

Regulatory Announcement

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Company Medusa Mining Ltd
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Co-O Resource Update

26 August 2008

MEDUSA MINING LIMITED
 (AIM: MML)

Co-O MINING INVENTORY UPDATE

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') advises that it has completed a new Mining Inventory and JORC compliant Ore Reserve estimation at the Co-O Mine.

The Probable Reserve estimate is 721,000 tonnes at 10.77 g/t gold containing 249,000 ounces.

In addition to the Probable Reserve, there is an additional potential mining inventory of 949,000 tonnes at an estimated grade of 10.60 g/t gold containing an estimated 323,000 ounces of gold. This potential mining inventory is based on mineralisation that is currently in the Inferred Resource category and therefore cannot be quoted as an Ore Reserve.

Reserve Estimations

Golder Associates Pty Ltd of Perth Western Australia were contracted to undertake a reserve estimation based on the resource wireframe model provided by Cube Consulting Pty Ltd. A resource announcement totalling 862,000 ounces at a grade of 10.72 g/t gold was made on 12 August 2008.

The reserve estimation was derived from the Indicated Resource of 1,048,000 tonnes at 11.63 g/t gold containing 392,000 ounces of gold.

Table I: Co-O Mine probable reserve estimates for veins containing >25,000 ounces

Vein name	> 3 g/t gold	
	tonnes	g/t gold ounces
Central	341,000	9.21 101,000
Jereme	61,000	14.27 28,000
New Catto 1	17,000	45.21 25,000
New Catto 3	39,000	30.14 38,000
Other veins	263,000	6.54 57,000
Grand Total	721,000	10.77 249,000

The reserve and potential mining inventory estimations were

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undertaken by Golder Associates Pty Ltd (2008).

The parameters used for the estimation include the following:

- * A minimum diluted mining width of one metre;
- * A block cut-off of 3 g/t gold;
- * A dilution factor of 10% at 0 g/t gold; and
- * A mining recovery of 73%.

Golder has classified the ore reserves in compliance with the JORC Code as Probable Reserves.

A potential mining inventory was also estimated by applying the same parameters to the Inferred Resources resulting in 949,000 tonnes at a grade of 10.60 g/t gold for 323,000 ounces.

Figure 1 shows the three dimensional wireframe model of the Co-O Mine vein system (please see the link at the end of this announcement).

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JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

Medusa Mining Limited

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.

Golder Associates Pty Ltd

The information in this report that relates to Ore Reserves is based on information compiled by Charles Hastie BAppSc (Mining Engineering), B AppSc (Multidisciplinary Science), MAusIMM and Peter Onley MBA, MSc, BSc (Hons), FAusIMM, CP. Mr Onley is a full-time employee of Golder Associates Pty Ltd. Mr Onley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons

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as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Onley consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Golder Associates is a global consulting group employing more than 5500 staff offering services in earth engineering and environmental sciences.

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