Regulatory Announcement

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Company	Medusa Mining Ltd
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Quarterly Report

MEDUSA MINING LIMITED
(AIM: MML)

QUARTERLY ACTIVITIES REPORT
PERIOD ENDING 30 JUNE 2008

Medusa Mining Limited ('Medusa' or the 'Company'), the Australian based company operating and developing gold mines in the Philippines through its Philippines operating company, Philsaga Mining Corporation ('Philsaga'), announces its Quarterly update on activities for the period ending 30 June 2008, as required by the Australian Stock Exchange.

Key Points:

Co-O MINE PRODUCTION
* The Company achieved its Phase I expansion quarterly production target of 5,187 ounces at an average grade of 8.64 g/t gold and average cash cost of US$247 per ounce.

Co-O MINE EXPANSION
* Phase I expansion on schedule. Incremental benefits will commence o flow in Q3 2008. On completion of the Agsao shaft in Q2 2009 mine, production is expected to increase to approximately 60,000 annualised ounces in Q3 2009;
* Forecast production for FY 2008-09: 38,000 to 45,000 ounces
* Phase II expansion commencing next quarter to raise production from 60,000 ozs to 100,000 ozs per year from Co-O Mine in early 2010 (independent of Phase I expansion);
* Power line to the mine expected to be energised before November 2008.

Co-O RESOURCE EXPANSION DRILLING
* Significant new intersections including 3.10 metres at 15.37 g/t gold, 3.0 metres at 18.94 g/t gold and 10.20 @ 13.53 g/t gold;
* Resource update expected in mid-August 2008.

LINGIG PORPHYRY COPPER DISCOVERY
* Permitting completed and drilling commenced.

ANOLING
* Underground exploration continuing.

TAMBIS-BAROBO AREA
* Drilling is underway at the Kamarangan gold-iron target.

REGIONAL

Construction of 3D geological and structural model of the Company's tenement area is underway.

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PROJECT OVERVIEW

The locations of the Company's projects are shown on Figures 1 and 2 (please see the link at the end of this announcement).

Co-O MINE

GOLD PRODUCTION

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

Table I: Gold Production

Period	Gold produced (ozs)	Head grade (g/t gold)	Cash costs (US$ per oz)	Comments
Jul to Sep 2007	5,050	9.45	248	Stoping of accessible lower grades due to lack of development miners and re-assignment of some of workforce to the expansion projects
Oct to Dec 2007	3,686	10.46	263	Expansion activities and shortage of miners results in reduced

				production as advised.
Jan to Mar 2008	5,086	11.95	238	Mainly on vein development, some minor stope production.
Apr to Jun 2008	5,187	8.64	247	Mainly on vein development, some stope production
TOTAL	19,009	10.42	248	

In line with its Phase I expansion production target, the Company produced 5,187 ounces of gold at an average grade of 8.64 g/t gold and average cash production costs of US$247 per ounce.

The benefits of the Phase I expansion are on track to start to flow through in the third quarter 2008.

PHASE 1 MINE EXPANSION

Expansion works have continued to proceed well during the quarter with a total of 1,388 metres of development completed (previous quarter: 1,147 metres).

The incremental production forecast during the advanced and final stages of the Phase 1 expansion, for the financial year 2008 to 2009, is expected to be between 38,000 to 45,000 ounces depending on the grades returned from the new areas under development.

Completion of the Phase 1 expansion is on track for the second quarter of 2009 with the 60,000 ounces annualised production expected from July 2009 onwards.

The construction of a vertical ventilation shaft to a depth of approximately 70 metres to link with upper level workings at the western end is underway and is scheduled to be completed within four months, depending on ground conditions.

(a)Beta Shaft
The Beta Shaft to an inclined depth of 120 metres (100 metres vertical) is progressing satisfactorily.

(b)Agsao Shaft
The new external Agsao Shaft, to an inclined depth of 240 metres (200 metres vertical), was 50% completed to an inclined depth of 120 metres at the end of June. The bottom of this shaft will be at the 2950 metre level and will be connected to the Beta internal inclined shaft at the same 2950 metre level.

Provided ground conditions continue to be reasonable, ore production through the Agsao Shaft is on track to commence during the second quarter of 2009.

PHASE II EXPANSION

As previously announced in the March 2008 quarterly report, the Company is planning to expand production to 100,000 ounces annualised in 2010 through the initiation of the Phase II expansion, which primarily comprises the sinking of the vertical Hill View Shaft. Hole MD 74 was drilled as a siter hole for the Hill View Shaft. It encountered poor ground conditions in the upper levels resulting in the loss of 280 metres of PQ sized casing. As a result, a new position for the Hill View Shaft, which was due to start in July, will be chosen once additional drilling has been completed and suitable ground conditions have been delineated. It is anticipated

that this will not cause any delays to the production schedule as a new inclined ore haulage shaft to the 3050 metre level, the Baguio Shaft, has been commenced at the western end that will provide ore while the Hill View Shaft is being sunk. This will reduce the pressure on the Hill View shaft to provide ore haulage whilst sinking is carried out.

Hole MD 74 intersected 3 low angle veins, including the intersection of 1.05 metres at 7.53 g/t gold located approximately 15 metres below the 3100 metre level listed in Table 2. Development is underway to intersect this vein. Two other intersections of between 1 and 3 g/t gold in low angle veins were made at 301 metres and 476 metres vertical depth demonstrating that other low angle, gold-bearing veins are present in the Co-O system.

The Phase II expansion will also include the sinking of another internal shaft to an inclined depth of 120 inclined metres off the bottom of the Agsao Shaft. Commencement date will depend on completion and commissioning of the Agsao Shaft and the availability of open stopes for the underground disposal of waste rock.

MINE RESOURCE EXPANSION DRILLING

Since publication of the Co-O resource and reserve estimate on 4 September 2007, the Company has continued drilling with four surface rigs and recently two underground rigs. A new resource and reserve update is expected in mid-August.

Figure 3 shows the current three dimensional model of the vein system (please see the link at the end of this announcement).

Table II lists the diamond drilling results greater than 3 g/t gold from the Co-O Mine for drill holes MD 46 to MD 80 and for underground drill hole DBH 03. Previous announcements on the Co-O drilling on 9 July, 15 May and 28 February 2007 contain information regarding drilling and surveying techniques, comments on vein interpretation and methodologies and assaying protocols. The latter are also described below.

Table II. Drill hole results greater than 3 g/t gold for holes MD 46 to 80 east and west of the Oriental Fault. (Results since 7 April 2008 are marked with '#')

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EAST							
MD 46	614,047	912,472	-48	41	489.30	0.85	8.51
					501.40	0.40	4.50
					542.90	1.40	20.62
MD 48 (Agsao Shaft pilot hole)	614,257	912,704	-60	253	212.45	1.95	22.02
MD 49	614,129	912,487	-50	40	449.85	2.05	6.61
					463.90	1.00	4.24
MD 55	614,134	912,495	-45	35	361.60	3.45	12.48
					421.20	0.70	12.23

					486.25	0.70	3.89
MD 64	614,175	912,505	-45	41	405.80	1.00	3.19
MD 67	614,173	912,504	-52	43	278.00	0.80	7.20
					398.30	1.30	6.55
MD 71	614,360	912,502	-55	11	574.40	1.15	7.81
MD 80	614,294	912,937	-60	206	271.30	10.20	13.53 (*)
					277.50	1.00	8.33
					298.05	0.65	3.73
					#316.05	0.25	52.00 (*)
					#324.00	0.45	27.40 (*)
					#330.05	1.35	7.96 (*)
					#335.90	0.60	3.45 (*)
					#347.10	2.60	4.72 (*)
					#359.25	0.25	17.33 (*)
					#389.50	0.25	8.07 (*)
					#408.85	3.55	8.32 (*)
					#422.00	1.05	4.22 (*)
					#610.65	0.30	6.64 (*)
WEST							
MD 47	613,805	912,788	-55	30	153.30	1.10	7.01
MD 51	613,749	912,798	-53	17	130.50	1.30	6.50
					155.75	0.25	41.06
MD 52	613,754	912,816	-50	14	75.25	0.55	3.53
					157.60	0.30	5.31
					170.40	0.30	14.93
MD 54	613,830	912,745	-47	29	174.00	1.80	14.59
MD 56	613,809	912,706	-54	29	390.85	1.00	3.11
MD 57	613,739	912,767	-54	16	152.55	0.45	39.64
					191.90	3.45	26.26
					194.80	0.40	18.47
MD 58	613,739	912,767	-58	16	176.10	0.40	43.46
					207.00	0.70	7.45
					280.40	0.90	6.18
MD 61	613,662	912,804	-47	347	249.10	14.60	5.29

					308.20	1.45	12.64
MD 62	613,723	912,767	-56	2	184.65	2.10	9.07
					238.55	0.60	3.28 (*)
MD 65	613,663	912,802			115.60	0.65	25.42
					153.05	2.75	8.80
MD 68	613,723	912,766	-57	344	370.40	3.40	6.07
					612.30	3.10	15.37
MD 72	613,607	912,785	-54	347	56.50	1.35	18.29
					146.60	4.30	15.20 (*)
					169.50	3.00	18.94
					188.90	34.70	16.70
				incl	188.90	15.90	32.85
				incl	209.80	2.65	7.17
				incl	217.90	3.90	4.11
MD 74 (Hill View Shaft Siter hole)	613,747	912,843	-90	0	217.95	1.20	29.04
					229.65	1.05	7.53
					476.90	0.35	3.00
MD 75	613,735	912,727	-54	135	181.00	0.20	6.48
					240.75	0.90	8.71
MD 77	613,734	912,727	-54	358	92.35	0.60	13.81
					212.45	0.45	6.01
					214.50	0.60	10.52
					220.55	0.45	5.18
					230.40	1.75	22.53
					237.65	1.40	5.60
					247.65	1.20	5.66
					313.00	0.90	5.76
MD 78	613,568	912,747	-50	347	258.20	1.20	4.97 (*)

Notes:
(i)(*) denotes Philsaga assays;
(ii)Independent laboratory McPhar assays are quoted in preference to Philsaga assays;
(iii)Grid coordinates based on the Philippine Reference System 92;
(iv)Intersection lower cut-off grade is 3 g/t gold in line with current resource estimation parameters;
(v)Some previously reported intersection widths and grades may have changed as a result of check assaying by McPhar.

MINE GRID POWER

The grid power line to the Co-O Mine is expected to be energised before November, subject to the delivery of the main transformer on the date advised by the manufacturer. It is anticipated that this will reduce power costs at the mine to approximately 25% of the cost of the current diesel generated power.

TAMBIS-BAROBO AREA

Soil sampling

Processing of the ridge and spur soil samples is still in progress.

KAMARANGAN GOLD - IRON ORE TARGET

An extensive area of weathered magnetite with secondary hematite skarn mineralisation has been located. The area is also marked by extensive alluvial gold workings from previous artisinal sluicing operations. Detailed descriptions and results are contained in an announcement dated 29 February 2008.

The iron-rich skarn rocks, as well as other skarn types including epidote-silica skarns and sulphide-rich skarns have been mapped as covering an area approximately 1,200 metres by 1,000 metres in area. The skarns are developed in flat-lying banded limestones.

Figure 2 shows the location of the Kamarangan area in the Tambis-Barobo region. Figure 5 shows all gold assays above 1g/t gold for all skarn types, Figure 6 shows the location of the iron assays and Figure 7 shows copper assays above 0.05% copper for all skarn types. Please see the link at the end of this announcement for all these images.

Drilling is in progress and the first results should be available in early to mid-August.

Gold potential

The widespread occurrence of gold assays on Figure 5, which shows only samples returning over 1 g/t gold, indicates there may be substantial open-pit gold targets associated with the skarns, in particular the epidote-silica skarns and the iron-rich skarns. Twenty one iron-rich samples that were assayed for iron also returned an average of 9.5 g/t gold.

Iron ore potential

Twenty one iron-rich, weathered surface samples were assayed for iron (Figure 6) and averaged 37.54% iron. Only the Dumaag area of skarns was assayed for iron, with the other outcrops appearing physically similar at Layap Layap and Palm Oil. These other outcrops also have returned anomalous copper and gold assays.

Copper potential

The common occurrence of high background copper assays of >500ppm (0.05% copper) as shown on Figure 7 is suggestive of a major copper source probably below the iron-rich skarns. It should be noted from Figure 2 that the skarn area is situated almost central to a large aeromagnetically defined alteration zone. The nearby outcropping Sopon diorite intrusive to the north of Kamarangan is 'fertile' as it carries visible disseminated chalcopyrite (copper sulphide).

BANANGHILIG

Drilling has been completed at the Bananghilig area for the time being. Detailed compilation of the results is in progress and subject to the compilation demonstrating good continuity of mineralisation, an initial resource estimate may be undertaken later in the year.

LINGIG PORPHYRY COPPER DISCOVERY

The Lingig prospect is covered by a Mines Operating Agreement ('MOA') over MPSA application number APSA 024-XIII comprising two parcels situated to the north and to the east (the Lingig porphyry copper prospect) of the Co-O Mine and millsite as shown on Figure 2.

Detailed information on the Lingig porphyry copper prospect was provided in a release dated 13 November 2007 and in the December 2007 quarterly report.

On 10 June 2008, the Company announced that permits had been granted and drilling has commenced. Initial results are expected late August 2008.

The first new drill hole will repeat and drill past the 1974 bottom of the discovery hole intersection of 150 metres of 0.4% copper, which had increasing grades at depth.

The key points of the 13 November 2007 announcement were:

* a 150 metre intersection of 0.4% copper ended in high grade mineralisation;
* higher grade mineralisation of 0.65% copper encountered in the bottom 52 metres of the hole; and
* a 98 metre wide halo of 0.27% copper mineralisation in the overlying volcanic rocks suggests an intense mineralising system.

Figure 2 shows the location of the Lingig discovery to the east of the Company's main tenement block, Figure 8 shows the geology and the location of discovery hole DDH 1, and Figure 9 shows the graphic log of discovery hole DDH 1 (please see the link at the end of this announcement for these images).

Discovery Drill Hole DDH 1

After passing through 100 metres of propylitically and argillically altered doleritic and basaltic rocks with erratic copper mineralisation, drill hole DDH 1 intersected disseminated and stringer style pyrite and chalcopyrite (copper sulphide) mineralisation for 98 metres in increasingly argillically altered basaltic and doleritic rocks before entering higher grade mineralisation in phylitically altered quartz diorite porphyry. The graphic log of the drill hole is shown in Figure 9.

Table III: Summary of intersections in drill hole DDH 1

Depth (metres)	Intersection	Host rocks, alteration & mineralisation
0 to 100	Erratic values to 0.89% Cu	Propylitically (chlorite and epidote) and argillically altered

		dolerite and basalt with disseminated and stringer pyrite, rare chalcopyrite.
100 to 198	98 metres @ 0.27% Cu	Propylitically and argillically (clay) altered dolerite and basalt with a moderate increase of disseminated and stringer pyrite and chalcopyrite.
198 to 250	52 metres @ 0.65% Cu	Phylitically altered (silica-sericite) quartz diorite porphyry with disseminated and stringer pyrite and chalcopyrite increasing with depth.
incl. 248 to 250	2 metres @ 4.93% Cu,	
[End of Hole]	0.4 g/t Au,10 g/t Ag	
TOTAL: 100 to 250	150 metres @ 0.40% Cu	

A further four holes were drilled to the south of DDH 1 and intersected minor copper mineralisation. DDH 5 intersected increasing amounts of copper, including 18.80 metres at 0.34% copper, a . several two to four metre intersections of 0.34 to 0.69% copper.

ANOLING

The Mines Operating Agreement ('MOA') with Alcorn Gold Resources Inc. covers Mining Production Sharing Agreement ('MPSA') application number 039-XIII situated approximately 8 kilometres north from the millsite as shown on Figure 2. Processing of the Anoling MPSA is in progress.

Diamond Drilling and Geology

The two parallel Alcorn and Hope veins, when undeformed, consist of banded quartz carbonate with minor pyrite and base metal sulphides. The veins are controlled by shear zones with subsequent brecciation of the vein material in some places and pinch and swell features. Both veins are open to the east.

Work in Progress

Underground exploration will continue from both the Rose and Rose 2 shafts and to the east from the Loring Vent Shaft. The underground exploration between the two Rose shafts is designed to verify the drill results and to assess mining conditions.

Drilling is continuing with two rigs along strike to outline additional zones of mineralisation that could justify underground exploration and assessment.

OTHER PROJECTS

ABACUS PROJECT
The 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.

The ridge and spur soil sampling described in the Tambis-Barobo section above has been completed and results are awaited.

SAUGON PROJECT
The Saugon Exploration Permit has been renewed and a regional ridge and spur soil sampling programme is progressing well.

BUNWAN MINING CORPORATION JV (Medusa earning 70%)
The Company, through its Philippines operating company, Philsaga Mining Corporation ('Philsaga'), signed a joint venture agreement ('JVA') on 23 August 2007 with Bunawan Mining Corporation ('Bunawan'), the Philippine operating company of ASX listed Sierra Mining Limited ('Sierra'), whereby Philsaga 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').

The Company is proceeding with achieving the granting of the above tenements.

COMMUNITY ACTIVITIES

The construction of new class rooms at the Company owned school at the millsite was completed in time for commencement of the new school year.

The Company's Foundation, Mindanao Philsaga Foundation Inc., is commencing a programme of micro-loans to rice farmers in areas adjacent to the Company's operations which will allow rice farmers to increase their profitability. The Company would welcome donations to the fund from interested parties who should contact the Company for further details.

SAMPLING AND ASSAYING PROTOCOLS

Samples are taken from mainly HQ sized and some NQ sized drill core. The selected sample intervals are halved by diamond saw and half the core is 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 105°C 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.

The majority of samples which contain more than 0.5 metres at more than 2 g/t gold are re-assayed 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 sample 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, as McPhar is an independent laboratory, McPhar assays are given priority over the Company laboratory's results.

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.

- ---END OF MESSAGE---

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