



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

ANNOUNCEMENT

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GUINHALINAN REGIONAL SCALE GOLD TARGET

(ASX: MML)

Medusa Mining Limited (“Medusa” or the “Company”), through its Philippine operating company, Philsaga Mining Corporation (“PMC”), wishes to advise that a major corridor of gold in soil geochemistry anomalies have been defined at the Guinhalinan prospect.

The consistent and persistent high level gold anomalies occur over a strike length of approximately 5 kilometres. The corridor of anomalies is open to the south over a total width of up to 2 kilometres. Outcropping mineralisation has been located at numerous locations and verified by previous drilling.

The mineralisation consists of siliceous replacement in calcareous sediments, with at least several favourable horizons already identified. This belt of old calcareous rocks has been mapped for 12.5 kilometres of strike length and contains other known prospects. The sequence dips east towards the regionally significant Barobo Fault.

Geoff Davis, CEO of Medusa, commented:

“At this early stage, we view the Guinhalinan prospect as a major regionally significant exploration target with potential to rival the ‘open in all directions’ 1.14 million ounce Bananghilig mineralised system immediately to the north.

Mineralisation in more than one horizon was verified in drill holes in 2010-11 by the Company, so we know there is below-surface substance to the soil anomalies. Once we have completed the Bananghilig programme of re-interpretation and associated works, exploration activity will increase at Guinhalinan particularly in the drier season from around April to define drill targets.”

Background

The Guinhalinan Gold prospect location is shown on Figure 1 within granted MPSA 343-2010-XIII which is subject to a Mines Operating Agreement with Das-Agan Mining Corporation who will receive a 3% gross royalty on all production from the MPSA.

In 2009-2010 the Company undertook a limited programme of trenching and diamond drilling on several siliceous outcrops containing gold mineralisation while seeking additional high grade material for the Co-O Mill. Four drill holes were completed in 2009, and encountered moderate grades and widths including 7.30 metres at 2.72 g/t Au from 22.6 metres (drill hole DGN002), 8.15 metres at 1.30 g/t Au from 27.55 metres (drill hole DGN003), and 6.70 metres at 2.08 g/t Au from 27.4 metres (DGN004). Results were reported in the Company's 2009 Annual Report, and the September 2009 quarterly report. The drilling confirmed that the mineralisation is sediment hosted, and that several shallow dipping, mineralised horizons may be present.

The mineralisation is generally associated with silicification, which varies from outcrops of massive fine-grained silica rocks with sphalerite and galena to friable, limonitic and siliceous material in sub-crop.

Assessment of the previous drill logs and detailed mapping shows that the sedimentary sequence consists of calcareous grits and siltstones, and limestones, with replacement mineralisation occurring in favourable permeable horizons. The sediments dip eastwards towards the projected position of the Barobo Fault.

The old calcareous sedimentary sequence hosting mineralisation at Guinhalinan is correlated with the calcareous sediments which have been extensively skarned at the Kamarangan prospect approximately 8.0 kilometres to the northwest of Guinhalinan on the western side of the regionally significant Barobo Fault. The old calcareous sequence belonging to the Late Oligocene to Early Miocene Bislig Formation has been traced for at least 12.5 kilometres of strike and is only partly explored.

The Usa porphyry copper and the Alikway base metal skarn prospects are located 2.0 kilometres and 1.5 kilometres respectively to the south and southeast of Guinhalinan, close to the projected position of the Barobo Fault.

Soil sampling programme

As reported in the September 2014 quarterly report, an extensive soil geochemistry survey at Guinhalinan has been completed within MPSA 343-2010-XII. The survey was conducted on a sample spacing of 50 metres on 100 metre spaced grid lines. A total of 1,190 samples were collected from the B horizon, sieved to -80 mesh, and analysed for gold by Fire Assay/atomic absorption spectrometry (AAS) technique, and Ag, Cu, Pd, Zn, As and Mo by Aqua Regia/inductively coupled plasma-optical emission spectroscopy (ICP-OES) technique.

Soil sampling results

Figure 2 shows the contouring of the raw soil sampling results which outlines a regionally significant, consistent and extensive corridor of 'gold in soil' anomalies approximately 5 kilometres long (open to the south) and up to 2 kilometres wide. Within this corridor there appears to be two distinct sub-parallel sub-corridors of gold in soil anomalism representing at least two separate zones of gold mineralisation.

The western sub-corridor coincides with the partially exposed sedimentary sequence containing silica replacement of favourable horizons which dip shallowly towards the projected position of the Barobo Fault. Some sections of the favourable sequence are covered by thin younger sediments.

The eastern sub-corridor is currently being investigated. In some locations, in addition to silica replacement, the soil anomalies appear to be associated with a shallow to flat-lying conglomeratic sequence comprised of clasts of silicified rocks.

Field programme

Follow-up of the soil anomalies includes detailed geological and regolith mapping, and sampling of the regolith and underlying stratigraphy to identify scout drilling targets.

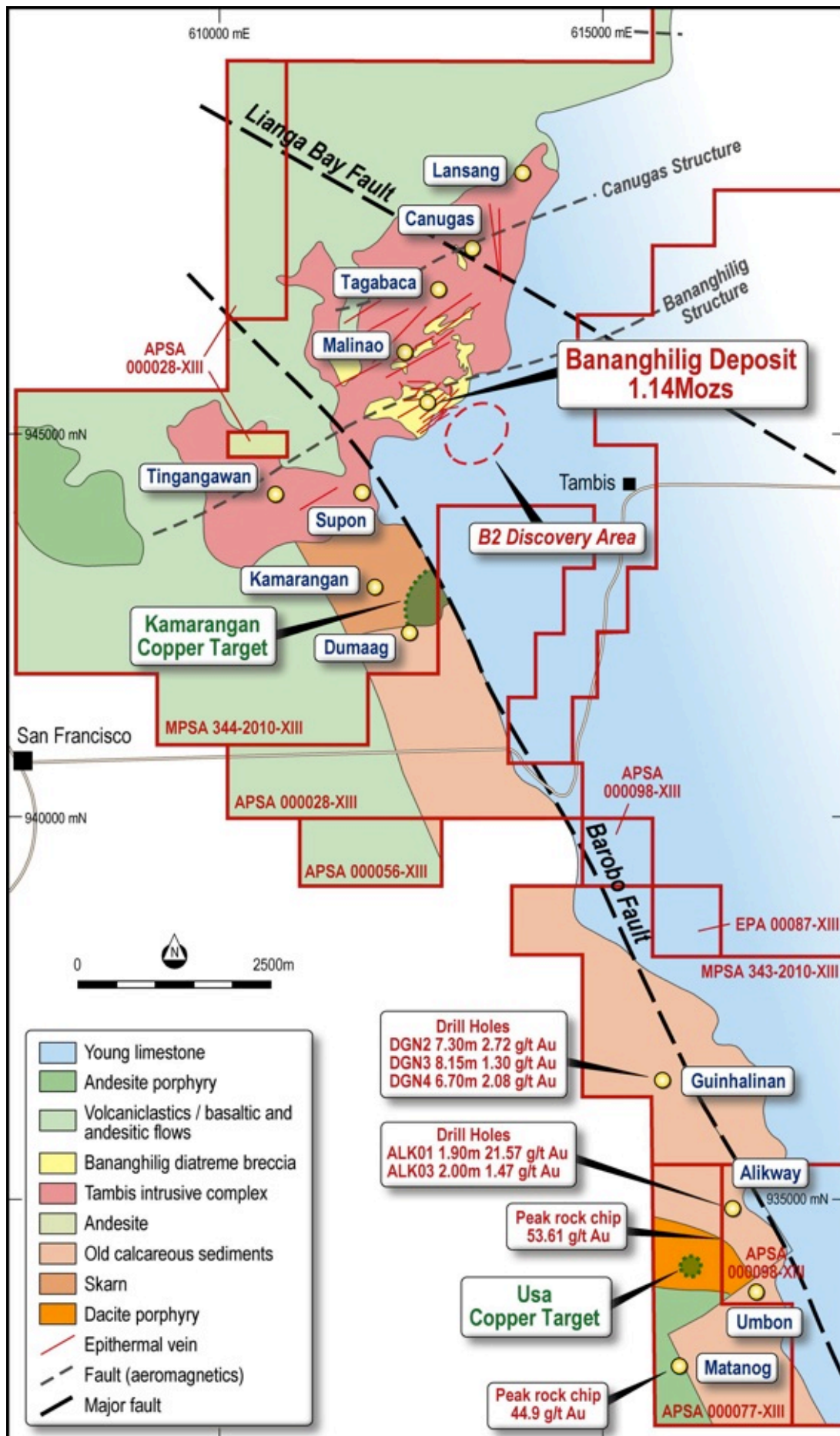


Figure 1. Regional geological setting of the Guinhalinan prospect.

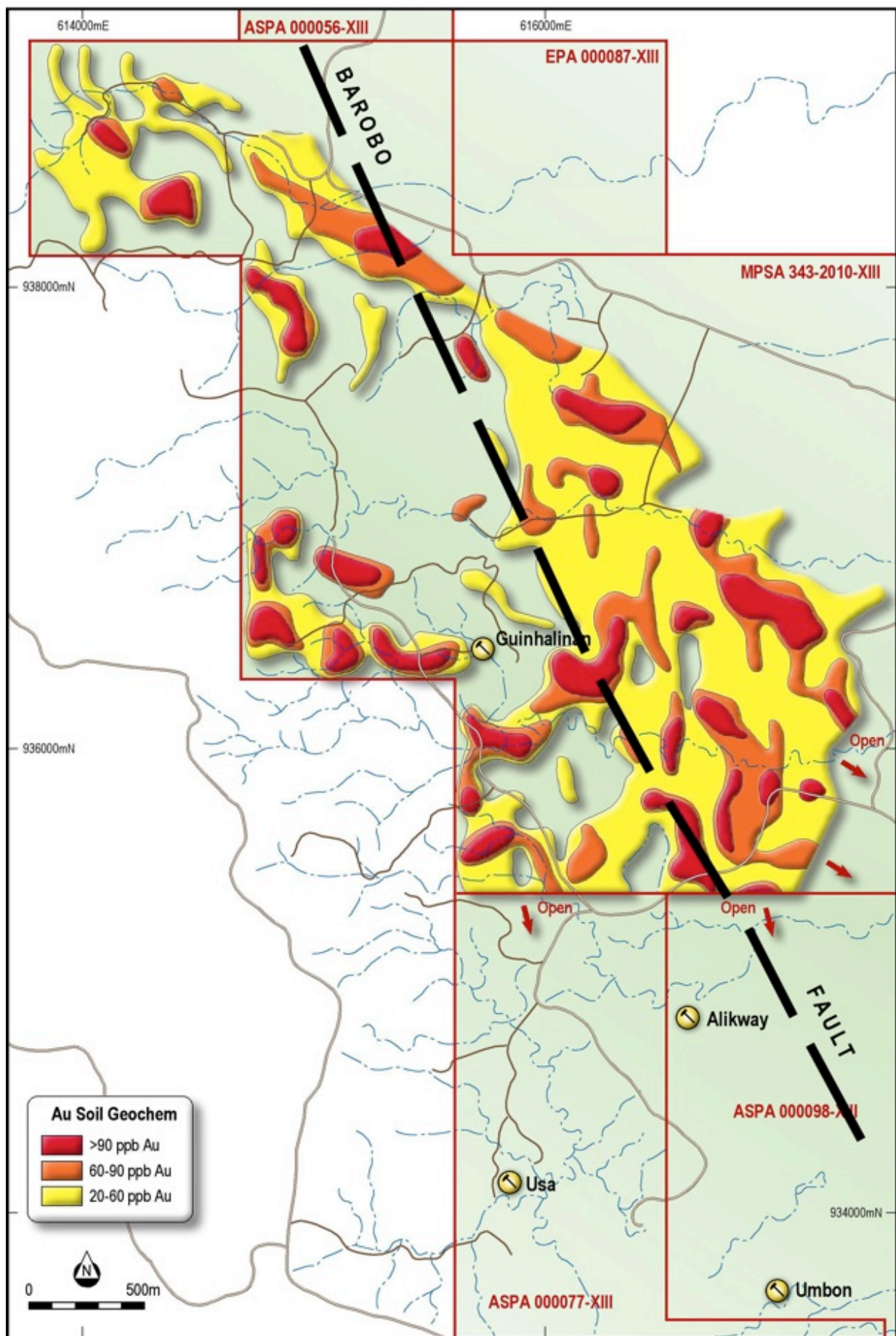


Figure 2. Guinhalinan prospect showing the contoured gold in soil geochemistry anomalies and the Barobo Fault

For further information please contact:

Geoff Davis, Chief Executive Officer

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