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21 January 2015

EXPLORATION PIPELINE AND TENEMENT REVIEW

(ASX: MML)

Medusa Mining Limited (“Medusa” or the “Company”), through its Philippine operating company, Philsaga Mining Corporation (“PMC”), wishes to advise that an exploration and tenement review to 31 December 2014 has been completed.

The key points are:

- 1) A substantial pipeline of pre-resource exploration prospects has been identified with the two current high priority exploration areas being;
 - (a) Co-O Mine environs, specifically the NT series of veins, East Agsao and West Road 17; and
 - (b) The Guinhalinan gold prospect.
- 2) Tenement rationalisation has resulted in a reduction in tenement area to approximately 489 km² (from approximately 806 km²).

Geoff Davis, CEO of Medusa, commented:

“Our core tenements have many years of exploration ahead as our substantial pipeline of prospects is systematically assessed, and more are likely to be identified over time.

Rationalisation of our tenement areas has been undertaken now that sufficient regional to detailed knowledge is available regarding prospectivity, as well as considerations such as competing land use and accessibility.

This will reduce our holding costs and administrative requirements.”

EXPLORATION AND DEVELOPMENT PIPELINE

Over the last eleven years the Company acquired a portfolio of tenements with numerous prospects that range in stages of advancement, from 'greenfields' through to 'resource definition'.

Currently only the Bananghilig and Saugon Deposits have resources besides the operating Co-O Mine. Bananghilig is undergoing further geological work prior to advancing the scoping studies. Saugon is yet to be prioritised with respect to scoping studies.

The principal aim is to advance each prospect towards resource definition, to build a resource base and contribute mill feed to the current Co-O Mill operations, and/or develop stand-alone mining/milling operations.

Whilst there are many tenement applications still in the process of approval, the majority of the prospects are located within the granted tenements, and are able to be advanced systematically.

The exploration status classifications for each prospect, up to Scoping Study, are defined as follows:

- (i) Target Inventory: known prospects without any surface work;
- (ii) Target Reconnaissance: known prospects subjected to first pass field assessment, usually involving visual inspection, reconnaissance mapping and surface sampling;
- (iii) Target Generation: involves detailed mapping, trenching, possibly ground geophysics and data compilation to generate targets for drilling;
- (iv) Scout Drilling: Drilling to determine if mineralisation exists has been undertaken; and
- (v) Resource Drilling: Current drill hole spacing is deemed sufficiently close to define a resource.

Figure 1 shows the current exploration status for each known prospect. In the Co-O Mine environs, the Tinago Vein set, East Agsao and West Road 17 are high priority.

In the Tambis region, whilst Bananghilig (B1) is undergoing additional geological work prior to re-visiting scoping studies, as B2 is an extension of B1, further work is dependent on the outcome of B1 studies.

Guinhalinan is the current high priority greenfields prospect in the Tambis region.

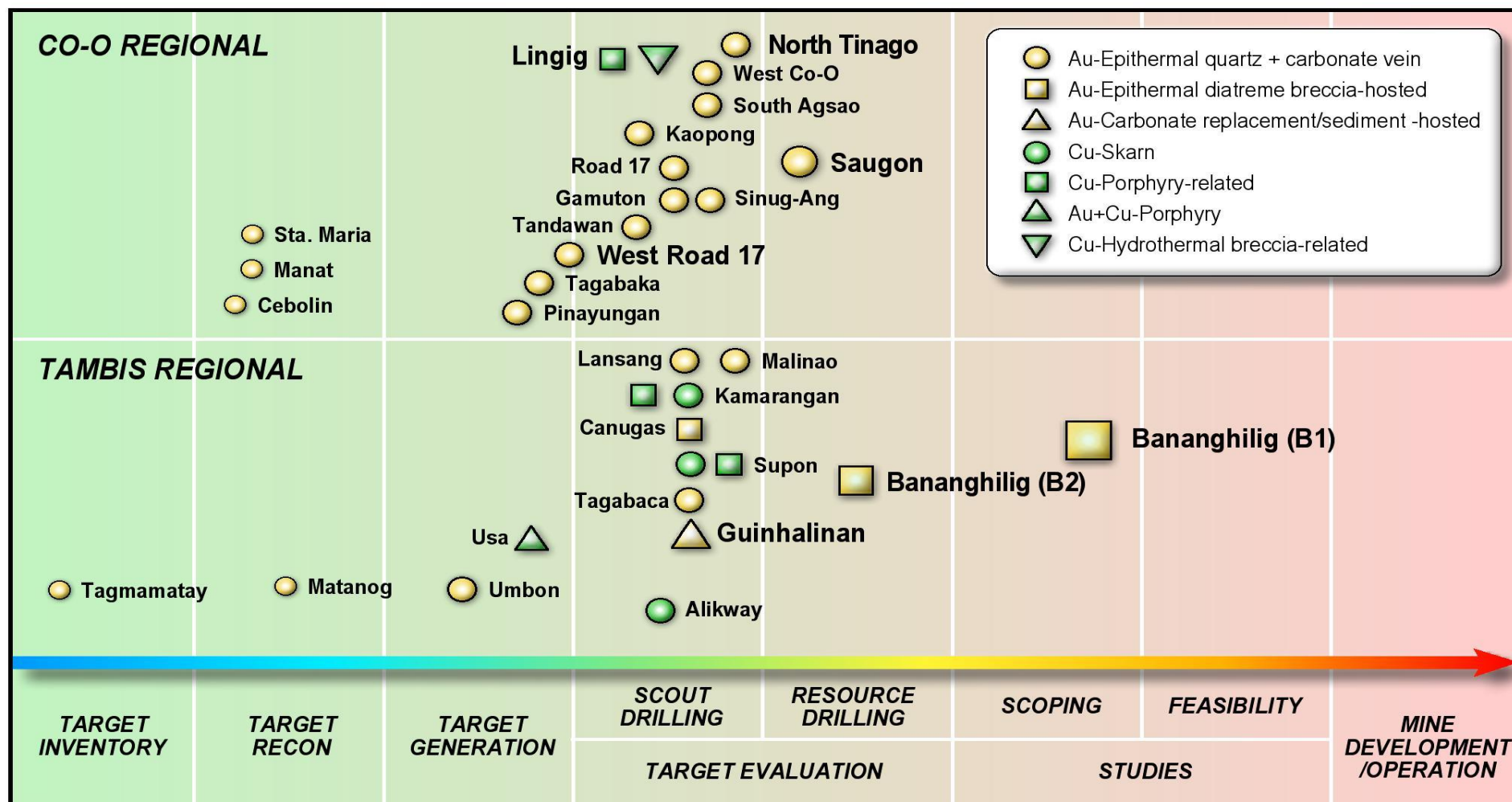


Figure 1. Exploration portfolio showing the current status of each target and the process of evaluation to progress each prospect towards resource definition. Increasing font size indicates the priority ranking and symbol size indicate the increasing confidence level for each prospect.

Figure 2 shows the locations of the prospects within the northern group of tenements located to the north of the Co-O Mine, and Figure 3 shows the locations of the prospects in the southern group of tenements to the south of, and including the Co-O Mine.

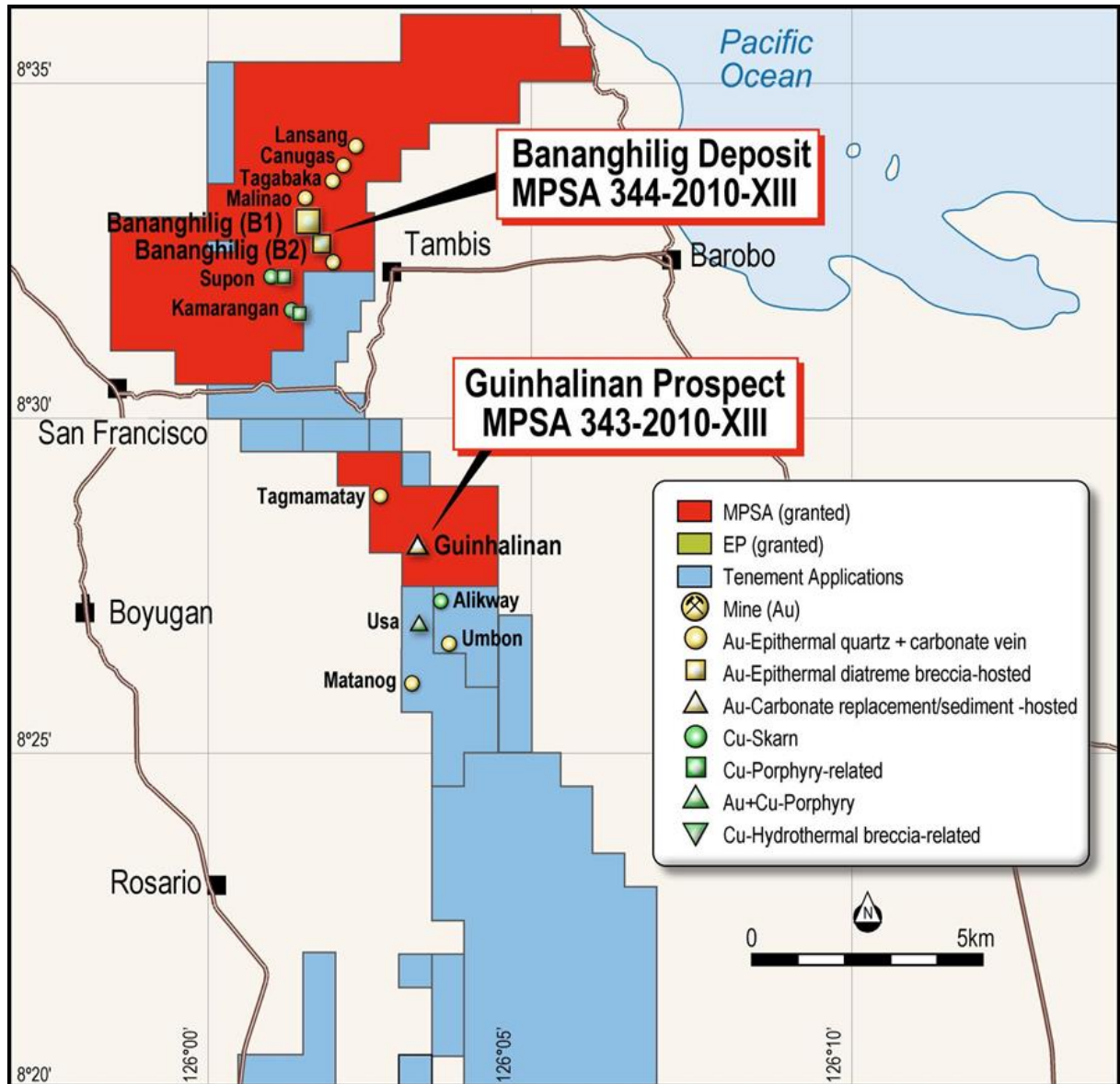


Figure 2. Prospects located in the Tambis regional Group of tenements, north of the Co-O Mine

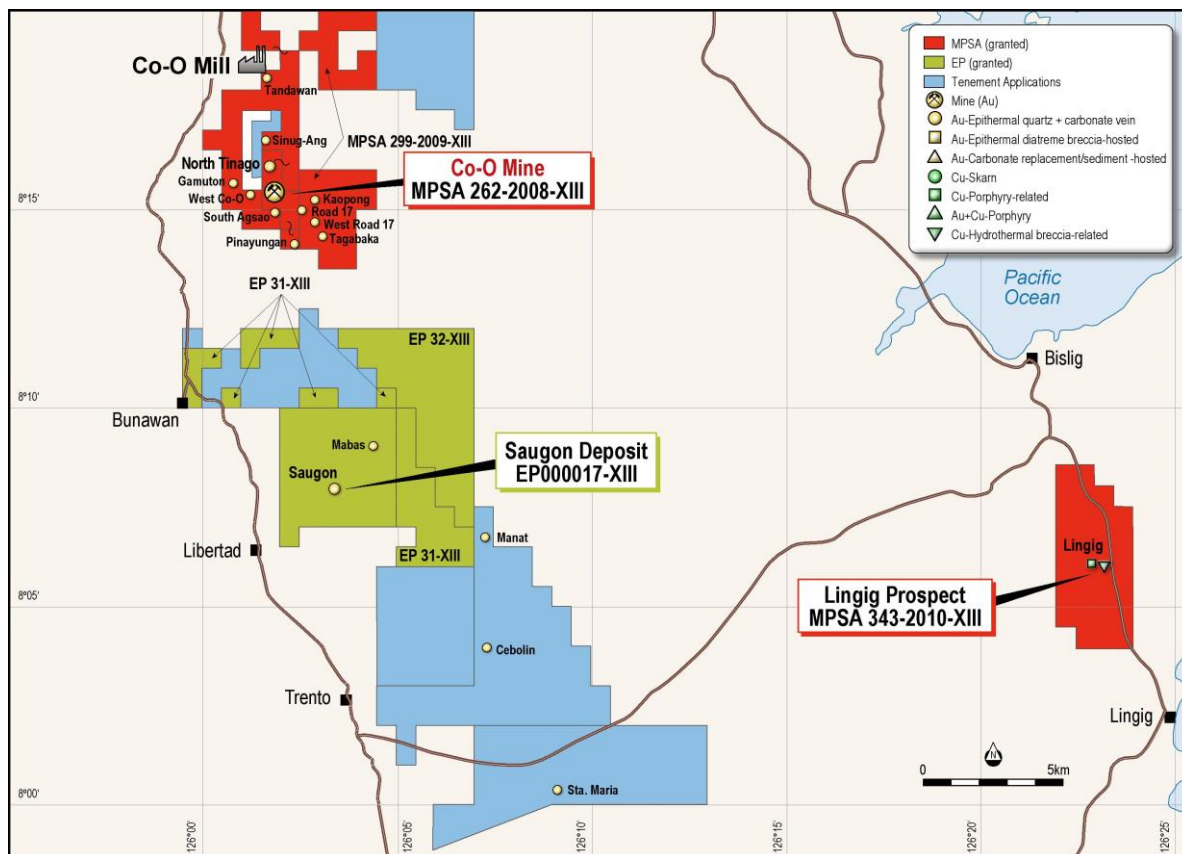


Figure 3. Prospects located in the Co-O Regional Group of tenements, south of the Co-O Mine.

TENEMENT RATIONALISATION

Following a comprehensive evaluation of exploration data acquired and compiled over the last eleven years, the Company has recently completed a review of the prospectivity of its tenement holdings to relinquish areas, which are now considered to not warrant further work.

The reduction in each selected tenement area is based on a combination of downgrading of geological prospectivity, as determined by remote sensing interpretations, reconnaissance exploration, unfavourable surface features, such as extensive swamp areas which do not permit viable exploration, and conflicting land use areas, such as rice fields and urban areas.

The review has resulted in an overall reduction of 39.4% (317.7 km²) in area, from 806.5 km² to approximately 488.7 km². The reduction consists of a combination of area reductions for granted tenements, tenement application relinquishments and partial area reductions in some tenement applications. The revised tenement map is shown in Figure 4.

The revised tenement schedule in Table 1 also includes Company's interest and area details for each tenement holding, before and after rationalisation.

Table 1. Revised Tenement Schedule as at 19 January 2015

Name	Tenement ID	Registered Holder	Company's Interest ¹ . at		Royalty ² .	Area (hectares) at	
			30 Sep 2014	19 Jan 2015		30 Sep 2014	19 Jan 2015
Co-O Mine	MPSA No. 262-2008-XIII	PMC	100%	100%	-	2,539	2,539
	MPSA No.299-2009-XIII	PMC	100%	100%	-	2,200	2,200
Co-O	APSA No. 00012-XIII	BMMRC	100%	100%	-	340	340
	APSA No. 00087-XIII	Afdal	100%	-	-	846	-
	APSA No. 00088-XIII	Phsamed	100%	100%	-	7,304	4,733
	APSA No. 00098-XIII	Philcord	100%	100%	1% NPI	1,184	507
	APSA No. 00099-XIII	Philcord	100%	100%	1% NPI	677	591
Saugon	EP 017-XIII	PMC	100%	100%	-	3,132	3,132
	EP 031-XIII	PMC	100%	100%	-	3,979	2,456
	EP 032-XIII	PMC	100%	100%	-	3,048	3,048
	EPA No. 00066-XIII	PMC	100%	100%	-	6,769	6,769
	EPA No. 00067-XIII	Afdal	100%	-	-	1,693	-
	EPA No. 00069-XIII	Phsamed	100%	100%	-	7,790	2,519
	EPA No. 00087-XIII	PMC	100%	100%	-	764	87
Tambis	MPSA No. 344-2010-XIII	Philex	100%	100%	7% NSR	6,208	6,208
Das-Agan	MPSA No. 343-2010-XIII	Das-agan	100%	100%	3% GSR	3,810	3,810
Apical	APSA No. 00028-XIII	Apmedoro	Earning 70% (JV)		-	2,084	1,236
Corplex	APSA No. 00054-XIII	Corplex	100%	100%	3% NSR	2,118	2,118
	APSA No. 00056-XIII	Corplex	100%	100%	-	162	162
	APSA No. 00077-XIII	Corplex	100%	100%	4% GSR	810	810
	EPA No. 00186-XIII	Corplex	100%	100%	3% NSR	7,111	5,419
Tagbina	EPA No. 00176-XIII	Sursur	100%	-	3% GSR	3,823	-
	EPA No. 00180-XIII	Sursur	100%	-	3% GSR	5,948	-
	EPA No. 00181-XIII	Sursur	100%	-	3% GSR	6,118	-
Sinug-ang	EPA No. 00114-XIII	Salcedo / PMC	100%	100%	-	190	190

Notes:

1. There have been reductions to the Company's interest for one granted tenements and seven tenement applications, and the Company has relinquished all of its interest in five tenement applications since 31 December 2014.
2. Royalties payable to registered holders, aside from the prescribed royalties payable to the Philippine government and the Indigenous People.

ABBREVIATIONS:**Tenement Types**

MPSA Granted Mineral Production Sharing Agreement
 EP Granted Exploration Permit

APSA Application for Mineral Production Sharing Agreement
 EPA Application for Exploration Permit

Registered Holders

PMC Philsaga Mining Corporation
 BMMRC Base Metals Mineral & Resources Corporation
 Phsamed Phsamed Mining Corporation
 Philcord Mindanao Philcord Mining Corporation
 Corplex Corplex Resources Incorporated
 Salcedo Neptali P. Salcedo

Alcorn Alcorn Gold Resources Corporation
 Philex Philex Gold Philippines Incorporated
 Das-Agan Das-Agan Mining Corporation
 Apmedoro APMEDORO Mining Corporation
 Sursur Sursur Mining Corporation
 Afdal Samuel Afdal

Royalty

NPI Net Profit Interest
 NSR Net Smelter Royalty

GSR Gross Smelter Royalty

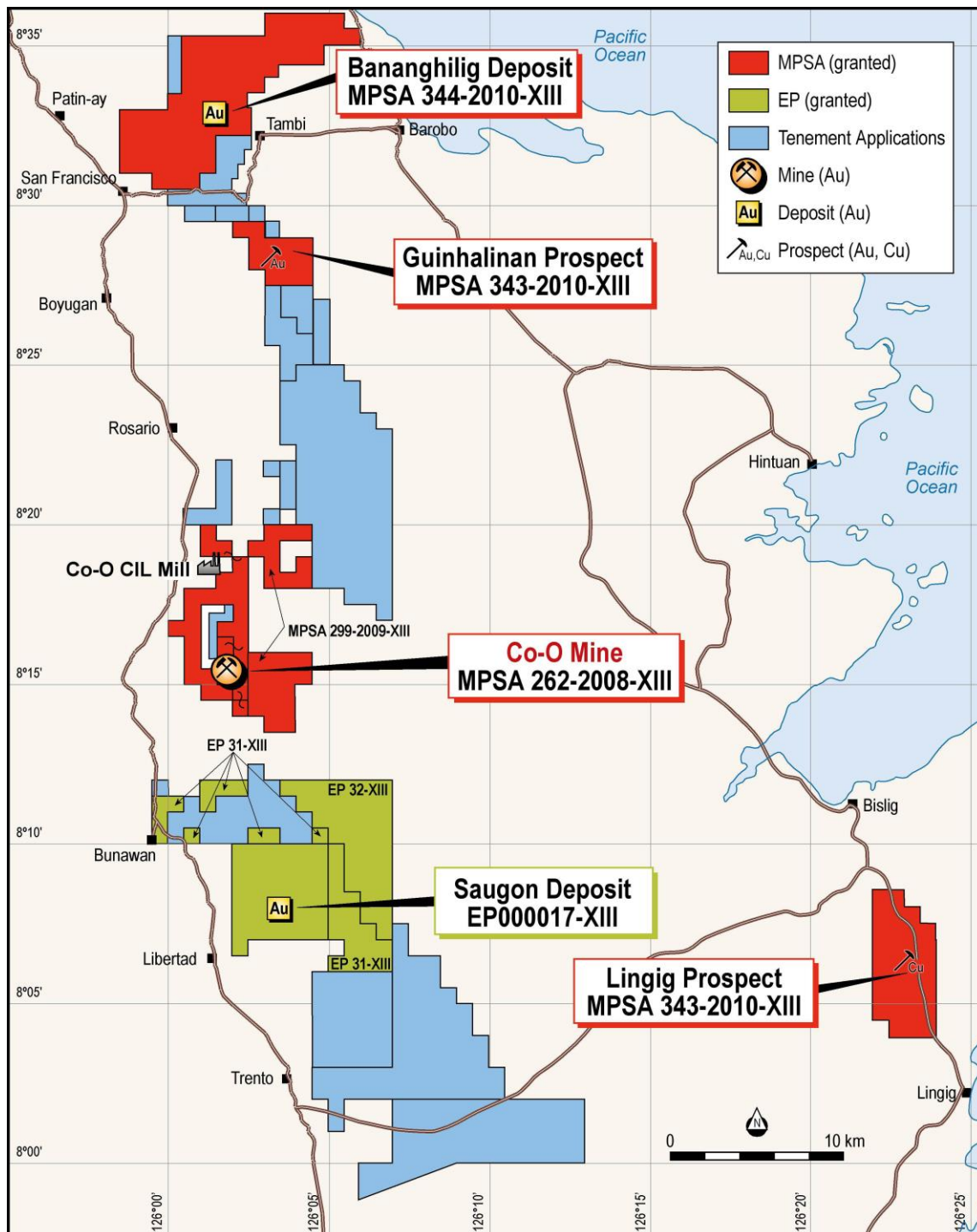


Figure 4. Revised tenement plan showing the granted tenements and tenement applications subsequent to area reductions.

For further information please contact:

Geoff Davis, Chief Executive Officer

DISCLAIMER

This announcement contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Medusa, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements. Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based. You should not place undue reliance on forward-looking statements and neither Medusa nor any of its directors, employees, servants or agents assume any obligation to update such information.