

**MEDUSA MINING LIMITED**

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11 September 2014

TAMBIS B2 DISCOVERY UPDATE

(ASX: MML)

Medusa Mining Limited (“Medusa” or the “Company”), through its Philippine operating company, Philsaga Mining Corporation, provides an update for the last three holes drilled at the Tambis B2 Discovery area.

Drilling highlights >15 gram-metres include:

Hole Number	Width (metres)	Grade (uncut) (g/t gold)
TDH 345	11.85	9.79
TDH 347	12.80	1.36
	11.65	1.22

Geoff Davis, CEO of Medusa, commented:

“It is pleasing to finish the recent round of drilling with some more good results. Whilst the drilling is still widespaced at the B2 Discovery area, we have established mineralisation over a large area of approximately 800 metres by 1,000 metres, and which appears to be still open in most directions.”

Location

The Tambis Gold Project, comprising the Bananghilig Gold Deposit and the B2 Discovery area (Figs 1 and 2), is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement (“MPSA”) 344-2010-XIII, which covers 6,262 hectares.

Drilling

During the FY2014, diamond core drilling was focussed in the B2 Discovery area (Fig. 2). The drilling programme was temporarily suspended on 17 June 2014 to enable collation of data obtained to date and to prepare the area for a ‘down-hole’ geophysics survey, which is anticipated to commence later in the year, depending on contractor availability.

Since the 30 June 2014 quarterly report, results have been received for the last three drillholes (TDH345, TDH347 and TDH348). Significant intercepts are summarised in Table 1 below.

Table I: B2 Area: Significant drill hole results ≥ 0.5 g/t gold. (JORC Code, 2012 Edition – Table 1 Report)

Hole Number	East ⁴	North ⁴	RL ⁴	Depth (metres)	Dip (°)	Azimuth (°)	From (metres)	Width ² (metres)	Gold Grade ^{1,3} (uncut) (g/t gold)
TDH345	613153	944893	190	300.6	-60	130	186.15	6.00	1.89
							227.60	13.95	0.79
							280.60	11.85	9.79
							<i>includes</i> 285.15	<i>0.65</i>	<i>24.00</i>
							<i>includes</i> 287.85	<i>1.00</i>	<i>26.09</i>
TDH347	613414	944861	130	301.8	-60	130	166.90	2.00	3.44
							178.20	2.85	3.47
							297.85	2.60	4.57
TDH348	613389	944701	102	300.6	-60	130	169.05	12.80	1.36
							183.85	11.65	1.22
							201.50	6.65	1.99
							222.85	5.40	1.40
							237.60	5.85	1.56

Notes:

- Composited intercepts 'weighted average grades' calculated by using the following parameters:
 - no upper gold grade cut-off applied;
 - lower cut-off grade of 0.5 g/t gold;
 - high-grade samples (>20 g/t gold) within composited interval are individually reported;
 - ≥ 5 metres down hole intercept width at ≥ 1.0 g/t gold, or
 - ≤ 5 metres down hole intercept width at ≥ 5 gram per metres, and
 - maximum of 3 metres of downhole internal dilution at ≤ 0.5 g/t gold;
- Intersection widths are downhole drill widths not true widths;
- Assays are by Intertek McPhar Mineral Services Inc. in Manila; and
- Grid coordinates and RL (elevation) based on the Philippine Reference System 92.

Downhole Geophysics Programme

A downhole geophysics survey is currently being planned for the B2 area. The survey will trial Down-Hole Electromagnetic (DHEM) and Down-Hole Magnetometric Resistivity (DHMMR) type surveys to investigate the potential to delineate additional higher gold grade hydrothermal breccia zones within the general B2 Discovery area.

Future Drilling

Further drilling will be considered when the geophysics programme is completed and interpreted in conjunction with the integration of all the drilling data.

For further information please contact:

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JORC CODE 2012 COMPLIANCE - CONSENT OF COMPETENT PERSONS

Information in this report relating to **Exploration Results** has been reviewed and is based on information compiled by Mr Gary Powell who is a member of The Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy. Mr Powell is a Non-Executive Director and has sufficient experience, which is relevant to the style of mineralisation and type of deposits under consideration, and to the activity, which they are undertaking, to qualify as a "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Powell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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.

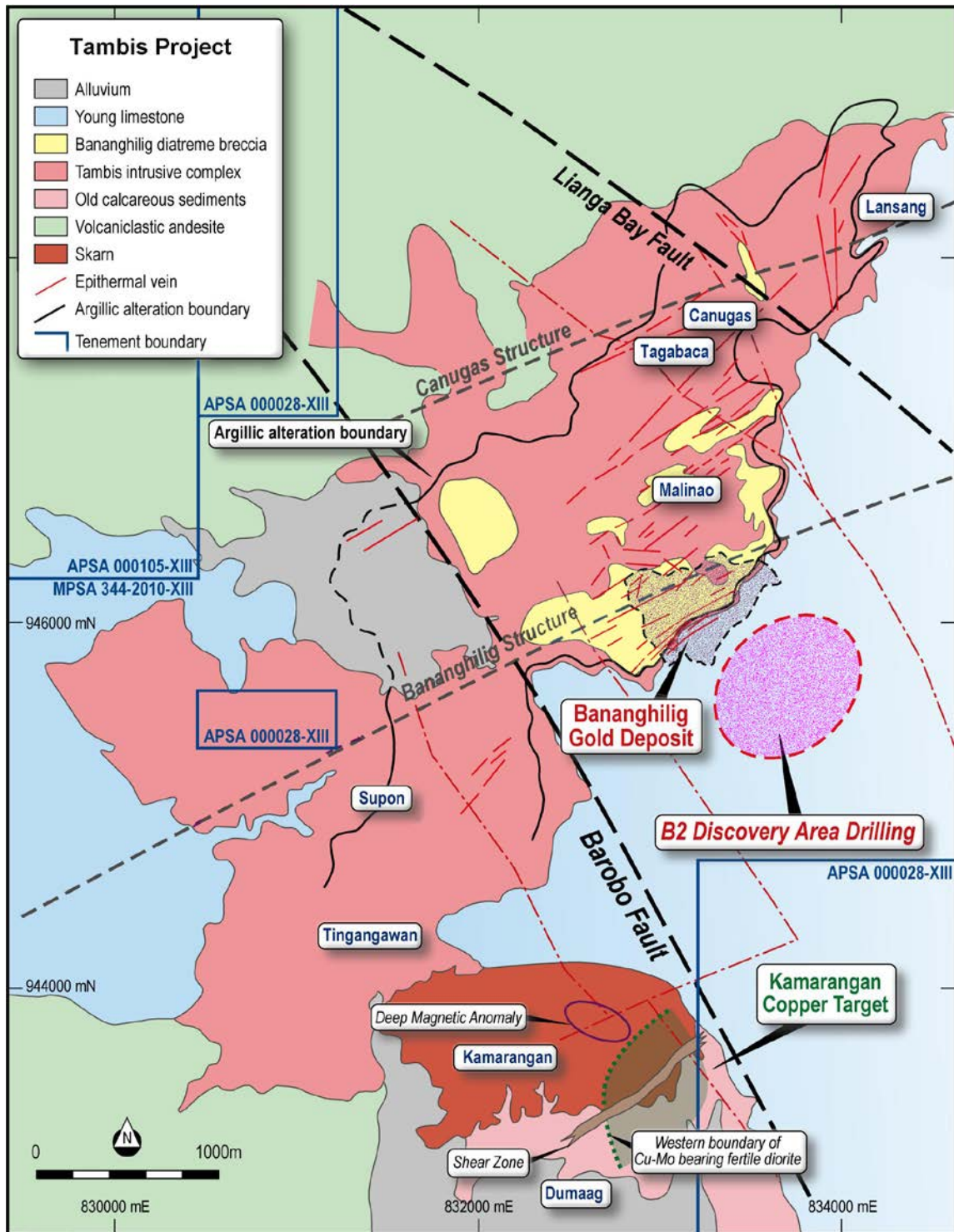


Figure 1. Tambis Project interpreted geology showing the positions of the Bananghilig Deposit and the adjacent B2 Discovery area beneath the limestone cover.

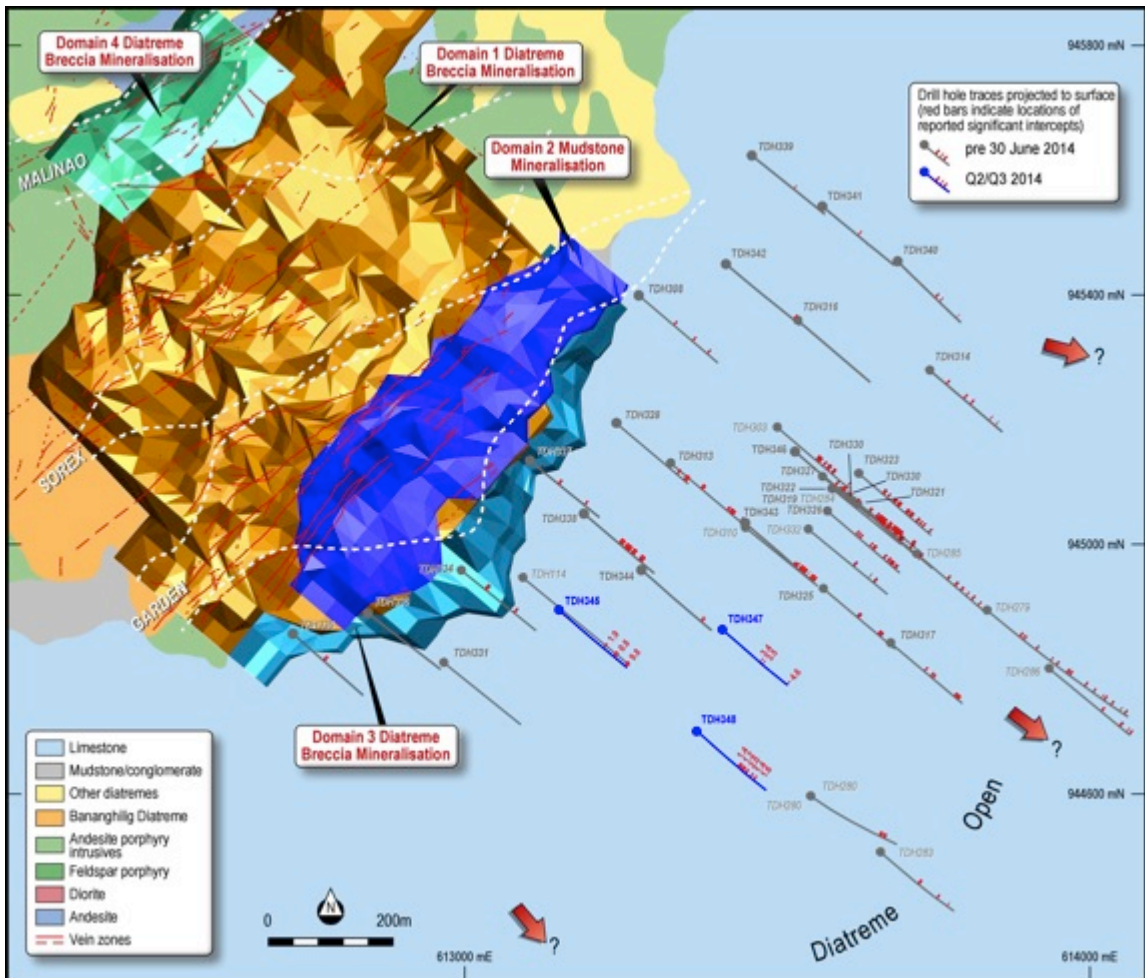


Figure 2. Bananghilig 2013 resource model and the B2 Discovery area drill hole projections showing significant drill assay intercepts for TDH345, TDH347 and TDH348 (marked in blue).