MEDUSA MINING LIMITED
ABN: 60 099 377 849

Unit 7, 11 Preston Street
Como WA 6152

PO Box 860
Canning Bridge WA 6153

Telephone: +618-9367 0601
Facsimile: +618-9367 0602

Email: admin@medusamining.com.au
Internet: www.medusamining.com.au

25 February 2008

The Manager
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

IRON ORE TARGETS IDENTIFIED

Medusa Mining Limited ("Medusa" or the "Company") is pleased to announce that an area of potential magnetite iron ore mineralisation has been identified at Kamarangan during the recent Tambis-Barobo regional soil sampling programme, outlined over approximately 1,200 metres and width of up to 450 metres.

The weathered magnetite-rich mineralisation returned initial assays in excess of 50% iron in some samples and averaged 37.54% iron from 21 surface samples. It carries widespread gold values, including one of 40.88 g/t gold, as well as some copper values to more than 0.1%. Other adjacent skarn bodies also carry significant anomalous gold and copper values.

Significant values include:

Sample type	Iron (%)	Gold (g/t)	Copper (%)
Iron-rich	>50.00	2.03	0.12
Iron-rich	>50.00	1.16	0.05
Iron-rich	48.63	3.33	0.04
Iron-rich	46.57	5.22	0.10
Iron-rich	34.01	40.88	0.12
Iron-rich	32.58	19.44	0.09
Iron-rich	25.49	15.13	0.08
Iron-rich	27.29	15.66	0.33

Kamarangan is located approximately 15 kilometres from the coast, accessible by a concrete road. Road access to the prospect is being planned for drilling later in the year.

Background

Figure 1 shows the location of the Kamarangan area in the Tambis-Barobo region. It is approximately 15 kilometres by road from the coast. Figure 2 shows the various geological and geophysical features of the region and the detailed location of the Kamarangan area.

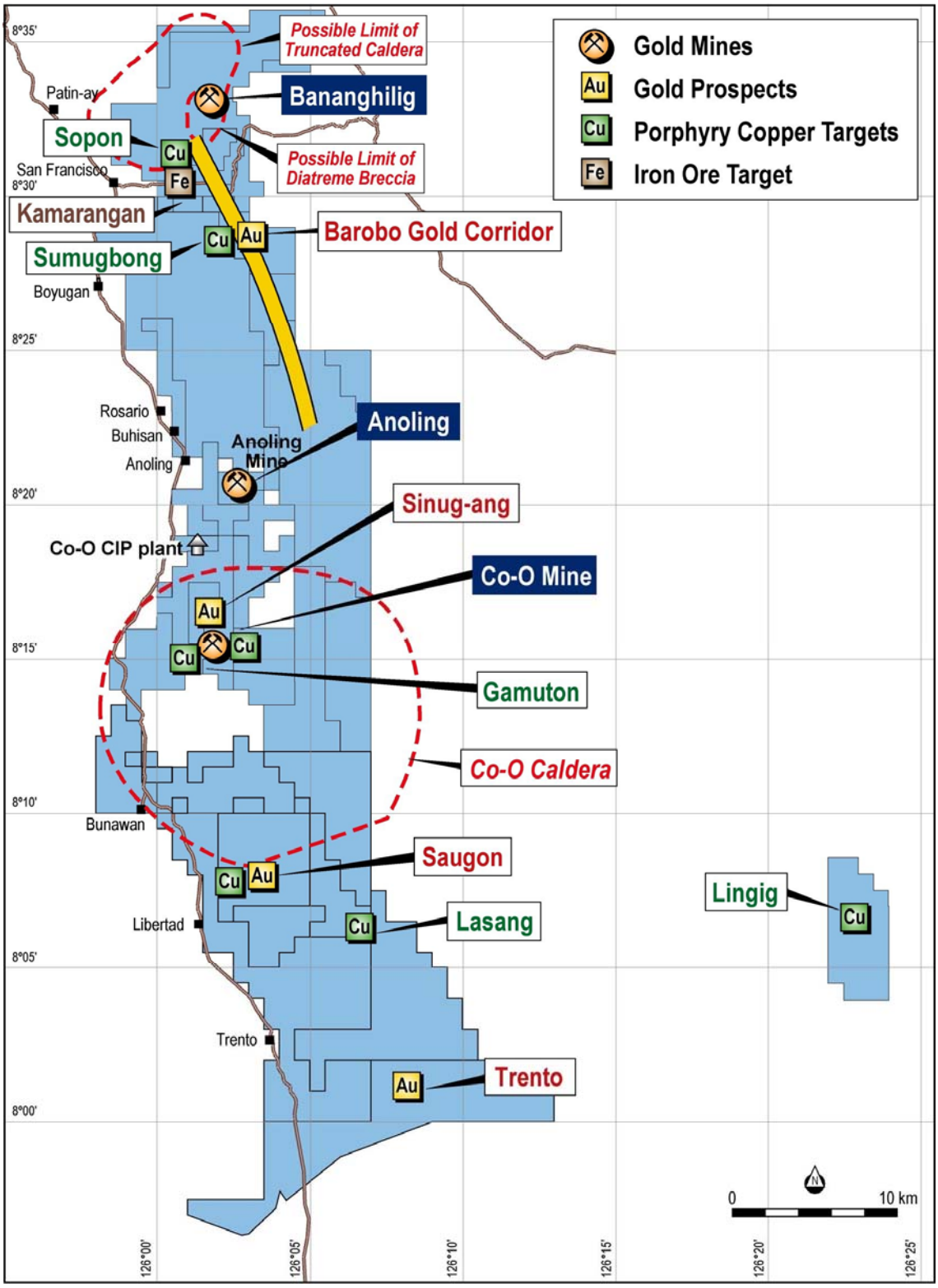

Figure 1. Location of the Kamarangan iron ore target.

During the recent ridge and spur soil sampling programme for which the results are expected towards mid-year, an extensive area of weathered magnetite with secondary hematite skarn mineralisation was located. The magnetite skarn area is also marked by extensive alluvial gold workings from previous local sluicing operations. Magnetite is a magnetic iron oxide mineral that contains 72.36% iron. Its magnetic property permits recovery of a magnetite concentrate by relatively simple magnetic separation techniques.

Skarn rocks are formed when hot fluids containing silica, iron and other metals emanate from intrusive rocks (such as granites or porphyry copper bodies) and come into contact with and react with limestones and other calcareous rocks. At Kamarangan the skarns are hosted by a banded limestone sequence that is older than the "younger" massive white limestone that outcrops prominently to east. The younger limestone is the unit that caps the blanket style disseminated gold mineralisation hosted by diatreme breccias at Bananghilig, as reported on 11 February 2007.

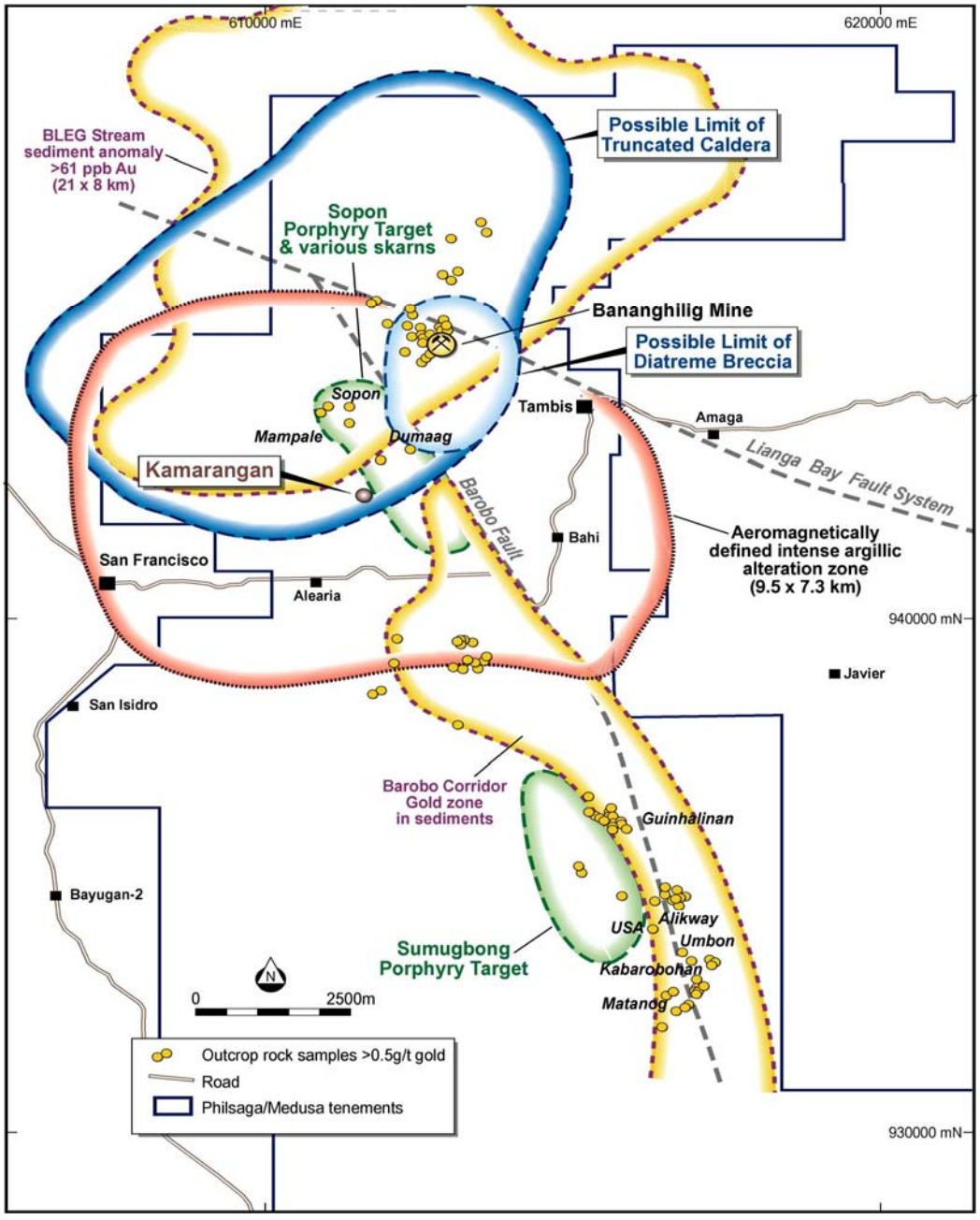

Figure 2. The Tambis-Barobo regional features showing the position of the Kamarangan prospect.

Table II lists the iron, gold, silver and copper assay results from various outcrops.

Table II: Assay results from 21 surface samples in the Kamarangan iron skarn area.

Sample number	Sample type	Au (g/t)	Cu (ppm)	Ag (g/t)	Fe (%)
425253	1m channel	1.23	602	<0.5	45.81
425254	1m channel	6.91	709	1.0	39.46
425255	1m channel	22.18, 24.46*	1025	1.0	34.01
425256	1m channel	40.88, 42.11*	1194	8.5	34.01
419067	1m channel	2.38	428	6.6	11.19
425262	1m channel	19.44, 19.87*	939	0.8	32.58
425263	1m channel	15.13, 16.37*	836	1.5	25.49
425264	1m channel	27.78, 27.73*	937	3.1	26.14
425277	1m channel	2.41	618	<0.5	42.56
425282	1m channel	1.25	1396	0.7	42.59
425286	1m channel	15.66, 16.21*	3325	6.7	27.29
425288	1m channel	2.03	1269	0.5	>50.00
425289	1m channel	5.22	1057	0.8	46.57
425298	2m channel	3.33	479	<0.5	48.63
425299	2m channel	5.94	1538	0.6	38.70
419074	1m channel	1.99	1025	<0.5	46.03
419075	1m channel	0.93	1000	0.5	43.99
428417	1m channel	13.47, 13.37*	689	1.0	30.71
428418	1m channel	9.82	917	0.8	41.44
428419	1m channel	1.16	562	<0.5	>50.00

Analytical Method: Assaying by McPhar Philippines Inc

Au - by fire assay on 30g. sample with AAS finish.

Au* - by fire assay on 30g. sample.

Cu, Ag, Fe - by AAS following conc. HCl and HCl/HNO3/HClO4 leach in latter stages on 1g. Sample.

As shown on Figures 3, 4 and 5, from outcrops and boulders, the different skarns types (epidote-silica, magnetite-rich and sulphidic skarns) are interpreted to cover approximately 1,200 by 1,000 metres of which the magnetite-rich skarns cover approximately 1,200 by 450 metres and are open to the south below alluvial cover.

Iron ore assays

The samples assayed for iron were magnetite-rich, weathered surface samples with secondary hematite and other iron oxides (Fig. 3). Only the Dumaag area of skarns was assayed for iron, with the other outcrops appearing physically similar at Layap Layap and Palm Oil. Drilling is regarded as the best method for testing the potential rather than continuing extensive assaying of weathered surficial material.

Fresh rock (unweathered) samples from drill holes will be obtained later in the year for detailed analysis and, if favourable values are obtained, mineralogical and metallurgical assessment will be undertaken.

The average iron grade of 37.54% (assays of >50% iron taken as 50%) obtained from the 21 surface samples is in line with three Western Australian magnetite deposits under development: the Cape Lambert Deposit of 1.56 billion tonnes at 31.2% iron (www.capelam.com.au); the Karara Deposit of 1.43 billion tonnes at 36.3% iron (www.gindalbie.com.au); and the Southdown Deposit with 479 million tonnes at 37.3% magnetite or approximately 27% iron (www.grangeresources.com.au).

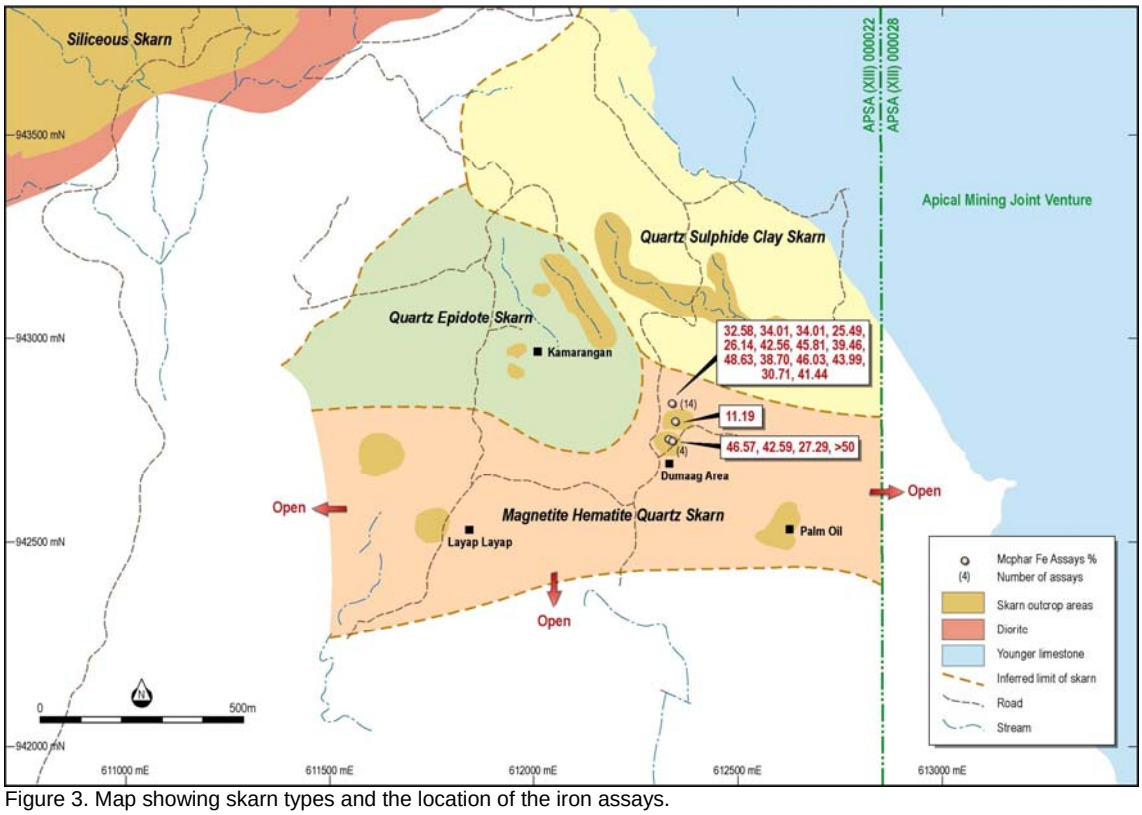

Figure 3. Map showing skarn types and the location of the iron assays.

Gold assays

The widespread occurrence of gold assays on Figure 4 which shows only samples returning over 1g/t gold indicates there may be substantial open-pit gold targets associated with the skarns, in particular the epidote-silica skarns and the magnetite-rich skarns. This disseminated style of gold mineralisation will also be tested by the drilling later in the year.

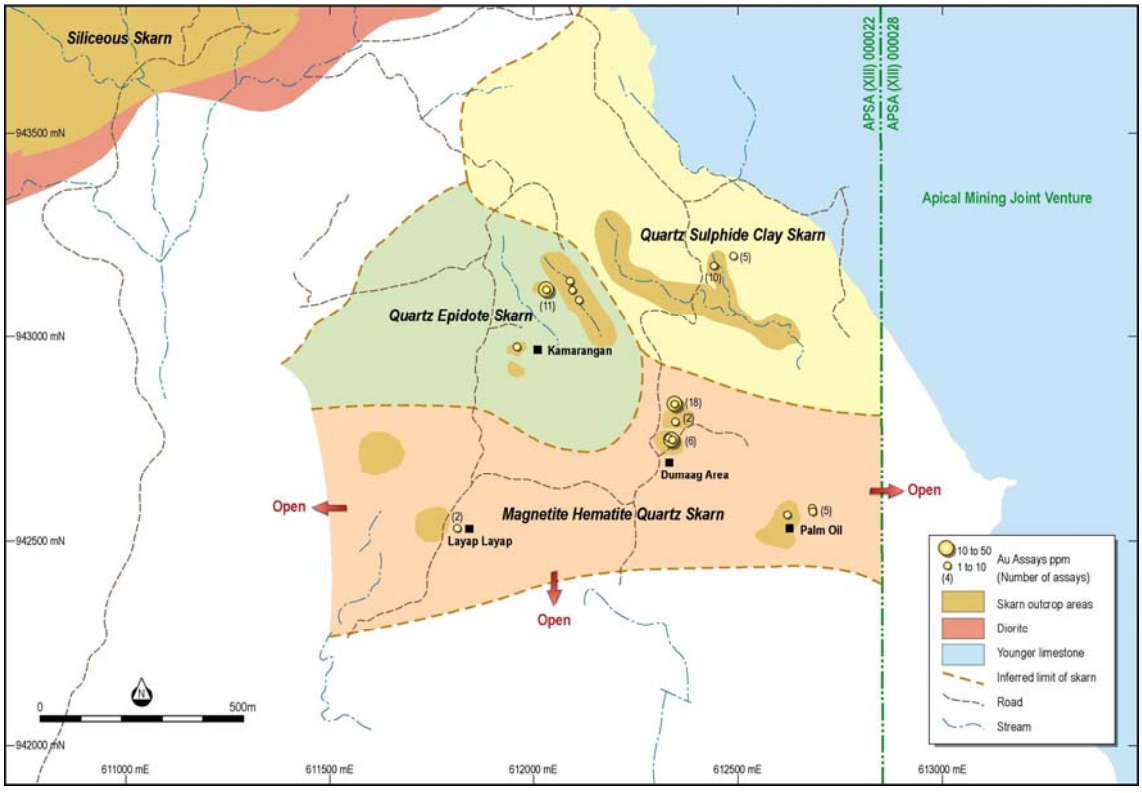

Figure 4. Map showing the skarn types and the location of the gold assays.

Copper assays

The common occurrence of high background copper assays of >500ppm (0.05% copper) as shown on Figure 5 is suggestive of a major copper source in the area. The large area of skarns suggests that there is a very substantial source for the metalliferous fluids which have effected this amount of skarning. It should be noted from Figure 2 that the skarn area is situated almost central to the large aeromagnetically defined alteration zone.

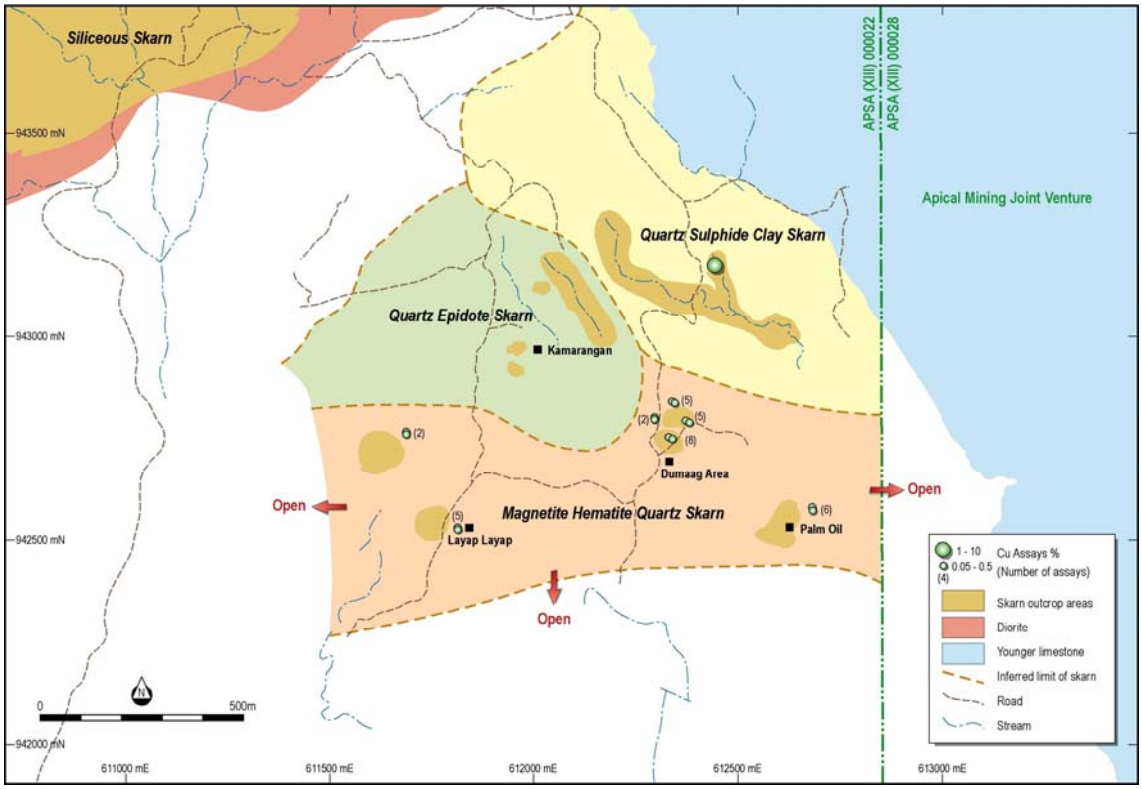

Figure 5. Map showing the skarn types and the location of the copper assays.

Discussion

It is apparent that the Kamarangan area represents a major metalliferous target for iron ore, gold and copper. Conceptually it is interpreted that the mineralisation has originated from a nearby intrusive porphyry copper body.

Work is underway to determine a suitable route for an access road with drilling anticipated later in the year. Timing guidance for the drilling will be provided as soon as possible.

Yours faithfully,

Geoff Davis.
Managing Director

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.