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23 December 2003
The Manager
Australian Stock Exchange Limited
Level 4
20 Bridge St
Sydney, NSW.

Dear Sir/Madam,

DRILLING COMMENCES AT THE SAUGON GOLD PROJECT, PHILIPPINES

The Company is pleased to advise that a program of drilling comprising an initial three diamond drill holes has commenced at the Saugon Gold Project in Eastern Mindanao.

The Drill Target

The Saugon Project, shown on Figure 1, consists of essentially uneroded, low sulphidation epithermal veins at the South Vein Set Prospect (Figure 2) that have been outlined over a strike length of approximately 600 metres. Surface sampling of outcrops and in trenches has returned consistent gold values above 1g/t over the current known strike length. The South Vein Set is the most advanced, in terms of exploration, of several similar vein systems that have been located in the tenements to date.

The drilling is aiming to intersect the veins at a vertical depth of approximately 150 metres below surface. The hole that has commenced is marked as "B" on Figure 2. This is the first drilling that has been carried out on the property.

The Mineralisation Model

Medusa is basing its mineralization model on nearby high grade Co-O and Diwalwal Deposits which are being mined or have been mined as shown schematically on Figure 3.

In both the illustrated cases, and others known in the district, the surface expressions of these vein systems generally consist of narrow, low grade veins in an envelope of clay alteration and disseminated pyrite. In both the illustrated cases the grades of the gold mineralization and the widths of the veins have increased significantly with depth.

The Joint Venture

Medusa is earning a 50% interest in the project from joint venture partner Philsaga Mining Corporation by funding the first A\$1,200,000 of expenditure. All subsequent expenditure will be shared by both parties. The aim of the joint venture is to develop a gold mine producing 150 tonnes of ore per day.

Philsaga is the project manager and has acquired its own diamond drill rig which has a 600 metre depth capacity. Philsaga has an excellent technical team capable of managing the project to a high level.

Further information

For further information contact the undersigned on 618-93670601 or by email to admin@medusamining.com.au Detailed descriptions of the Saugon Project can be viewed in Medusa's Prospectus on www.medusamining.com.au

Yours faithfully,

Geoff Davis.
Managing Director.

SAUGON PROJECT

Location Geology and Exploration Targets

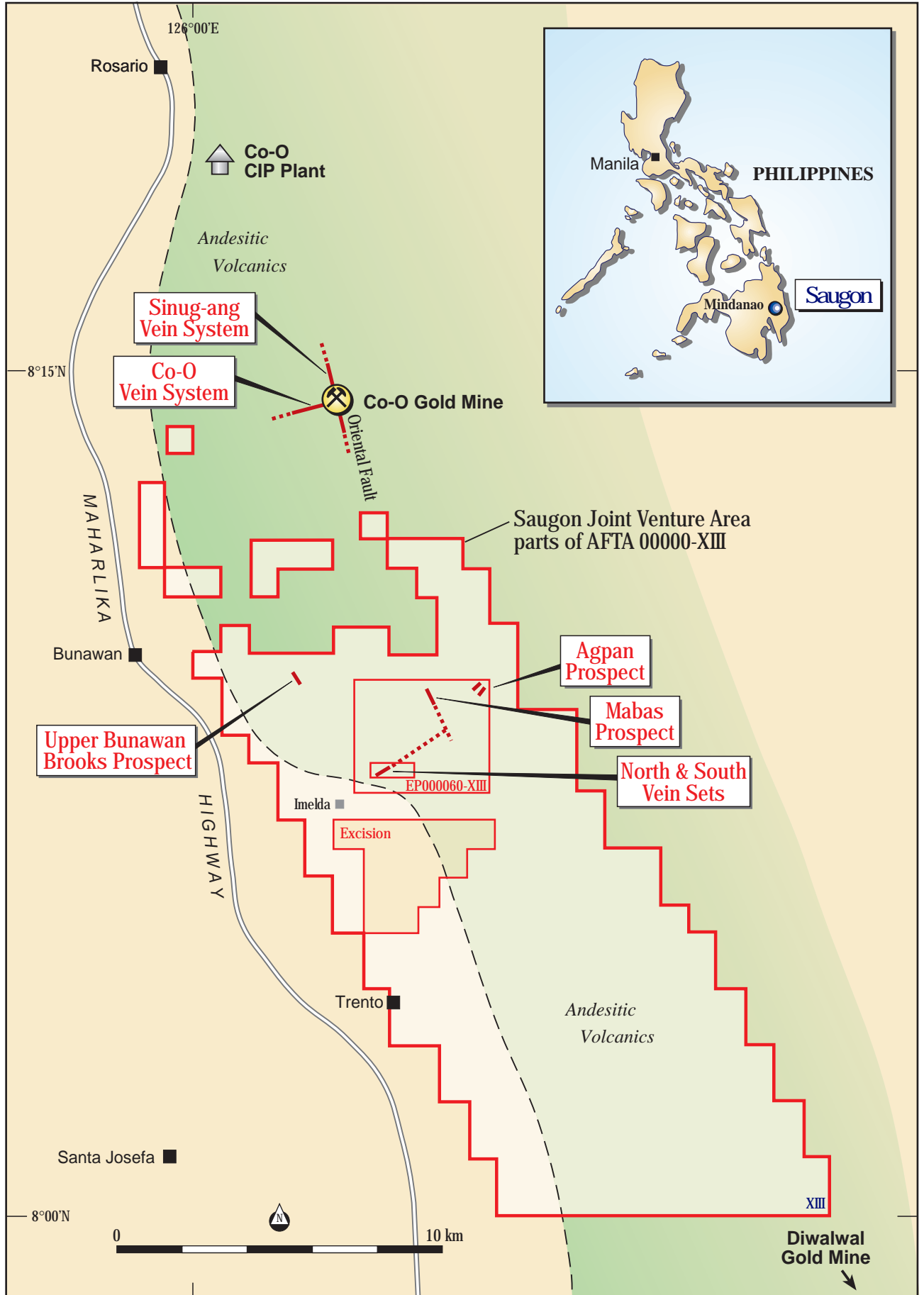


Figure 1

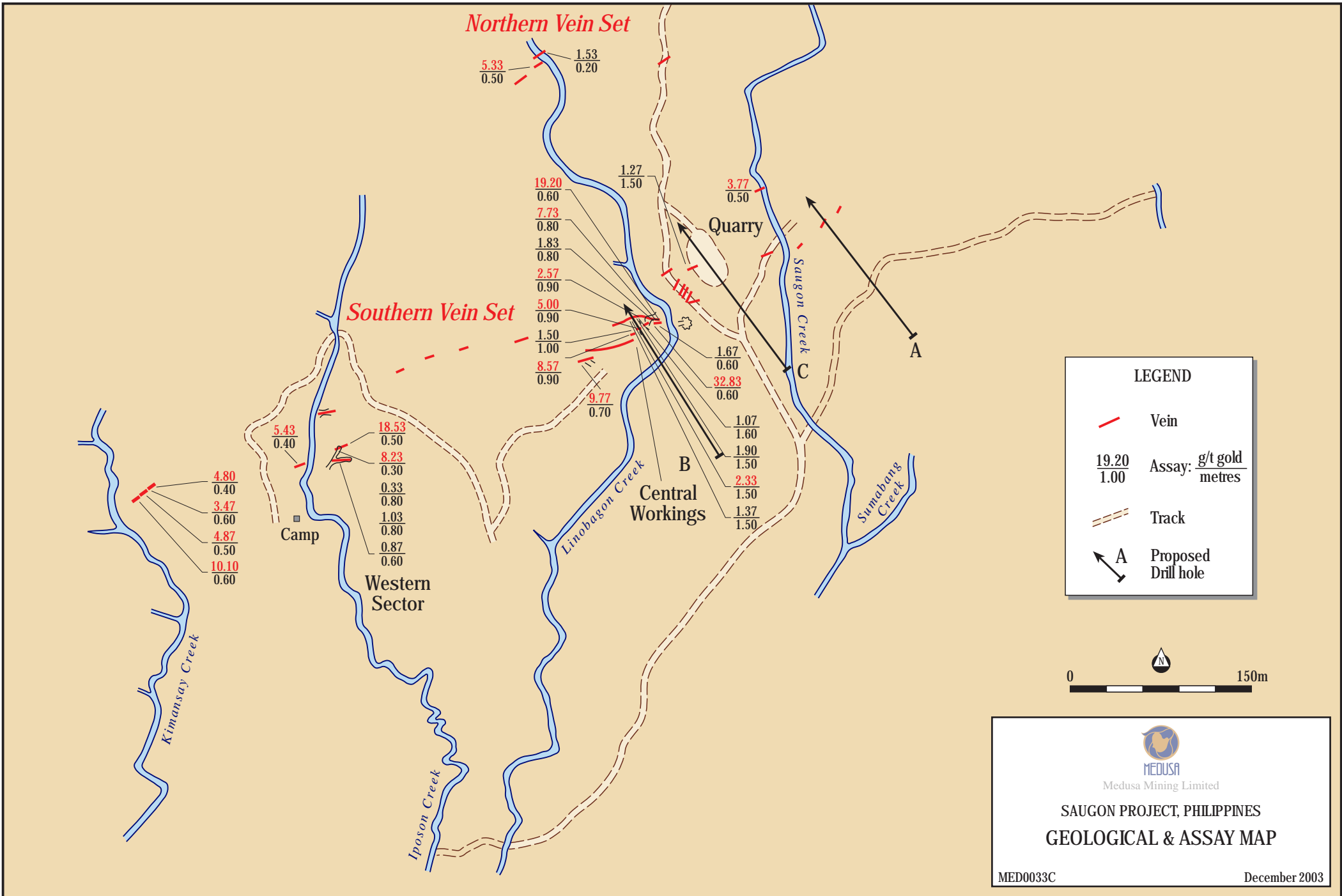


Figure 2

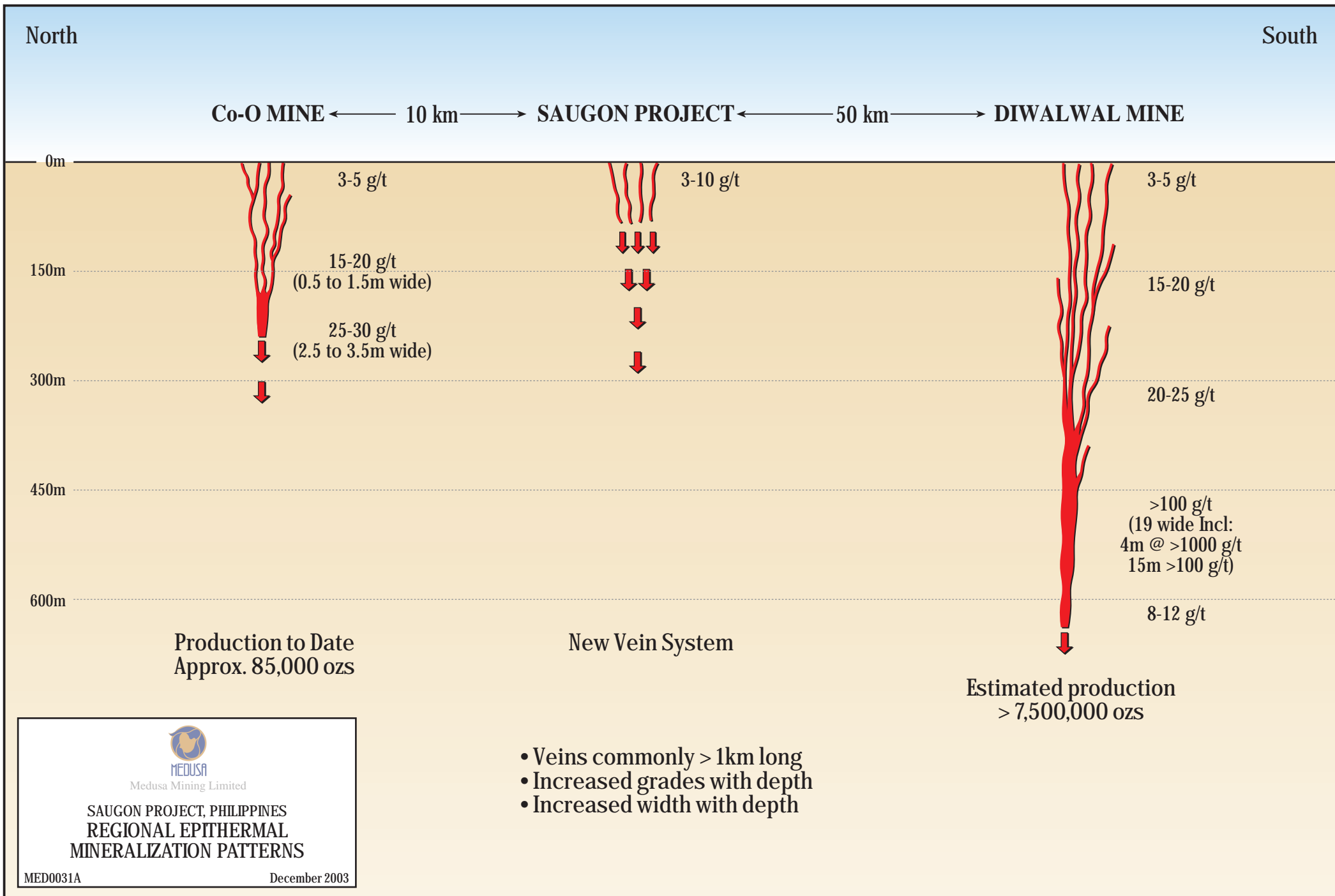


Figure 3