

**MEDUSA MINING LIMITED**

ABN: 60 099 377 849

Unit 7, 11 Preston Street
Como WA 6152PO Box 860
Canning Bridge WA 6153Telephone: +618-9367 0601
Facsimile: +618-9367 0602Email: admin@medusamining.com.au
Internet: www.medusamining.com.au

10 January 2007

The Manager
Australian Stock Exchange Limited
Level 4, 20 Bridge St
Sydney, NSW.

Dear Sir/Madam,

Co-O MINE UPDATE**Co-O Mine Deeps Drilling Underway**

Two rigs are now drilling the Co-O Mine deeps, one on each side of the Oriental Fault. Drilling will be undertaken systematically westwards and eastwards away from the Oriental Fault and, subject to topographic and other constraints, will aim to intersect the vein system at approximately the 2950 metres level, which is 100 metres below the current bottom of the mine or 200 metres below adit level. It is anticipated that the first results from the drilling will be available in late February

Co-O Adit Access

The Company advises that torrential monsoonal rain over the last two weeks at the Co-O Minesite caused a landslide on Monday night in the vicinity of the main Co-O adit resulting in approximately 60,000-70,000 tonnes of material slipping from approximately 70 metres above the adit. Some of the material has temporarily blocked the adit entrance, cut power lines and other services into the mine. No personnel were affected by the slide as all were evacuated through the Tinago Shaft at the western end of the mine.

It is anticipated that, with three front end loaders working around the clock, the adit will be re-opened by the end of the week and services restored soon after. Slope stabilisation works have commenced. Continuing rain at the site delayed a full assessment of the situation until Tuesday afternoon as the mine access road was temporarily cut.

The Directors consider that the delay should not materially impact on the Company's production targets. At this stage, stockpiles which ran down over the Christmas period, should keep the mill running until late this week.

Yours faithfully,

Geoff Davis.
Managing Director