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**MEDUSA MINING LIMITED**

Co-O MINE DEEPS DRILLING YIELDS MULTIPLE HIGH GRADE INTERSECTIONS AND CONFIRMS CONTINUITY WITHIN

**THE 1.5KM LONG VEIN SYSTEM**

Medusa Mining Limited ("Medusa" or the "Company"), the Australian based company operating and developing gold mines in the Philippines, advises that it has intersected several high grade veins during recent drilling confirming depth extensions within the the 1.5km long Co-O vein system and that underground sampling has also returned continuous high grade results over a considerable strike extent.

- Results from the first four drill deep holes have returned results including 1.5 metres at 16.75g/t Au, 4.7 metres at 57.66g/t Au, 1.55 metres at 15.23g/t Au, 1.4 metres at 14.77g/t Au and 0.55 metres at 21.47g/t Au;
- Compilation of the 3,050 metre level (current mine bottom) development sampling shows the Central Vein contains continuous mineralisation averaging: 35.37g/t Au (uncut) over a strike length of 267 metres with an average width of 1.4 metres and open to the east and the west.

**DRILLING RESULTS****Programme description**

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 (level 2,950 metres) which is approximately 200 metres below the adit to the mine (level 3,150 metres). Holes are being spaced at approximately 50 metre intervals along strike, but the intersection depth and position of each drill hole is dependent on topographic constraints. Two deeper drill holes at approximately 250-300 metres vertically below the adit level have also been completed. Each drill hole has been surveyed every 50 metres downhole using a multishot digital camera.

The first four holes have been completed and drilling will continue for approximately another 3-4 months.

Intersections of >4g/t Au from the drilling are presented in Table I. The lower grade intersections are included because of the variability of grades within the veins and because they define gold mineralised veins requiring further investigation.

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; and
- 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, to provide a more accurate estimate of vein grades and to facilitate the estimation of resources.

Table I: Summary of drilling results for holes MD 20 to MD 24 for intersection grades >4g/t Au

Hole	East	North	Dip (degrees)	Azimuth (degrees)	From (m)	Width (m)	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
MD 21	614120	913134	-50	214	41.40	0.70	13.53
					185.90	1.80	5.04
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
					360.80	4.80	8.19
MD 24	614026	913190	-55	210	281.25	0.55	21.47
					357.75	1.25	12.38
					407.60	0.60	4.76

Note: McPhar Geoservices Inc. assays are quoted in preference to the Company laboratory's assays.

#### 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 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 1-8), 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. Subsequent underground development has verified the intersection grades and widths in holes MD 1-4 over a strike length of 104 metres which is open to the east.

Development on veins within the mine on the west side of the Oriental Fault over a strike length of over 600 metres indicates the vein system is open to the west, and 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 demonstrated to be over 1.5km in length.

#### New Drilling East of the Oriental Fault

Results are contained in Table I.

MD 20 intersected multiple veins hosted by altered micro-diorites, porphyritic andesites and andesitic volcanics. The high grade veins (up to 4.7 metres @ 57.66g/t Au) are commonly colloform banded and vuggy, contain <2-3% sulphides, generally as fine pyrite, and a minor overprint of calcite in fractures.

MD 21 intersected two new veins high in the hole and the hole was terminated due to excessive deviation.

MD 23 intersected the same new veins high in the hole as in MD 21 as well as a number of the same vein positions as in MD 20 before encountering a post vein orecciation - silicification overprint in the position of the Central and associated veins, resulting in dilution of the gold grades in this area. The oreccia contains fragments of the primary veins mixed with other lithologies and overprinted by later white and black silica. The extent of this overprint will be determined by future drilling and underground development.

#### New Drilling West of the Oriental Fault

Results are contained in Table I.

Hole MD 22 intersected the Central Vein (4.8 metres at 8.19g/t Au) approximately 10 metres below the current bottom of the mine. A feature of the Central Vein in this area is that it is intensely brecciated and returns averaged drill hole grades well below the grades mined around earlier drill holes. The material in MD 22 is very similar to material mined in the levels above it and is regarded as indicating potentially similar grade material. It is noteworthy that the four early drill holes in the late 1980s within the current resource block returned the results shown in Table II, and that during the 2004 resource estimation were rejected "because they consistently show considerably lower grades when compared with reconciled production data and face/stope sampling" (Cube, 2004).

Table II: Summary of 1980s Central Vein drill results

Hole	North	East	Dip	Azimuth	From (m)	Width (m)	Grade (uncut) g/t gold
KD 44	913038	613899	-55(o)	200(o)	85.45	0.95	9.29
KD 45	913038	613899	-67(o)	200(o)	105.25	5.75	22.48
KD 46	913076	613826	-45(o)	200(o)	68.30	6.97	6.95
KD 47	913076	613826	-65(o)	195(o)	113.35	7.15	12.12

Hole MD 24 was drilled below MD 22 and intersected interpreted down dip positions of the veins approximately 235 metres below the bottom of the mine (approximately 480 metres below surface) and which contained modest gold values. Further drilling will be required in this area at a later date.

## Sampling and Assaying

All samples were taken from mainly HQ sized and some NQ sized drill core. The selected sample intervals were halved by diamond saw and the half 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 1/4 core re-submitted for assay.

Initial sample preparation and assaying was undertaken at the Company's on-site laboratory. Samples were dried at 105[°]C for 6-8 hours, crushed to <1.25cm by jaw crusher, re-crushed to <3mm using a secondary crusher followed by ring grinding of 700-800 grams of sample to nominal <200 mesh. Barren rock wash is used between samples in the preparation equipment. The samples were assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5g/t Au were re-assayed using gravimetric fire assay techniques on a 30 gram sample.

The majority of samples which contained >0.5 metres at >2g/t Au were re-assayed by McPhar Geoservices Phls Inc ("McPhar"), a NATA registered laboratory in Manila. The pulps were airfreighted to McPhar who fire assayed 30 grams of sample using AAS finish and a selected number of samples were checked using gravimetric fire assay techniques.

When reporting results, where available, the McPhar assays have given priority over the Company laboratory's results.

## 3,050 METRE DEVELOPMENT ASSAYS

Compilation of the Central Vein assays from mine development on the 3,050 metre level (currently the bottom of the mine at the bottom of the newly completed 3W shaft) shows that the combined continuous high grade mineralisation on each side of the Oriental Fault totals a strike length of 267 metres with an average grade of 35.37g/t Au (uncut) and with an average width of 1.4 metres.

Over a considerable amount of the strike on the west side of the Oriental Fault, the development is completely within the vein and information from development above and below the level indicates that there is generally between one and two metres of vein still in the north wall of the 3,050 metre level drive. The additional material in the north wall is not included in the average width of 1.4 metres.

Geoffrey Davis, Managing Director of Medusa, commented:

"These results firmly support our view that the Co-O Mine will develop into an exceptionally high grade gold mine with potential for a considerably enhanced resource base. On completion of the drilling programme, an updated resource estimate will be undertaken in areas where sufficient data density is available."

Maps and cross sections which accompany this announcement can be viewed in the ASX version of the announcement on the Company's website:  
[www.medusamining.com.au](http://www.medusamining.com.au)

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.

Reference

Cube Consulting Pty Ltd, 2004: Co-O Gold Project. Resource Estimate Dec. 2004.  
Internal Company Report.

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