

Regulatory Announcement

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Company Medusa Mining Limited
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Co-O Mine Resources Increased

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19 January 2009

MEDUSA MINING LIMITED
 (AIM: MML)

Co-O MINE RESOURCES INCREASED 40% TO 1.2 MILLION OUNCES

Medusa Mining Limited ('Medusa' or the 'Company'), through its Philippines operating company, Philsaga Mining Corporation ('Philsaga'), advises that it has completed a new resource estimation at the Co-O Mine, which has increased the JORC compliant resources by 40% to 1,203,000 ounces at 13.3 g/t gold (from 862,000 ounces).

The key points are:

- * The resource estimation has increased the contained ounces by 341,000 ounces (excluding mining depletion since July 2008); and
- * The grade has increased by 23.7% from the previously reported grade of 10.7 g/t gold.

Resource estimate to 15 December 2008:

Category	> 0 g/t gold		
	tonnes	g/t gold	ounces
Indicated	1,110,000	13.4	480,000
Inferred	1,710,000	13.2	723,000
Grand total	2,820,000	13.3	1,203,000

Geoff Davis, Managing Director of Medusa, commented:

'This resource increase to over 1.2million ounces, at a very high grade, is a great start to 2009. As the vein system is open at depth, and new veins are being found across and along strike, we expect the resource to continue to grow. Drilling will continue for the foreseeable future.'

RESOURCE ESTIMATIONS

Discussion

Diamond drilling has continued since the resource estimate announced on 12 August 2008 with the aim of extending the known Co-O vein system to depth and along strike. A total of 28 drill holes have been completed since the previous resource estimation and considered for the current resource estimation in conjunction with available underground sampling data.

Figure 1 (attached) is the composite map of the Co-O Mine area showing the location of drill holes MD 85-113, the Level 3 (3050 metre level) workings and the projection of veins onto Level 3. Please see the link at the end of this announcement for images.

The main contributor to the resource increase is the recently discovered Great Hamish Vein ('GHV') which was announced on 1 December 2008. It currently contains 318,000 ounces at a grade of 37.3 g/t gold in 265,000 tonnes of ore.

Vein modelling

The 3D model of the veins in Figure 2 (attached) shows a strike persistent vein system which is open at depth and along strike, consistent with recent surface work to the west.

Cube Consulting Pty Ltd of Perth, Western Australia were contracted to undertake the resource estimations. A wireframe model of the vein system and the mine depletions were based on all available information as at 15 December 2008. A 2D longitudinal modelling approach was used and is based on an accumulation variable incorporating mineralised vein horizontal width and intercept grade. Variography was used to analyse the spatial continuity of the horizontal width and accumulation variables within the mineralised veins and to determine appropriate estimation inputs to the interpolation process. The accumulation variables were interpolated into blocks using Ordinary Kriging. High grade limits were applied to gold prior to the calculation of the accumulation variable. Mineral resources have been reported in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).

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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.

Cube Consulting Pty Ltd

Information in this report relating to Mineral Resources has been estimated and compiled by Mark Zammit of Cube Consulting Pty Ltd. Mr Zammit is a member of The Australasian Institute of Mining & Metallurgy and has sufficient experience that 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 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Zammit consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Cube Consulting is an independent Perth based resource industry consulting firm specialising in geological modelling, resource estimation and information technology.

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