

MEDUSA MINING LIMITED
(AIM: MML)

QUARTERLY ACTIVITIES REPORT
PERIOD ENDING 30 JUNE 2007

Medusa Mining Limited ("Medusa" or "The Company"), the Australian based company operating and developing gold mines in the Philippines, is pleased to provide its quarterly update on activities for the period ending 30 June 2007, as required by the Australian Stock Exchange.

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

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 stoping and brecciated 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 production for the June quarter 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. High grade black leaders (local terminology) 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.

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

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

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(o)C, and a second phase comprising blocky calcite-quartz + /- barite likely deposited from boiling fluids in a temperature range of 200-250(o)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.

					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
					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
MD 25	614160	913120	-49	210	309.60	1.00	5.82 (*)
					393.05	0.50	19.88
					400.25	1.85	4.13
					410.40	0.25	11.54
MD 26	614003	913253	-48	211	165.00	1.50	5.13
					359.75	0.65	8.74
					364.20	0.25	16.02
					412.70	0.85	6.15
MD 28	614200	913075	-48.5	212	199.70	0.20	9.18
					246.70	0.70	8.62

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 (g/t gold)	East	North	Dip (degrees)	Azimuth (degrees)	Vein name	From (meters)	Width (meters)	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(*)

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.

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. 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 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.

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 Sopon 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 Sopon 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 was carried out in 1990-1991.

- 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 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

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 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.

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

The parallel trend of the Alikway Vein and the Sapon porphyry target is a

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 Philipsaga assays

The Hope Vein longitudinal projection 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.

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.

- On 27 June 2007, the Company announced 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.

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.

For further information, please contact:

Medusa Mining Limited + 61 8 9367 0601
 Geoffrey Davis, Managing Director
 Roy Daniel, Finance Director
www.medusamining.com.au

Ambrian Partners + 44 (0)20 7776 6417
 Richard Brown / Richard Greenfield

Bankside Consultants + 44 (0)20 7367 8888
 Michael Padley / Louise Davis

Note to editors:

Medusa Mining is an ASX and AIM-listed gold producer, focused on the Philippines. The Company controls over 700km(2) of tenements over a 70km strike length of the richly endowed East Mindanao ridge. Production, which will be sourced from a number of operating mines within trucking distance of the central plant, is currently heading for 40,000ozs per annum and is planned to increase to approximately 100,000ozs in late 2007 - early 2008. The main producer will be the Co-O Mine, which has returned grades as high as 29 g/t Au. Additional ore will be sourced in the near term from the Tambis Banaghilig and Anoling Mines, followed by the development of the Sinug-ang Mine area in mid 2007.

Listings

Australian Stock Exchange
Alternative Investment Market (London)
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