



**Medusa Mining Limited**  
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10 March 2004  
The Manager  
Australian Stock Exchange Limited  
Level 4  
20 Bridge St  
Sydney, NSW.

Dear Sir/Madam,

### **EXPLORATION RESULTS FROM THE SAUGON GOLD PROJECT, PHILIPPINES**

**The Company is pleased to advise that:**

- **diamond drill hole SSDH-2B has intersected high grade gold and silver mineralization in a new vein of:**

**108.50-109.50 metres downhole: 1.00m at 35.95g/t Au and 541.2g/t Ag (approximately 45g/t Au equivalent)**

- **the exploration winze has intersected high grade mineralization including**

**1.65m at 13.80g/t Au, 1.4m at 60.71g/tAu, 1.8m at 17.35g/t Au and newly located narrow “black leader” mineralization of 0.04m at 92.62g/t Au and 0.04m at 96.32g/t Au**

- **development ore from the winze is being stockpiled for processing. Preliminary metallurgical testing indicates recoveries of 93% of the gold.**

### **DIAMOND DRILLING**

At the Saugon Project (Figs 1 and 2 ), diamond drill hole SDDH-2B, was completed on 22 February at 250 metres downhole depth after intersecting the new 1.00 metre wide vein at 108.50 metres and a 0.90 metre wide vein at 196.40 metres in the target position. The collar coordinates of the hole are 899590.00N 616859.00E, RL 50.445m, direction 317°26' and the depression is 55° and the location is shown on Figure MED 33C.

As described in the ASX report of 18 February, the hole shown in cross-section on Figure MED40A intersected a new 15 metre wide zone not previously identified on surface of carbonate-rich fracturing with quartz veining to 0.90 metres wide downhole containing sphalerite, galena and chalcopyrite. True widths are not precise at this stage but are estimated to be approximately 70-80% of the downhole widths. The widest quartz vein (1.00m) has returned high grade gold and silver values of 35.95g/t Au, 541.2g/t Ag in association with 0.37% Cu, 1.87% Pb, 2.60% Zn and 245ppm As.

A second quartz vein was intersected in the target position at approximately 150 metres vertical below surface with a downhole width of 0.9metres from 196.40 metres. Assaying returned 0.29g/t Au and 3.7g/t Ag. The sulphides present in this intersected vein are different to those in the vein in the winze however at this stage it is interpreted to be the same vein as being investigated by the exploration winze. Due to a poor core recovery of only 39%, the assay result cannot be considered as representative of the zone. The results indicate a hydrothermally altered structure with quartz veining that is continuous at depth and anomalous in gold and silver.

Drill hole SSDH-3 is currently at a depth of 228 metres after intersecting a 0.5 metre brecciated quartz vein at 222 metres. Planned hole depth is approximately 270 metres.

### **DRILL CORE ASSAYING**

All drill core selected for assay was split in half by diamond saw and half core was sent to McPhar Geoservices Phils (Inc) in Manila, a NATA registered laboratory. On instruction from Medusa, all samples were examined and photographed by McPhar on receipt to verify their integrity.

Gold was assayed by fire assay of a 30 gram charge with Atomic Absorption Spectrometry (AAS) finish. Copper, lead, zinc and silver were assayed by AAS following a hot acid leach. Arsenic was assayed by Vapor Generation/AAS from the acid leach.

### **EXPLORATION WINZE**

As detailed in the ASX announcement of 18 February, a full sized, inclined and timbered winze that can be used for ore production has commenced on the same cross section as drill hole SSDH-2B. The position of the winze is shown on Figure MED33C and access to the winze is via one of two previous prospector's adits and has been set up with rails and a winch. A second adit, approximately 10metres to the east of the winze has returned high grade chip samples to 19.2g/t Au over 1 metre.

The winze, currently at 14.90 metres depth, is being sunk down the footwall of the outcropping quartz vein, with some sections of the winze in footwall volcanics to accommodate the steepening of the vein zone. At the current base of the winze, the vein has been indicated from short drill holes into the hanging wall to be approximately 3metres wide (from approximately 1 metre in outcrop).

The footwall of the eastern wall of the winze contains a laminated grey-white quartz vein with bands of fine-grained sphalerite and is correlated at this stage with the high grade vein in the nearby second prospector adit. In the winze, sampling of this vein and the associated breccias has returned the results summarized in Table I below and shown on Figure MED40A. Sample widths are approximately perpendicular to the vein, which dips at approximately 60° and steepening. All assays are uncut.

The new occurrence of a narrow high grade “black leader” silica vein (local terminology) is considered significant as this type of material at other deposits in the district, for example Co-O, has been found to contain unusually high grade gold values. They commonly occur where the dip of the vein changes, as appears to be the case in the exploration winze where the vein is steepening.

**Table I Exploration winze results**

Depth (m)	Position	Sample width (m)	Au g/t	Comment
5.0	Grab sample East wall		6.00	
6.5	East wall	1.05	10.00	
7.5	East wall	1.65	13.80	
	West wall	1.50	6.42	
8.3	East wall	1.40	60.71	
	West wall	1.80	17.35	
9.3	East wall	1.40	5.99	
	West wall	1.70	3.14	
11.0	Grab samples East wall		6.43, 10.58	
	Grab sample West wall		5.10	
12.8	East wall	0.35	21.96	Considerable stripping of the footwall to accomodate steepening of the vein, hence vein zone only partly sampled.
	West wall	0.30	4.37	Considerable stripping of the footwall to accomodate steepening of the vein, hence vein zone only partly sampled.
14.9	East wall	0.30	3.40	
	East wall	0.04	96.32	Narrow “black leader” starting to develop, and as above.
	West wall	0.04	92.62	Narrow “black leader” starting to develop in low grade breccia, and as above.

The gold values in the west wall have increased with depth as more vein material becomes exposed in this wall. The west wall of the winze initially comprised a hydrothermal quartz breccia with at least two phases of white to grey vuggy quartz fragments with some fragments of altered volcanic wall rock. Some of the quartz fragments contain common pyrite, galena, sphalerite and lesser chalcopyrite. This breccia material in channel samples above the 7.5metre level commonly assayed 1-3 g/t Au and appears to be a late, cross-cutting hydrothermal event.

It is planned to progress the winze to a depth of 50 metres before commencing level development along the vein. The winze sinking is anticipated to advance at approximately 10-12 metres per month.

Assaying of winze samples is conducted in the fully equipped assay laboratory located at the joint venture partner's mill site. Assaying is by fire assay with AAS finish on 25g charges.

## **DEVELOPMENT ORE AND METALLURGY**

Stockpiling of the ore derived from the sinking of the exploration winze commenced from 8.30metres depth, and currently approximately 70 tonnes has been stockpiled for treatment when sufficient ore has been accumulated. All gold produced will be shared equally by Medusa and its joint venture partner.

The Company's joint venture partner has verbally advised that preliminary metallurgical testing by the their resident metallurgist on samples averaging 20g/t from the stockpile has indicated that the ore from the exploration winze is free milling with an un-optimised recovery of 93% of the gold by CIP extraction.

## **TENEMENTS**

The Exploration Permit application number 000060-XIII covering the Saugon prospects has been approved by all local government and provincial government authorities and has been forwarded to the regional Bureau of Mines office for finalizing.

## **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.

Medusa management inspected the progress at the project in February and established a liaison office in Davao City.

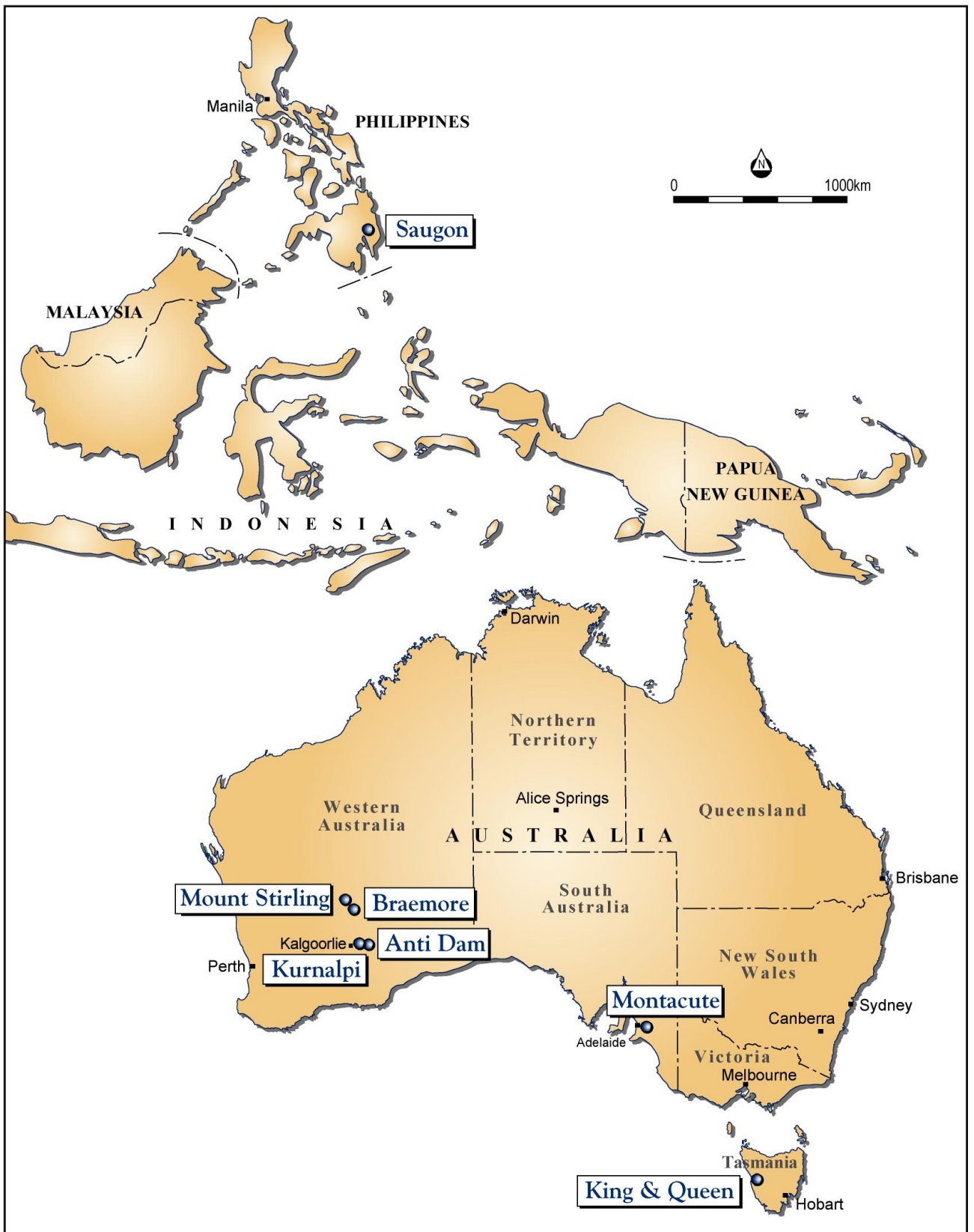
## **FURTHER INFORMATION**

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

Yours faithfully,

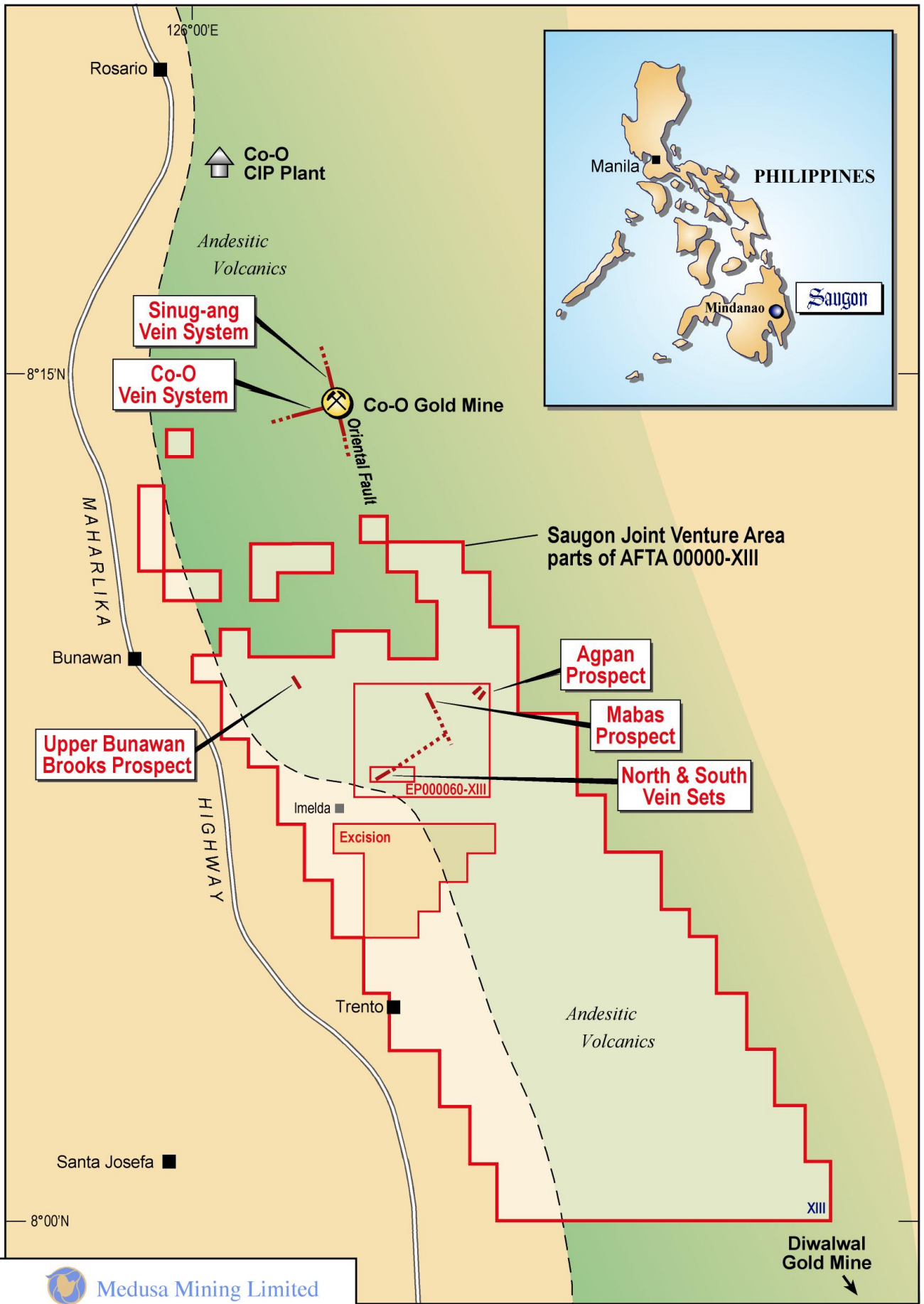
Geoff Davis.  
Managing Director.

*The information in the above announcement was compiled by G J Davis who is a member of the AIG with not less than 5 years experience in the relevant fields, and who consents to the report appearing in the form and context in which it appears.*



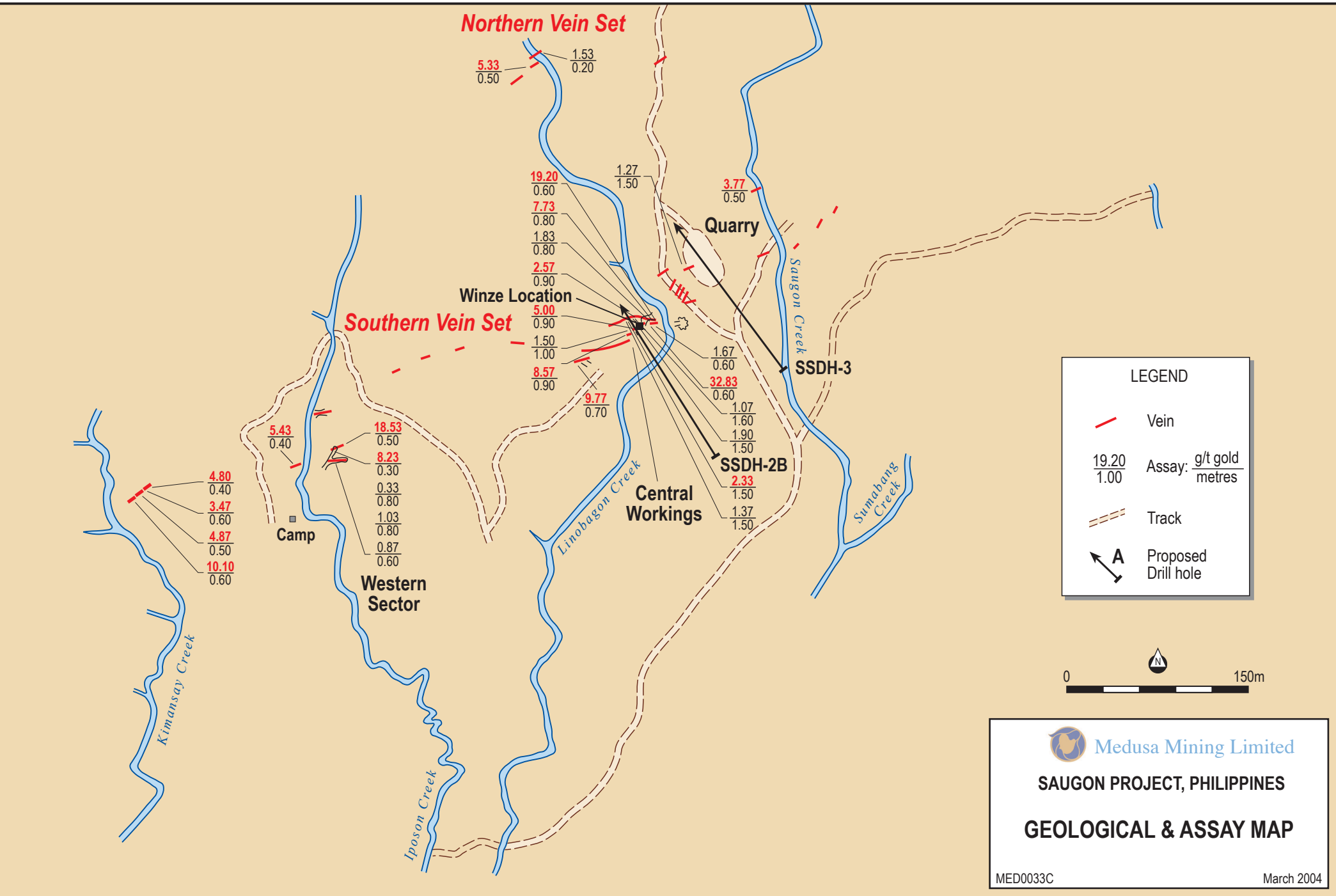
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## PROJECT LOCATIONS




**Medusa Mining Limited**  
**SAUGON PROJECT, PHILIPPINES**  
**LOCATION GEOLOGY AND**  
**EXPLORATION TARGETS**  
 MED0030B January 2004

Figure 2



**Northern Vein Set**

5.33  
0.50

1.53  
0.20

**Southern Vein Set**

19.20  
0.60

7.73  
0.80

1.83  
0.80

2.57  
0.90

5.00  
0.90

1.50  
1.00

8.57  
0.90

5.43  
0.40

18.53  
0.50

8.23  
0.30

0.33  
0.80

1.03  
0.80

0.87  
0.60

1.27  
1.50

3.77  
0.50

1.67  
0.60

32.83  
0.60

1.07  
1.60

1.90  
1.50

2.33  
1.50

1.37  
1.50

4.80  
0.40

3.47  
0.60

4.87  
0.50

10.10  
0.60

**LEGEND**

- Vein
- $\frac{19.20}{1.00}$  Assay:  $\frac{\text{g/t gold}}{\text{metres}}$
- Track
- Proposed Drill hole



**Medusa Mining Limited**  
**SAUGON PROJECT, PHILIPPINES**  
**GEOLOGICAL & ASSAY MAP**  
 MED0033C March 2004

