Regulatory Announcement

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Discovery at Kamarangan

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MEDUSA MINING LIMITED
(AIM: MML)

DISCOVERY OF MINERALISED PORPHYRY & MAGNETITE-COPPER-GOLD AT KAMARANGAN

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, advises that the first two drill holes at Kamarangan have intersected a potentially large mineralised quartz diorite porphyry complex with visible copper and molybdenum. The drill holes have also intersected zones of massive magnetite with gold and copper mineralisation in the overlying skarn rocks. The potential size of the mineralised intrusive complex is interpreted to be up to 2,000 metres east-west by over 800 metres north-south.

The first two drill holes are interpreted to be drilling near the eastern boundary between the propylitic and silicic alteration shells of the quartz diorite complex. The silicic zones exhibit good stockworking and intense silicification. Assays have been received for the upper sections of the first two holes, which are continuing.

Highlights to date include:

Hole KAM 1:
Magnetite-rich skarn: 11 metres at 0.50 g/t gold and 0.66% copper including 3 metres at 1.35 g/t gold and 1.49% copper. The magnetite contents are yet to be determined.

Hole KAM 2:
Weathered diorite: 29 metres at 0.15% copper; and Magnetite-rich skarn: 3.2 metres at 1.49g/t gold, 0.52% copper.

Geoff Davis, Managing Director of Medusa, commented:

'The Company is delighted with the success from the first two on-going holes at Kamarangan. These demonstrate that the previously identified regional-scale features are indeed linked to a potentially major mineralised porphyry system, with indications of significant mineralisation in the surrounding rocks.

'As soon as more rigs are available, Kamarangan together with Lingig and the on-going drilling at Co-O will be the major foci for some time to come.'

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BACKGROUND

The Tambis project is operated under a Mining Agreement with Philex Gold Philippines Inc. over MPSA application APSA-000022-XIII, which covers 6,262 hectares. Permits allowing drilling were received in June 2008.

Figure 1 (please see the link at the end of this announcement) shows the location of the Kamarangan prospect in the Tambis-Barobo region. Figure 2 (please see the link at the end of this announcement) shows the various geological and geophysical features of the region and the location of the Kamarangan area.

Detailed descriptions of previous work are contained in the announcements of 11 June 2008 and 29 February 2008.

GEOLOGICAL SETTING

The Kamarangan area is underlain by a steeply dipping, well-banded calcareous sequence that appears to be up to approximately 2,000 metres wide. Previous interpretations from bedding seen in trenches suggested that this was a flat-lying sequence. The apparent flat dips are now confirmed to have been a result of slumping through near surface weathering. This sequence has been changed to skarn rocks over an approximate area of 2,000 metres by 800 metres.

As shown in Figure 2, the Kamarangan discovery is centrally located in a large aeromagnetic anomaly approximately ten kilometres in diameter. The surface geology outcrops are limited mainly to magnetite-rich horizons with secondary hematite.

Figure 3 (please see the link at the end of this announcement) shows the current interpretation of the surface geology with at least five north-trending magnetite-rich zones of various widths and the locations of drill holes KAM 1 and 2 which are 100 metres apart.

Plate 1 (please see the link at the end of this announcement) shows a cutting through the magnetite-secondary hematite-rich zones in front of drill hole KAM 2, where the zone is approximately seven metres wide, and consists of mainly massive magnetite and secondary hematite.

The drill hole magnetite-rich samples will be accumulated for three or four holes and then sent to Perth, Western Australia for estimation of the magnetite contents and preliminary metallurgical testing.

Classic porphyry copper model

The classic geological model for a mineralised porphyry copper intrusive involves the formation of 'shells' or 'zones' of different alteration minerals around a core of higher grade mineralisation.

The shells from the outside are:

* An outer shell of propylitic alteration where the rocks are generally greenish from high contents of predominantly chlorite and epidote with rare veining;
* The next shell is silicic where the rocks are more bleached, silicification is more common and veining is more intense, with sporadic copper mineralisation;
* The next shell is phyllic where the rocks are also bleached and the mica variety sericite becomes common, with increasing amounts of copper mineralisation; and
* The inner shell is potassic which is usually darker in colour due to the mica variety biotite (and sometimes magnetite), is intensely veined and contains the highest copper grades of the deposit.

The first two shells have already been intersected in the drilling to date.

DRILLING RESULTS

Drill holes KAM 1 and 2 were positioned to drill through the previously sampled Dumaag magnetite-hematite zone (21 samples averaged 37% iron and 9.5 g/t gold), around which there are numerous alluvial gold workings, and to test the skarn sequence across strike.

Drill holes KAM 1 and 2 have resulted in the discovery of a potentially large porphyry copper-molybdenum quartz diorite complex below the extensive 2,000 metre by 800 metre area of skarned sediments. In the drill holes, the calcareous sediments are generally well-bedded and have undergone variable alteration from replacement by massive magnetite-sulphide, with minor epidote-garnet, to common sulphides along the bedding planes. In some cases, these exhibit epidote and lesser red garnet development to total replacement by silica with disseminated sulphides.

Drill hole KAM 2 to date has generally intersected near surface zones of diorite with higher copper values than KAM 1.

Drill hole KAM 1

Assays have been received for the first 291 metres of the hole. The drill hole is currently at a depth of 551 metres (as of 11 August) and is continuing in silicic to propylitic altered and stockworked quartz diorite rocks with visible copper minerals (chalcopyrite and chalcocite) and rare molybdenite.

The hole intersected massive magnetite at 30.30 metres. The magnetite is crystalline, visually estimated grain size >0.5millimetre, friable and the intervals are visually estimated to contain from 20% up to 60% magnetite. It is banded in places and contains sulphides, mainly as pyrite with minor chalcopyrite (copper sulphide) and some clayey material. It is not cemented with silica like many other magnetite deposits.

This hole appears to be drilling down the eastern margin of the complex and is demonstrating that the alteration in the porphyry is zoned with an outer propylitic alteration shell (chlorite and epidote with minor pyrite and rare veining) to silicic alteration (increasing quartz veining/stockworking, partly bleached, some chalcocite smears along fractures and within the veining, minor molybdenite grains, veinlets and clots, and chalcopyrite as disseminations, clots and veinlets) to minor silicic-phyllic alteration where the rock is intensely bleached, veining is more intense with some containing sericite and chalcopyrite becoming more common with molybdenite veining and clots. Molybdenite seems to be more commonly associated with a later phase of grey quartz veining whereas the chalcopyrite is more commonly associated with white quartz veining.

To date this drill hole appears to be predominantly within the

propylitic with lesser silic alteration zones of the diorite porphyry complex. Copper values in the diorite are sporadic, as is normal in the outer alteration shells, and range between approximately 0.05 to 0.15% and molybdenum to 58 ppm.

Drill hole KAM 2

Assay results have been received for the first 95.20 metres of the hole. The drill hole also appears to be drilling down the eastern contact of the complex and is currently at a depth of 470 metres (as of 11 August) and is continuing in silicic and propylitic altered and stockworked quartz diorite rocks with visible copper minerals (chalcopyrite and rare bornite).

Drill hole KAM 2 has intersected near surface predominantly weathered, silicic altered and veined porphyry with significant copper values averaging 0.15% over 29 metres.

The hole also intersected massive magnetite at 41 metres within a wide zone of skarned rocks which also contain elevated copper values of generally above 0.1% copper.

Hole KAM 2 at depth has also intersected zones of intensely silicified or skarned limestone containing disseminated chalcopyrite.

Table I. Summary of drill hole results from KAM 1 (to 291.7 metres) and KAM 2 (to 95.2 metres)

Hole	East	North	Azimuth (°)	Dip (°)	From (metres)	Width (metres)	Gold (g/t)	Copper (%)	Comments
KAM 1	612304	942837	90	-60	30.30	11.00	0.50	0.66	Magnetite
		including			30.30	3.00	1.35	1.49	
KAM 2	612307	942736	90	-60	2.00	29.00	-	0.15	Weathered diorite
					41.00	3.20	1.49	0.52	Magnetite

Notes:
(i) Assaying by McPhar Geoservices Phils Inc. Au by fire assay with AAS finish; Ag, Cu, Pb, Zn and Mo by AAS; and
(ii) Magnetite contents yet to be determined

Discussion

The drilling indicates that the Kamarangan area contains a potentially very large mineralised quartz diorite complex that is exhibiting classic porphyry copper alteration features and also replacement mineralisation in the surrounding skarn rocks.

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 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 '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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