Regulatory Story

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Medusa Mining Limited
("Medusa" or the "Company")

6 July 2011

Co-O DRILLING EXTENDS VEIN SYSTEM LENGTH

Medusa Mining Limited (ASX and AIM - MML; TSX - MLL) ("Medusa" or the "Company"), through its Philippines operating company Philsaga Mining Corporation ("Philsaga"), announces an update of the Co-O Mine surface and underground drilling undertaken since 25 March 2011 up to 30 June 2011.

Highlights include:

Hole Number	Width (metres)	Grade (uncut) (g/t gold)
MD 305	**1.40**	**21.40**
L5-044	**4.85**	**12.35**
L5-049	**2.00**	**32.64**
L5-050	**8.65**	**41.43**
EXP072	**2.95**	**14.09**
EXP073	**7.30**	**7.15**
EXP079	**0.90**	**208.73**

Recent surface drilling concentrated mainly to the east of the Oriental Fault in the vicinity and to the east of the Saga Shaft to provide mine planning information. The multiple East Agsao veins are developing as a robust vein set strongly open to the east and already extending to at least 100 metres beyond the current 1,500 metre strike length of the Co-O vein system.

Underground drilling has continued to confirm vein continuity and discover new veins. A new resource estimate is expected shortly.

Geoff Davis, Non-executive Chairman of Medusa, commented:

"This is a bumper crop of new results from the Co-O Mine totalling over 200 individual vein intersections, and the most ever reported for a quarter's drilling to date. There appears little doubt from the deep intersections reported that this vein system is still open at depth with high grade results being returned from over 800 metres down hole such as the EXP073 intersection above. The new results show that the East Agsao Vein set, which was partly included in the resource model in July last year, as well as a

number of new veins, is developing as a robust multiple vein set with the tops of the veins starting below Level 4. This vein set is strongly open to the east and is expected to significantly extend the strike length of the overall Co-O vein system.

Drilling will continue to the east of the Oriental Fault for some time, before refocusing to the western side of the Oriental Fault."

Co-O MINE DRILLING

Discussion

This report lists the surface and underground drilling results obtained since 25 March 2011 to 30 June 2011.

Previous detailed drilling reports were published for MD holes, EXP holes and underground holes on 5 April 2011, 18 January 2011, 29 October 2010, 30 June 2010, 29 March 2010, January 2010, 10 December 2009, 1 July 2009, 22 January 2009, 1 December 2008 and 12 August 2008. In 2007 the announcements are dated 9 July, 15 May and 28 February.

Results down to 0.2 metres wide are reported since underground development shows that in many cases as the veins approach cross-cutting faults, they narrow down on both sides of the fault over 5 to 10 metres before widening out, and hence the narrower intersections are important in defining vein continuity. There is also some pinching and swelling of veins along strike. Most drilling is sub-parallel to the fault direction and rarely intersects the faults, which are subsequently identified by underground on-vein development.

It should also be emphasised that drilling of vein systems rarely provide ore-grade intersections in every hole. As our data base grows, and the characteristics of each vein become clearer, statistical assessment of the percentage of oregrade drill hole intersections required, maybe as low as 40% of holes with ore grade intersections, will increasingly provide the levels of certainty for turning exploration drill results into ore that can be developed with confidence.

Drill hole collar positions are surveyed by a qualified surveyor and surface drill holes are surveyed downhole at regular intervals using a digital multi-shot downhole camera.

It is important to note that the drilling of narrow epithermal veins generally provides an indication of the presence of the gold mineralised vein but may not always provide 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 may be erratic; and
- Drill core recovery may be reduced because of the brecciation and soft unconsolidated material and hence the recovered material may not be representative of the material drilled.

The Company regards the initial drilling as indicative only and operates the policy of using drilling to locate the position and extent of the mineralised veins. This is then followed by on-vein development to support the drilling results, and to provide a more accurate estimate of vein grades which results in the upgrading of the resource category from Inferred to Indicated. The development supports the estimation of resources and facilitates the conversion of resources to reserves.

Further information on narrow veins and the Company's policies regarding exploration, development and resources-reserves is contained on the Company's website, www.medusamining.com.au

Drilling Results

The surface drilling was changed to focus to east of the Oriental Fault in the vicinity of the Saga Shaft to facilitate mine planning close to this major new shaft. A number of new veins have been discovered in this area, and except for the Royal Veins which come almost to surface, the tops of the East Agsao set of veins where the economic grades generally start is between Level 4 and 5. Above these levels the veins are represented by argillised faults containing poorly formed vein material, breccias and silicification with grades generally <2 g/t gold. The East Agsao veins are strongly open to the east where EXP085 intersected 25 potentially mineralised structures (assays awaited).

Some drilling also focussed on drilling at depth on the southern side of the mine to extend the Roysan and associated veins to depth to around Levels 6 to 8 and to the east. At present, below Level 6, this drilling in combination with previous drilling has outlined 14 veins to the south of the Saga Shaft with indications of an additional three veins further to the south. The eastern-most hole EXP083 intersected

five potentially mineralised structures (assays awaited) between 660 and 800 metres down hole.

Figure 1 (attached) shows the Co-O Mine MD series of diamond drill holes from MD306 to MD308 totalling 1,928 metres completed in three holes, the EXP066 to EXP086 drill hole locations comprising 22 holes for a total of 13,302 metres up to completion of EXP086. Thirteen of the completed holes were over 800 metres deep with the deepest hole, EXP073, at 905 metres which recorded three high grade intersections between 800 and 900 metres down hole.

Table I lists the surface diamond drilling results greater than 3 g/t gold from the Co-O Mine for new drill holes MD306 to MD308 as well as results not previously reported for MD302, MD304 and MD305.

Figure 2 (attached) shows the recently completed underground drilling totalling 7,102 metres in 31 holes. Table II lists underground drill hole results since 25 March 2011. Assays are awaited for holes L4-017, L4-021, L5-051 to L5-052, L5-054 to L5-056, as well as L6-001 and L6-002. Additional assays are reported for holes L3-018, L4-010 to L4-011 and L5-026 to L5-047.

Table III shows the results >3 g/t gold over >0.2 metres for holes EXP065 to EXP086. Additional assays are awaited for EXP075 and EXP079 and all the assays are awaited for EXP076, EXP078 and EXP080 to EXP086. Additional assays are reported for holes EXP053, EXP063 and EXP064.

Table I. Surface drill hole results >3 g/t gold and >0.2 metres downhole for new holes MD 306 to MD 308 and complete assays for a previously partly reported hole designated *

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD 304**	614065	913089	-62	194	184.00	1.90	6.03 (*)
					293.10	1.00	4.04 (*)
					387.75	2.10	10.66 (*)
MD 305**	614561	913130	-55	186	153.40	0.80	3.70 (*)
					241.35	1.00	16.97 (*)
					454.70	0.60	6.23 (*)
					475.60	0.75	4.16 (*)
					621.95	0.65	6.43 (*)
					630.20	0.40	3.60 (*)
					635.00	1.40	21.40 (*)
MD 306**	614564	913127	-59	183	197.10	0.20	7.97 (*)
					312.30	0.20	6.97 (*)
					365.70	0.20	16.25 (*)
					370.35	1.25	4.67 (*)
					433.75	5.15	4.69 (*)
					483.40	1.00	3.83 (*)
					490.20	0.30	15.07 (*)
					501.05	0.30	33.50 (*)
					505.60	1.75	4.25 (*)
					533.25	1.90	8.89 (*)
					687.90	1.00	8.50 (*)
					711.15	1.35	4.51 (*)
MD 307	614065	913089	-56	183	349.75	0.25	7.03 (*)
MD 308	614198	912986	-48	180	267.00	1.00	25.81 (*)
					387.10	2.50	4.29 (*)
					391.70	2.30	3.40 (*)
					396.70	0.80	11.10 (*)
					528.75	0.25	6.40 (*)
					538.40	0.25	26.77 (*)

Notes:
(i) Intersection widths are downhole drill widths not true widths;
(ii) Assays denoted by (*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
(iii) Grid coordinates based on the Philippine Reference System 92.

Table II. Underground drill hole results ≥3 g/t gold and ≥0.2 metres downhole and complete assays for a previously partly reported hole designated **.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
LEVEL 3							
L3-018**	613725	912749	3	72	112.85	0.25	29.97 (*)
LEVEL 4							
L4-010**	613563	912804	3	359	43.35	3.05	6.34
					73.40	0.30	7.23
L4-011**	613561	912804	3	322	51.85	0.50	3.78 (*)
L4-013	613731	912737	3	230	13.30	0.65	10.87 (*)
					95.90	0.55	11.87 (8)
L4-018	613953	912893	3	182	100.30	0.35	49.80 (*)
L4-019	613955	912890	3	162	34.65	0.25	9.30 (*)
					90.70	0.25	20.03 (*)
L4-021	613971	912910	3	157	2.00	0.25	4.54 (*)
L4-022	613976	912906	3	219	29.80	0.65	44.90 (*)
					38.00	3.80	5.77 (*)
LEVEL 5							
L5-026**					143.25	0.75	24.71
L5-029**	613941	912888	-21	219	28.05	0.30	14.50 (*)
					206.60	0.20	6.27 (*)
					127.40	1.30	6.07 (*)
L5-030**	614137	912894	-19	174	94.35	0.40	7.67 (*)
					136.15	1.15	3.15 (*)
					161.10	2.25	6.07 (*)
					181.10	0.75	8.36
L5-031**	613945	912887	0	140	138.95	0.95	24.28
L5-034**	613948	912919	0	182	51.80	0.45	3.66 (*)
L5-036**	614140	912897	-21	146	56.65	1.00	20.00 (*)
					64.15	0.65	20.64
					92.95	0.40	53.27
					190.70	0.20	15.55
					193.20	0.65	5.48
					281.35	0.60	22.93
L5-037**	613941	912887	-21	229	40.70	0.70	26.18
					166.80	0.35	23.56
					174.65	0.20	4.76
L5-038**	614140	912897	-33	145	66.60	0.70	10.71
					79.80	0.70	5.88
					81.40	0.20	3.92
					109.60	0.40	23.74
					118.85	0.35	8.76
					140.10	0.20	4.79
					221.50	0.30	3.20
					243.00	0.90	4.89
					272.00	0.20	71.49
L5-039**	613943	912887	-53	187	162.05	0.25	15.17 (*)
					177.20	0.70	6.07 (*)
					190.90	0.40	19.55 (*)
					196.80	0.25	63.62
L5-040**	614146	912930	-33	139	50.60	0.25	3.02
					66.50	1.10	53.39 (*)
					88.10	0.40	13.17 (*)
					147.35	0.65	5.13 (*)
					161.20	1.60	4.96 (*)

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)

L5-041**	613943	912887	-53	183	60.80	0.55	5.63 (*)
					63.60	0.35	7.23 (*)
					76.95	0.45	19.07 (*)
					174.10	1.30	33.20 (*)
L5-042**	614137	912894.	-33	185	94.20	0.35	5.40
					128.90	0.35	6.13
L5-043**	613943	912887	-33	183	62.05	0.55	14.39
L5-044**	614136	912893	-33	194	1.15	0.40	3.13 (*)
					58.35	0.25	8.10 (*)
					66.35	1.05	6.80 (*)
					137.15	4.85	12.36 (*)
					175.90	0.70	4.00 (*)
					203.50	0.55	37.33 (*)
					221.35	2.05	5.48 (*)
L5-045**	613943	912887	-66	183	12.30	0.95	4.18
					36.50	0.25	6.76
					75.05	1.45	4.62
					170.30	0.70	8.46
L5-046**	614136	912893	-48	194	117.15	1.45	11.39 (*)
					167.80	0.20	80.83 (*)
					207.80	1.25	15.90 (*)
L5-047**	613944.	912887	-58	178	179.00	1.10	10.90 (*)
					181.20	2.25	11.30 (*)
L5-048	614136	912894	-48	183	85.20	0.20	10.33 (*)
					134.15	1.45	54.93 (*)
					159.80	1.50	16.13 (*)
					206.00	0.50	21.00 (*)
					237.00	0.20	14.24 (*)
L5-049	613944	912887	-47	178	61.70	0.50	9.27 (*)
					115.50	1.40	4.04 (*)
					125.15	1.25	22.13 (*)
					153.20	2.00	32.64 (*)
L5-050	614140	912897	-48	174	74.65	1.05	9.701 (*)
					91.50	0.50	12.73 (*)
					105.20	0.20	6.97 (*)
					128.25	8.65	41.43 (*)
					140.35	0.60	93.07 (*)
					148.10	1.50	3.77 (*)
					152.30	0.40	12.53 (*)
					161.20	1.00	14.96 (*)
L5-053	614141	912898	-48	180	77.55	1.00	4.35
					179.35	0.50	26.84

Notes:
(i) Intersection widths are downhole drill widths not true widths;
(ii) Assays denoted by (*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
(iii) Grid co-ordinates based on the Philippine Reference System 92.

Table III. Regional drill hole EXP 066 to 086 results >3g/t gold and >0.2 metres downhole and complete assays for a previously partly reported hole designated **.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 053**	613433	913647	-50	180	561.85	0.85	18.30 (*)
					564.30	0.35	7.67 (*)
					652.70	1.25	11.38 (*)
					659.05	0.60	7.89 (*)
					661.15	1.35	4.13 (*)
					680.60	0.95	7.16 (*)
					712.65	1.05	3.86 (*)

					777.60	0.45	20.53 (*)
					813.05	0.85	5.59 (*)
					816.60	0.25	7.83 (*)
EXP 064**	613972	913316	-50	160	348.50	1.00	3.42 (*)
					450.00	0.45	3.10 (*)
					599.40	1.00	5.20 (*)
EXP 065**	614173	913226	-50	160	376.05	0.30	93.77 (*)
					435.20	0.25	5.90 (*)
					551.00	0.60	8.73 (*)
					553.00	0.20	5.60 (*)
					591.15	2.20	4.40 (*)
					770.45	1.65	9.42 (*)
EXP 067	614484	913297	-50	160	296.35	1.00	5.32 (*)
					561.15	1.75	3.15 (*)
					564.50	8.30	3.87 (*)
					641.85	0.45	4.24 (*)
					680.65	0.25	29.67 (*)
					689.30	0.90	3.23 (*)
					714.55	2.10	5.90 (*)
					722.05	0.25	32.36 (*)
EXP 068	614220	913248	-50	160	403.60	0.80	3.33 (*)
					651.00	0.60	15.80 (*)
					655.70	0.75	5.67 (*)
					668.15	0.55	5.34 (*)
					707.35	0.60	3.33 (*)
					733.60	1.00	6.70 (*)
					735.50	1.50	7.95 (*)
					787.80	0.85	6.23 (*)
EXP 069	614333	913247	-50	160	74.50	0.85	19.43
					291.45	0.20	22.83 (*)
					386.60	0.50	12.40 (*)
					397.35	1.65	11.41 (*)
					411.25	0.75	5.77 (*)
					573.35	0.70	8.33 (*)
					597.30	1.70	11.34 (*)
					605.05	0.20	7.14 (*)
					630.10	0.20	6.92 (*)
					763.05	0.25	5.97 (*)
					793.40	0.50	3.87 (*)
EXP 070	614398	913159	-50	160	84.20	0.65	5.17 (*)
					224.20	0.35	5.33 (*)
					299.80	0.20	4.80 (*)
					375.35	2.15	13.14 (*)
					444.45	8.85	5.23 (*)
					472.75	11.75	5.99 (*)
					542.40	2.85	10.28 (*)
					591.35	0.50	4.33 (*)

Hole number	**East**	**North**	**Dip** (°)	**Azimuth** (°)	**From** (metres)	**Width** (metres)	**Grade (uncut)** (g/t gold)
EXP 071	614505	913364	-50	160	298.75	1.00	4.53 (*)
					572.05	3.90	7.76 (*)
					618.65	0.45	3.46 (*)
					677.55	0.20	8.23 (*)
					750.70	1.00	3.26 (*)
EXP 072	614503	912978	-50	180	229.40	0.20	4.90 (*)
					316.60	2.95	14.09 (*)
					371.80	0.70	24.87 (*)
					390.00	0.50	29.17 (*)
					398.80	1.00	4.67 (*)

					485.20	0.70	16.80 (*)
					488.55	1.35	13.03 (*)
					544.20	1.00	6.67 (*)
EXP 073	614271	913339	-50	160	443.25	0.80	8.03
					511.15	0.35	3.87 (*)
					556.40	0.30	10.37 (*)
					568.10	0.45	4.39 (*)
					635.10	2.65	6.56 (*)
					780.30	1.45	3.14 (*)
					790.90	0.75	56.64 (*)
					799.75	7.30	7.15 (*)
					862.10	0.20	11.57 (*)
					899.80	0.60	20.46 (*)
EXP 074	614212	913281	-50	160	164.00	0.65	3.86 (*)
					429.50	0.70	8.03 (*)
					457.40	0.80	8.70 (*)
					487.70	1.05	3.24 (*)
					519.25	0.25	109.09 (*)
					571.20	1.60	13.16 (*)
					586.15	0.25	74.46 (*)
					801.95	1.00	5.90 (*)
					816.70	2.25	5.21 (*)
EXP 075	614142	913293	-50	160	448.05	0.75	4.09 (*)
					462.20	1.75	3.90 (*)
EXP 077	614408	912982	-50	180	237.40	1.65	7.35 (*)
					305.35	1.75	3.07 (*)
					313.40	0.35	3.08 (*)
					317.00	0.35	8.08 (*)
					338.90	1.75	4.48 (*)
					469.25	0.70	15.85 (*)
					501.65	0.45	9.13 (*)
EXP 079	614559	913379	-50	160	263.30	0.90	208.73 (*)
					524.50	0.35	25.30 (*)
					535.10	1.00	4.02 (*)
					677.70	0.20	3.91 (*)
					768.15	0.50	3.78 (*)

Notes:
(i) Intersection widths are downhole drill widths not true widths;
(ii) Assays denoted by (*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
(iii) Grid coordinates based on the Philippine Reference System 92.

ON-GOING DRILL PROGRAMME

It is intended that the six surface rigs will continue extensional and infill drilling. Four underground drill rigs will continue operating with a fifth due to be added during the forthcoming quarter.
Drilling will refocus on the NT series of veins to the west possibly later this year.

DRILL HOLE SAMPLING AND ASSAYING PROCEDURES

Samples are taken from mainly HQ sized (hole outside diameter 96 mm, hole inside diameter 63.5mm) and some NQ sized (hole outside diameter 75.8 mm, hole inside diameter 47.6 mm) drill core. The selected sample intervals are 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 is undertaken at the Company's on-site laboratory. Samples are dried at 105ºC 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 are assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5 g/t gold are re-assayed using gravimetric fire assay techniques on a 30 gram sample.

Check assaying of approximately 50% of samples used in the yearly resource estimates is undertaken by McPhar Geoservices Phils Inc ("McPhar"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps are airfreighted to McPhar who fire assay 30 grams of samples using AAS finish and a selected number of samples are checked using gravimetric fire assay techniques. Duplicate samples and standards are included in each batch of check samples.

When reporting results, where available, the assays of McPhar as an independent laboratory have been given priority over the Company laboratory's results.

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Information in this report relating to Exploration Results has been reviewed and is based on information compiled by Mr Geoff Davis, who is a member of The Australian Institute of Geoscientists. Mr Davis is the Chairman 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 "Australasian 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.

DISCLAIMER

This announcement may contain certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Medusa, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements.

Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based.

You should not place undue reliance on forward-looking statements and neither Medusa nor any of its directors, employees, servants or agents assume any obligation to update such information.

Figure 1. Map of the Co-O Mine showing the locations of new drill holes MD306 to MD308, and EXP 065 to 086

Figure 2. Map of the Co-O Mine showing the location s of the new underground drill holes

Click on, or paste the following link into your web browser, to view the associated PDF document.

http://www.rns-pdf.londonstockexchange.com/rns/8649J_-2011-7-6.pdf

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