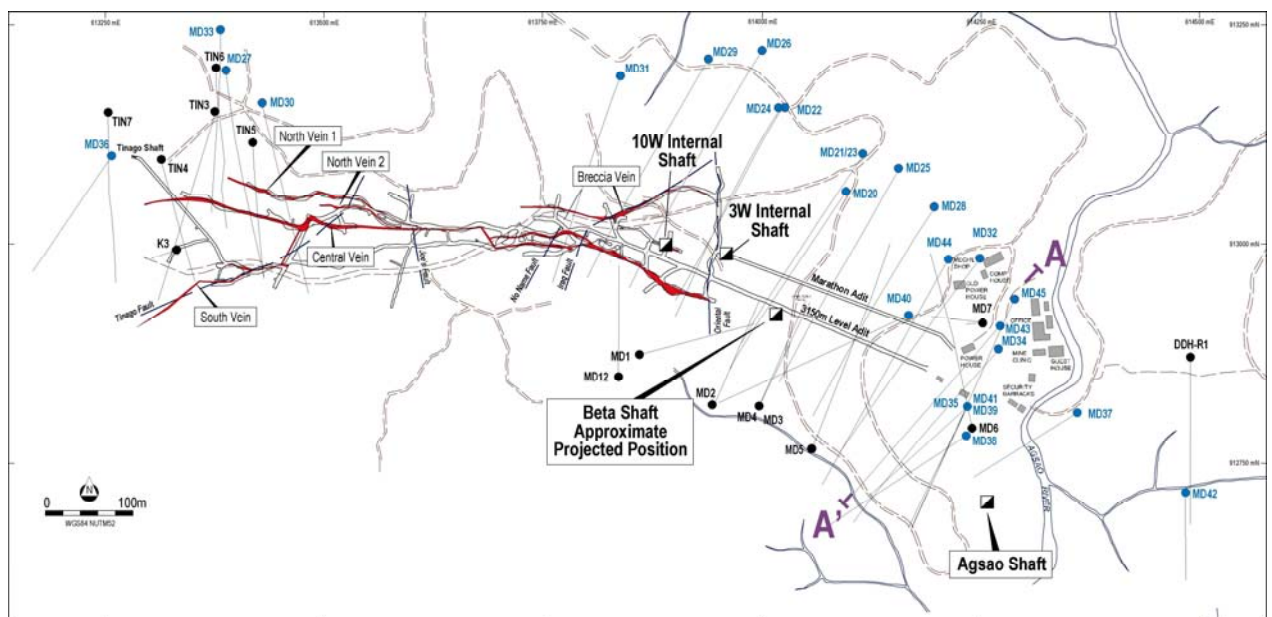


Figure 3. Location map showing drill holes MD 20 to 45, the two new shaft positions and cross section line A-A'.

Table VI: Drill results >3 g/t gold used in the Resource estimation

Hole	East	North	Dip (°)	Azimuth (°)	Vein name	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD 20	614094	913059	-51	214	Edphil	230.10	0.50	45.29
					North	289.70	1.60	3.00
					Central	333.10	7.50	4.92
					Jereme	359.60	4.30	6.52
					NCV 2	381.95	0.35	15.56
MD 22	614019	913155	-45	210	North	324.15	0.65	8.78
					Central	360.80	5.80	6.96
MD 23	614115	913102	-56	214	Edphil	349.10	0.40	7.98
MD 24	614021	913158	-55	210	Edphil	357.75	2.20	7.42
MD 25	614154	913087	-49	210	Edphil	308.60	2.00	4.06
MD 26	613997	913221	-48	211	Edphil	359.75	1.60	4.00
MD 28	614194	913042	-48	212	Breccia	199.70	0.65	4.15
					Edphil	246.70	1.00	5.34
					North	294.20	1.60	4.15
					Central	320.50	6.30	7.81
					NCV 2	412.55	2.70	12.27
MD 31	613836	913190	-49	200	Central	325.30	5.20	4.98
MD 32	614248	912984	-51	217	Jereme	313.80	2.30	19.80
					NCV 3	356.50	0.60	6.02
MD 34	614279	912890	-50	227	Central	242.40	0.60	43.73
					NCV 3	304.20	3.10	4.38
					NCV 1	354.30	3.70	67.40
MD 35	614237	912819	-58	297	Jereme	198.30	0.30	37.84
					NCV 3	209.30	0.60	69.72
					NCV 2	253.50	1.30	7.51
MD 38	614234	912783	-47	237	NCV 3	187.90	1.30	48.76
MD 39	614235	912818	-58	205	Central	178.20	0.80	6.02
					Jereme	209.70	0.50	22.46
					NCV 3	231.20	2.80	5.29
MD 40	614167	912919	-52	245	Central	174.20	0.60	10.37
					Jereme	199.40	1.20	3.61
MD 41	614234	912816	-65	205	Jereme	240.60	1.80	110.98
					NCV 3	261.55	1.35	68.23
MD 43	614267	912876	-60	221	Edphil	185.15	1.15	8.95
					Central	243.60	0.50	8.02
					Jereme	276.90	1.40	5.68 (*)
					NCV 2	360.07	1.00	4.32
					NCV 1	383.50	2.15	52.44
MD 44	614207	912951	-54	209	Central	249.10	1.00	6.41
					Jereme	262.80	2.95	9.71
					NVC 3	270.60	0.30	71.78
					NCV 2	359.60	0.50	18.55
					NCV 1	376.90	0.20	58.84
MD 45	614289	912938	-54	204	Edphil	252.50	2.40	25.61
					Jereme	347.20	0.50	3.17
					NCV 3	375.60	5.20	107.51

Notes:

- (*) denotes Philsaga assays;
- Independent laboratory McPhar assays are quoted in preference to Philsaga assays; and
- Intersection cut-off grade lowered to 3 g/t gold in line with resource estimation parameters.

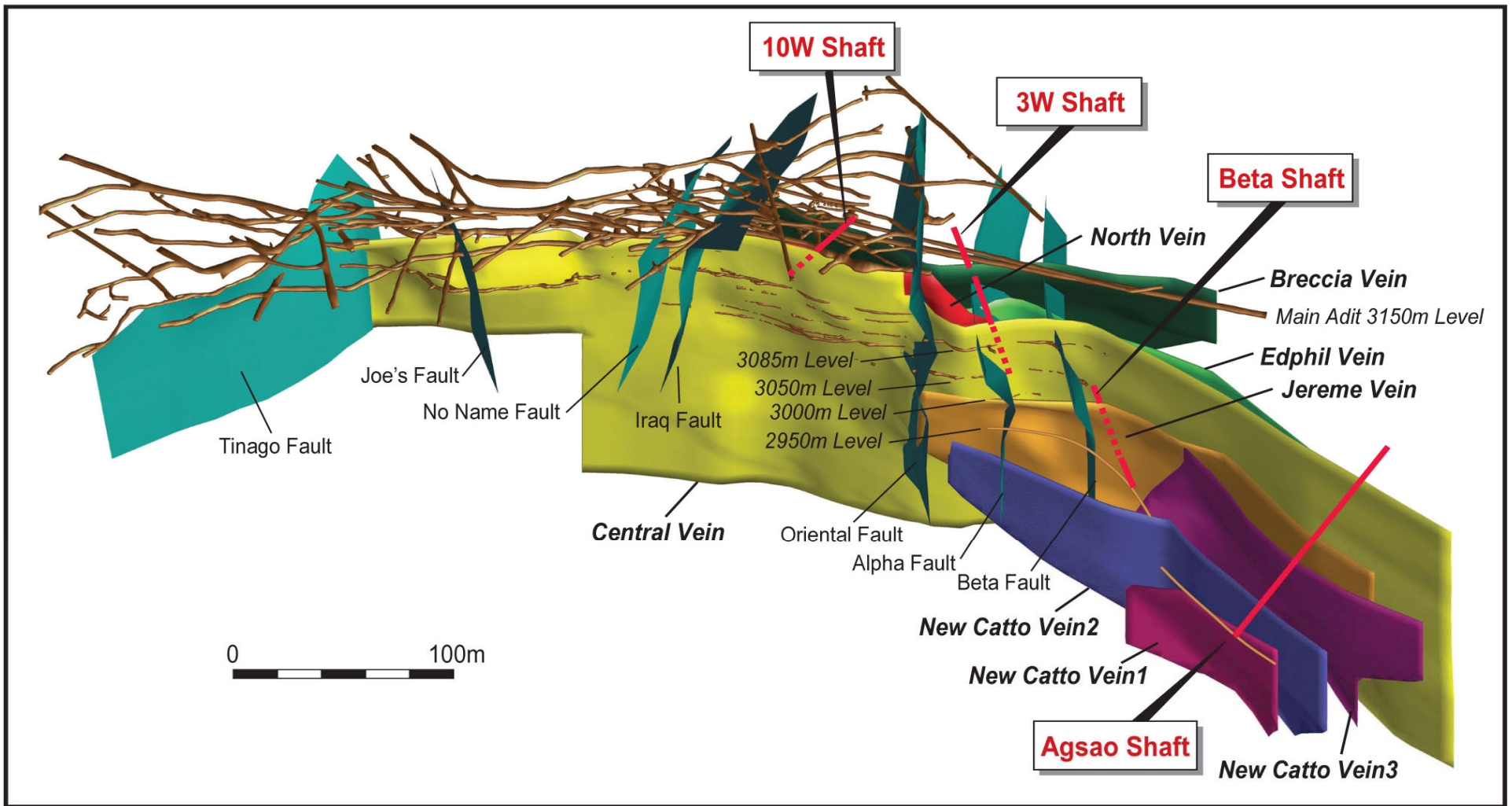


Figure 4: Co-O Mine 3D model.

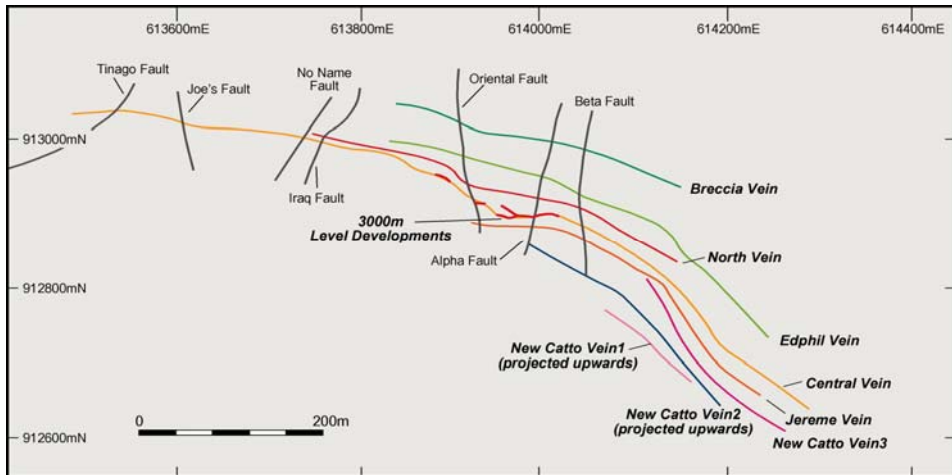


Figure 5: Co-O vein system, 3010 metre level vein interpretation plan.

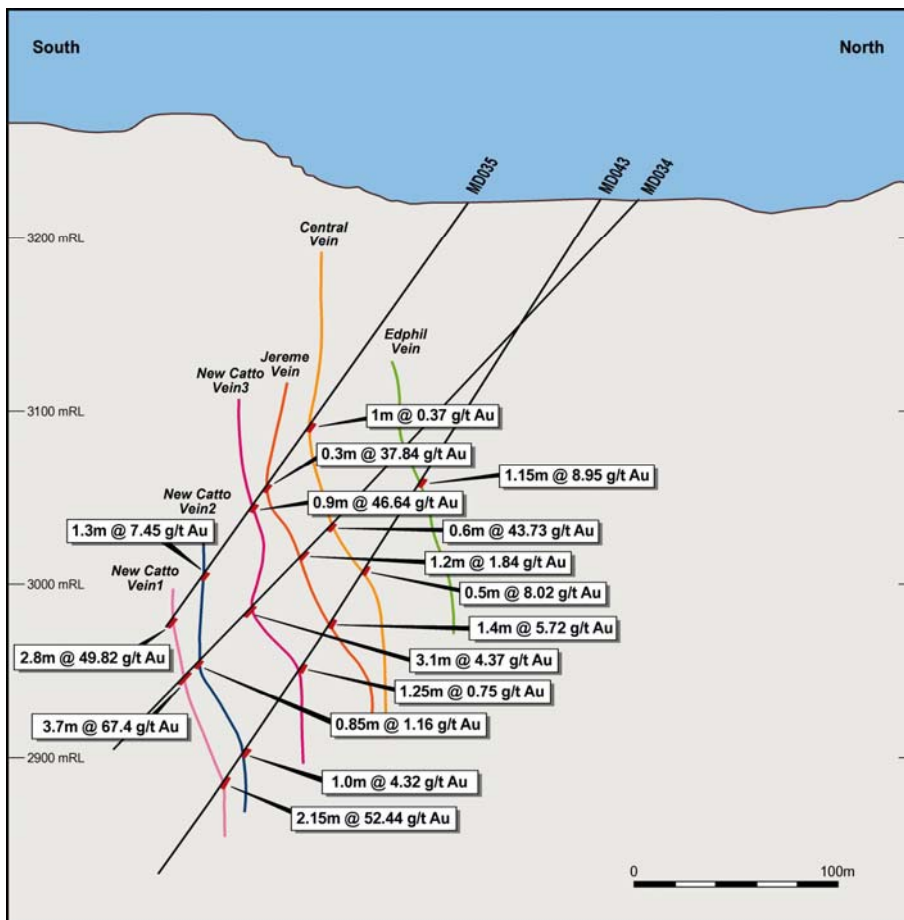


Figure 6: Cross section through the Co-O vein system east of the Oriental Fault shown as A-A' on Figure 3.

Co-O Mine Grid Power Connection

The Company has commenced installation of a new power line along the ore haul road to carry grid power from the Co-O millsite to the Co-O Mine. This should be completed in early 2008. The current estimated cost of the power line is approximately A\$1million but it will reduce the cost of power by approximately 75%. At current diesel powered electricity generation costs, the line is anticipated to have a pay back period of less than one year.

Completion of the power line will correspond with the completion of a new sub-station in the town of San Francisco located approximately 25 kilometres to the north of the Co-O Plant. This will result in increased reliability of the power supply and upgrading of the line capacity to the project.

TAMBIS BANANGHILIG

Background

The Company undertook underground exploration and trial mining of several “high grade” veins based on the previous explorers’ drill hole databases consisting of a total of 29,477 metres of RC and diamond drilling in 344 holes. The underground exploration and follow-up underground drilling has shown that interpreted high grade vein widths from RC holes have generally been exaggerated by the RC drilling by several orders of magnitude through down hole smearing of narrow high grade veinlets and are too narrow and too discontinuous to mine economically.

Subsequently a programme of underground drilling has been completed, and geological mapping and assessment is in progress in combination with surface drilling which is continuing.

Geology

The Bananghilig Mine area is located on the northern edge of a large aero-magnetically defined alteration zone measuring approximately 9.5 by 7.3 kilometres as shown on Figure 7. The Tambis District is generally underlain by fine to coarse-grained andesitic and dacitic flows of probable pre-Tertiary age that constitute the basement rocks. Locally, the basement rocks show agglomeratic features and in places are cut by andesite to dacite porphyry dykes and bodies of hydrothermal breccias of various shapes and sizes.

The southeastern part of the Tambis District is covered by a bedded sedimentary formation comprising basal mudstone, sandy clastics and agglomerates with massive white limestone as the uppermost member.

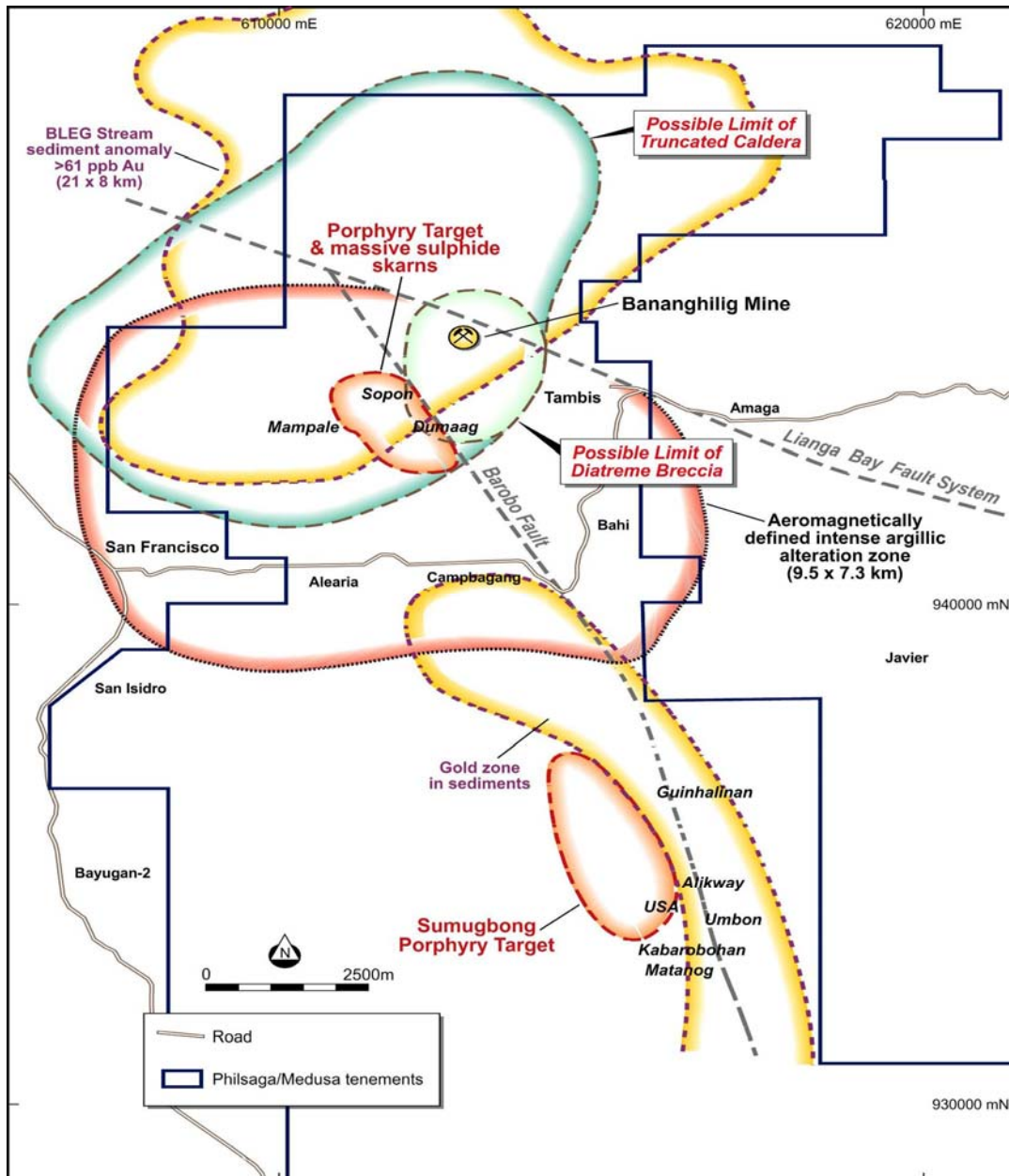


Figure 7: Barobo Corridor-Tambis District geological setting

The Tambis Caldera and Diatreme

The Tambis caldera is manifested by geomorphologic signatures as deduced from subtle concentric drainage patterns and complemented by landsat imagery. These signatures suggest a northeast trending, truncated caldera system measuring approximately 10 kilometres along the northeast to southwest axis and 6 kilometres along the northwest to southeast axis. The caldera and diatreme breccia are located around the intersection of the regionally significant Barobo Fault (parallel to the Philippine Rift Fault) and the Lianga Bay Fault system as shown on Figure 7. Figure 8 shows the detailed geology and drill hole locations.

A sizeable elliptical-shaped diatreme breccia body, measuring approximately 1,000 metres along the northeast axis and about 750 metres wide, has been outlined based on diamond drilling and mapping in the Bananghilig area. The geological features, various breccia materials and associated overprinted hydrothermal alteration and mineral assemblages, suggest that the diatreme developed and evolved in the roof portion of a still buried stock or a similar intrusive body or bodies.

The gold mineralisation styles correlated to the diatreme are in fractures and/or breccia in-fill in milled/ fluidised muddy matrix breccia bodies and coarsely brecciated/fractured andesitic-dacitic wallrock, and intra and post diatreme veins probably propagated from older fault systems and/or generated within and around the pipe-like breccia column during the diatreme's evolution.

Alteration

In the Bananghilig area, widespread silica-clay-sericite-pyrite hydrothermal alteration affects the volcanic wallrocks, the various breccia bodies and the hypabyssal intrusives associated with them. The alteration assemblage typifies that found in advanced argillic alteration zones. The outcropping alteration exhibits a strong potassium airborne radiometric anomaly.

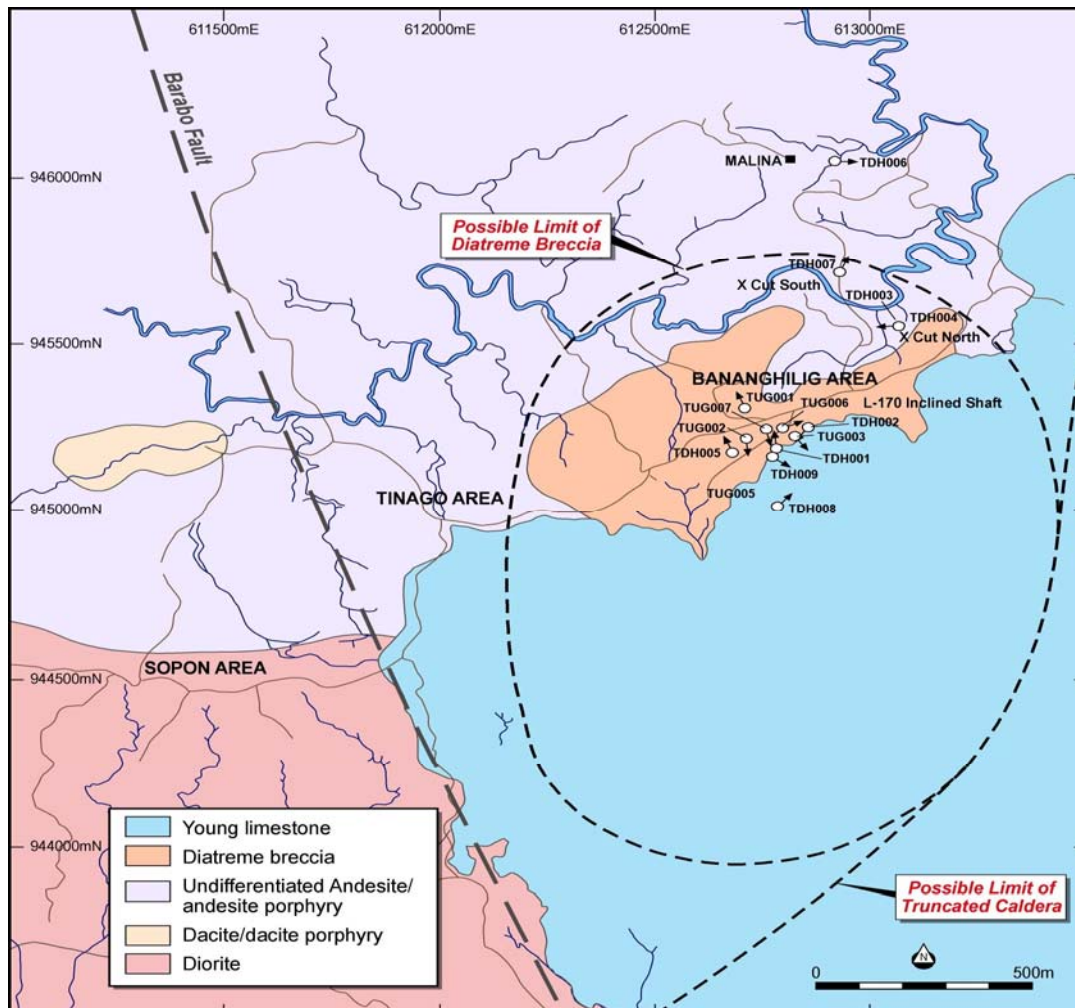


Figure 8: Bananghilig area geology and surface drill hole locations.

Mineralisation and Drill Results

A programme of underground drilling has been completed from the underground development 50 metres below the collar of the L-170 shaft. This was undertaken to confirm and explore the veins interpreted by previous explorers. A number of surface diamond drill holes were also completed at the time of the shaft sinking as well as recent additional drill holes. The early drilling concentrated on identifying high grade veins, but recent re-logging and re-assaying has demonstrated large zones of disseminated mineralisation associated with various diatreme and fault breccias and some of the subsequent intrusive rocks.

Table VII summarises the drill results to date from surface drill holes (TDH holes) and underground drilling (TUG holes) as shown on Figure 8. A large number of wide intersections of 0.5 to 1.0 g/t gold and some highlighted copper values are not included in this table but are listed in the announcement in September 2007.

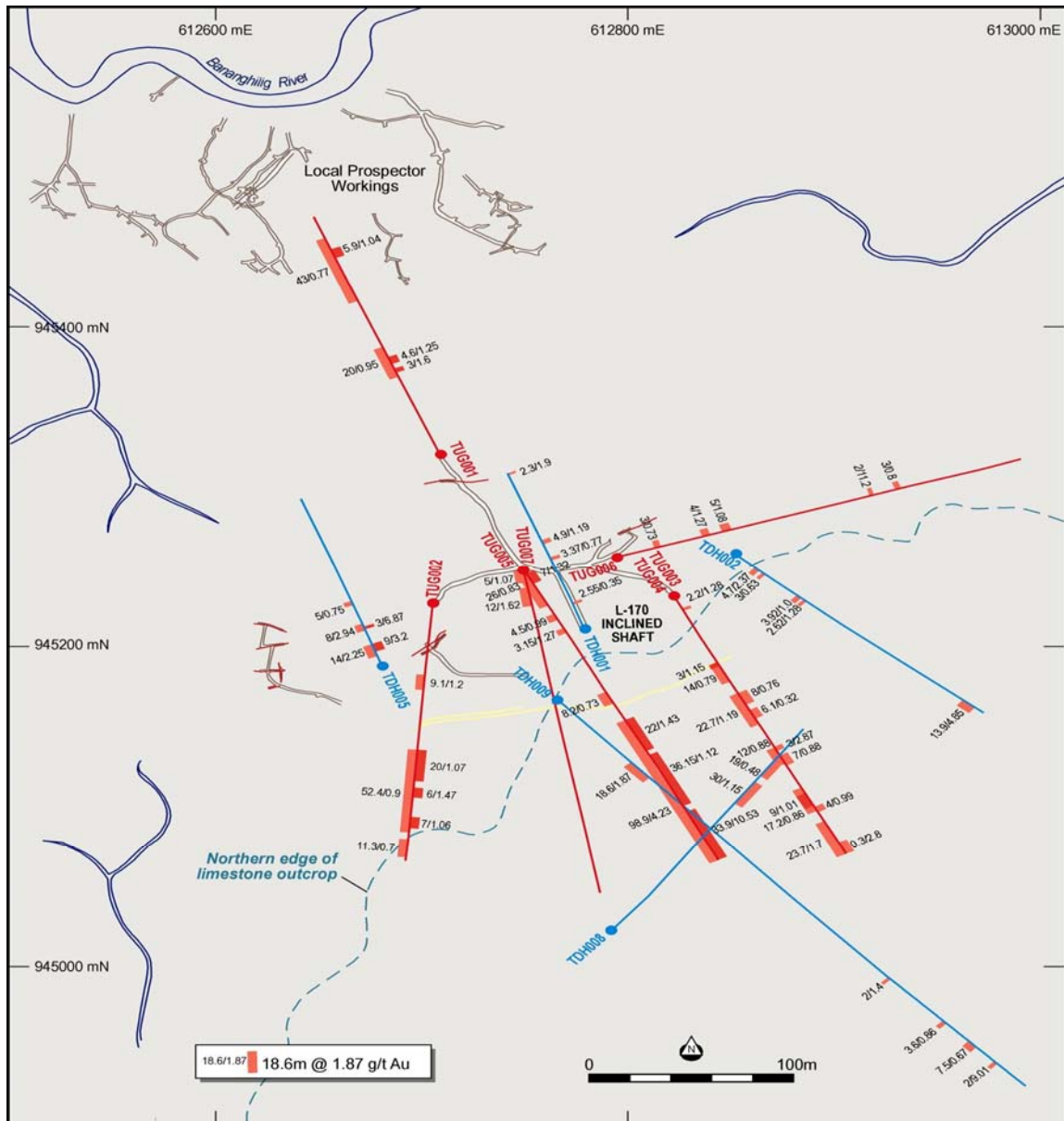


Figure 9: Bananghilig area level plan showing drill holes approximately 50 metres below the L170 shaft collar, and surface drill holes.

Table VII: Bananghilig drilling results for drill hole intersections >2 metres at >1.0 g/t gold

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)	
HTUG001	612708	945251	-1	338	56.00	3.00	1.60	
					H	62.00	4.60	1.25
					H	134.00	5.90	1.04
HTUG002	612704	945158	-1	185	44.90	9.10	1.20	
					H	92.00	20.00	1.07
					H	116.00	6.00	1.47
H TUG003	612820	945164	-1	153	8.00	2.20	1.28	
					H	106.10	3.00	2.87
					H	173.70	8.30	3.40
HTUG004	612820	945164	-13	153	50.00	2.00	1.40	
					H	71.60	22.70	1.19
					H	165.00	23.70	1.70

HTUG005	612748	945180	-1	153	3.00	4.00	1.70
H					42.10	3.15	1.27
H					107.00	98.90	4.23
H					incl. 107.00	22.00	1.43
H					incl. 131.85	36.15	1.12
H					incl. 172.00	33.90	10.13
H					incl. 179.50	9.00	26.52
HTUG006	612290	945187	-1	73	45.00	4.00	1.27
H					55.00	5.00	1.08
H					130.00	2.00	11.20
HTUG007	612748	945180	-1	170	4.00	5.00	1.07
H					12.00	12.00	1.47
HTDH001	612778	945140	-55	340	106.90	4.90	1.19
H					198.00	2.30	1.90
HTDH 002	612850	945189	-50	130	20.70	4.70	2.37
H					64.36	3.92	1.00
H					70.28	2.62	1.28
H					240.40	13.90	4.85
HTDH005	612679	945119	-55	340	11.00	14.00	2.25
H					incl. 16.00	9.00	3.01
H					42.00	8.00	2.94
H					incl. 43.00	3.00	6.87
HTDH008	612783	945027	-55	40	174.00	30.00	1.15
HTDH009	612763	945097	-45	140	75.80	18.60	1.87
H					421.50	2.00	9.01

H

The TUG 005 horizontal intersection of 98.90 metres at 4.23 g/t gold, which is supported by TDH 009 with an inclined intersection of 18.6 metres at 1.87 g/t gold, shows that the younger overlying limestone sequence may be acting as a cap on mineralisation with a blanket zone forming immediately under the sediments as depicted in the cross-section on Figure 10. TUG 002 (52.4 metres at 0.9 g/t gold horizontal) is also interpreted to have intersected mineralisation immediately under the limestone. In addition sporadic mineralisation in a similar position in TUG 003 to 1.8 g/t gold also suggests that the mineralisation continues along strike. TDH 008 intersected 21 metres of anomalous gold from 0.13 to 0.70 g/t gold, which also supports the presence of gold immediately underlying the limestone sequence. If further drilling confirms this concept, then there is the potential to develop considerable tonnages of moderate grade mineralisation in this position.

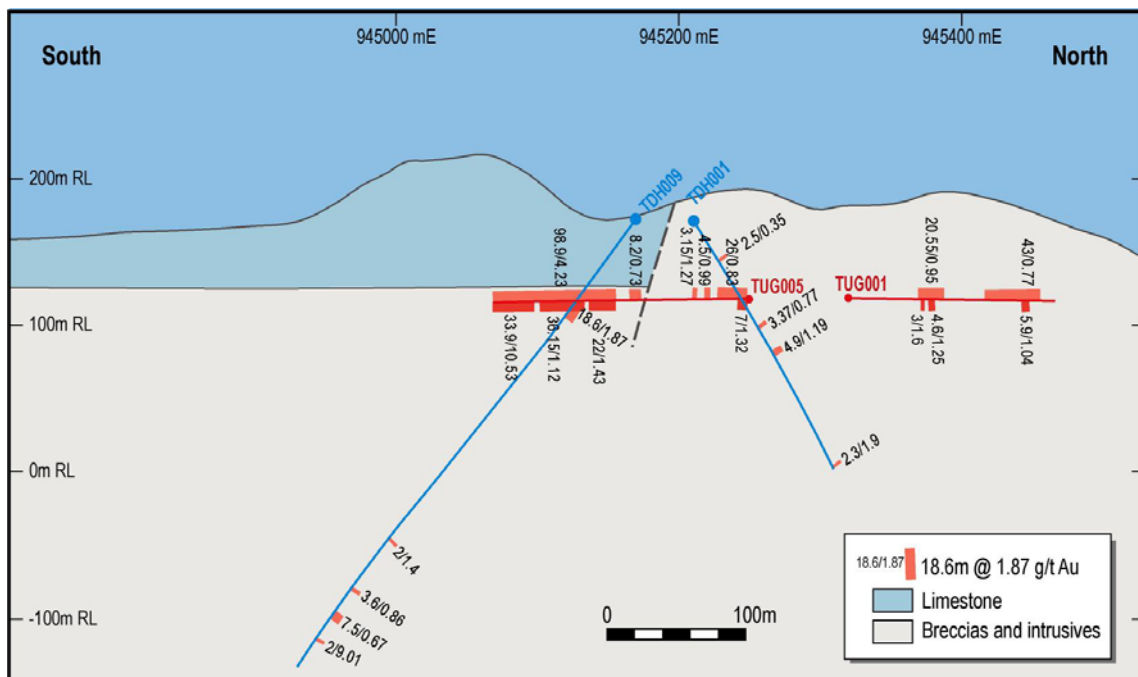


Figure 10: Bananghilig area cross-section.

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.

Processing of the Anoling MPSA is now being pursued.

Underground exploration

Underground exploration is continuing through the Loring Shaft on the Alcorn Vein. A ventilation shaft is in progress along strike to the east as shown on Figure 11. The exploratory Rose Shaft is in progress on the Hope Vein to test the encouraging drilling results obtained over approximately 300 metres of strike length.

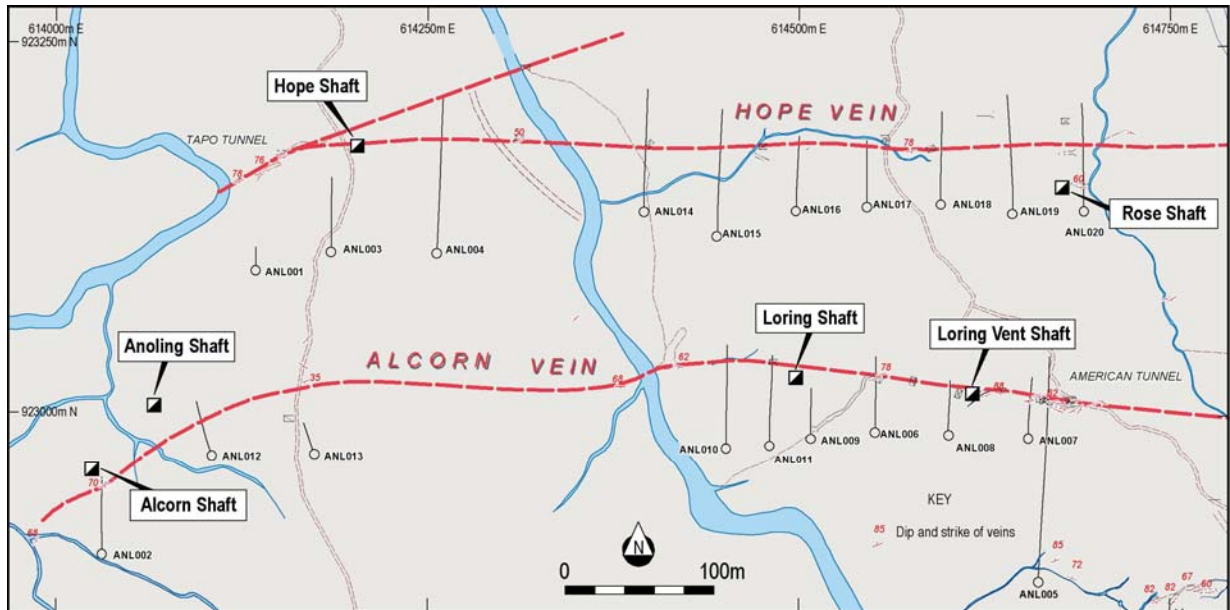


Figure 11: Anoling surface geology and drill hole locations

Drilling is continuing along the vein system to discover new shoots of potentially economic mineralisation.

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.

The Company has reduced the priority of Sinug-ang for underground exploration due to the fact that much of the near surface ore has already been mined by local miners and the Company considers that the funds required to sink a deep shaft to access the remaining ore can be better spent elsewhere.

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 Lingig porphyry discovery located in the eastern block of the Das-agan Project shown on Figure 2 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.

Good progress is being made with obtaining consents from indigenous groups and local government authorities in preparation for drilling in the first quarter of 2008.

➤ **Saugon Project**

The Saugon Exploration Permit has been renewed and a regional soil sampling programme is being planned.

➤ **Philsaga-Magnum Project** (Magnum Gold NL earning 50%)

No field work was conducted during the quarter.

➤ **.Bunawan Mining Corporation JV** (Medusa earning 50%)

The Company has signed a joint venture agreement (“JVA”) with Bunawan Mining Corporation (“Bunawan”), the Philippine operating company of ASX listed Sierra Mining Limited (“Sierra”), whereby Medusa, after completing satisfactory due diligence, will earn a 70% joint venture interest in Exploration Permit application (“EPA”) 000037-XIII and Mineral Production Sharing Agreement application (“APSA”) 000003-XIII (together the “Bunawan JV”).

This is the last remaining significant parcel covering a total area of 88.8 km² (8,800 hectares) which is contiguous to the Company’s Co-O Project. The Company now controls in excess of 800 km² of tenements along the East Mindanao Ridge.

Upon satisfactory completion of due diligence, Medusa has agreed to take a 9.9% placement in Sierra of 4.85 million shares (at an issue price of A\$0.25, totalling A\$1.21 million) with 2.425 million unlisted attaching options exercisable at A\$0.30 each with an expiry date of 4 years. Due diligence is expected to be completed before the end of the year.

Sierra also controls three projects totalling 263 km² to the south of the Company’s Co-O Project in recognised mineralised areas with known world class deposits. These tenements are prospective for porphyry copper deposits and high grade gold veins. Sierra also owns two groups of prospects in Papua New Guinea.

Joint Venture Terms

Figure 2 shows the Bunawan JV tenements in the Co-O area. The key terms of the Joint Venture Agreement are:

- Medusa has the right to earn a 70% interest by:
 - (a) contributing a minimum of US\$1,500,000 expenditure on exploration and/or development of the tenements in the Bunawan JV. This amount is to be spent over a period of three years from the date of granting of the necessary permits over the aforementioned tenements,
 - (b) after Medusa has earned its 70% interest, Sierra has the right to contribute to ongoing expenditure or dilute to a 3% Net Smelter Royalty;
- Medusa is required to spend US\$300,000 within 1 year after granting of the tenements; and
- Medusa is responsible for all costs incurred to progress the tenements to granting.

The JV agreement is subject to the satisfaction of normal due diligence investigations until both parties sign off on the resolution of any outstanding matters.

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.

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 September 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
1.1 Receipts from product sales and related debtors	2,873	2,873
1.2 Payments for (a) exploration and evaluation	(3,379)	(3,379)
(b) operation	(2,779)	(2,779)
(c) administration	(817)	(817)
1.3 Interest and other items of a similar nature received	126	126
1.4 Other	-	-
Net operating cash flows	(3,976)	(3,976)
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
1.5 Payments for (a) prospects	-	-
(b) equity investment	(5,000)	(5,000)
(c) fixed assets	(1,117)	(1,117)
(d) development	(766)	(766)
1.6 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) fixed assets	-	-
1.7 Loans to other entities	-	-
1.8 Other (provide details if material)	-	-
Net investing cash flows	(6,883)	(6,883)
1.9 Total operating and investing cash flows (carried forward)	(10,859)	(10,859)
CASH FLOWS RELATING TO FINANCING ACTIVITIES		
1.10 Proceeds from issues of shares, options, etc.	-	-
1.11 Proceeds from borrowings	-	-
1.12 Repayment of borrowings	-	-
1.13 Other (issue expenses)	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held (carried forward)	(10,859)	(10,859)

Appendix 5B
Mining exploration entity quarterly report

	Net increase (decrease) in cash held (brought forward)	(10,859)	(10,859)
1.14	Cash at beginning of quarter/year to date	20,168	20,168
1.15	Exchange rate adjustments to item 1.14	4	4
1.16	Cash at end of quarter	9,314	9,314

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	174
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
Total	1,800

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	1,784	73
5.2 Deposits at call	7,530	20,095
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.16)	9,314	20,168

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 +Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	142,037,548	142,037,548		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	13,821,446	-	<i>Exercise price</i> (see note 6)	<i>Expiry date</i> (see note 6)
7.8 Issued during quarter	7,000,000	-	\$1.60	01 Feb 2009
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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 October 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
7,000,000	\$1.6000	01 Feb 2009
800,000	\$0.7128	19 Dec 2009