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

Dear Sir/Madam,

**HIGH SILVER CONTENTS ACCOMPANY GOLD MINERALIZATION IN THE FIRST HIT VEIN,
SAUGON GOLD PROJECT, PHILIPPINES**

The Company is pleased to advise silver assay results from the Saugon winze samples including:

“Black leader” mineralisation

- At 14.90m, 0.04m @ 94.9g/t Au & 1,225g/t Ag,
and 0.04m @ 95.5g/t Au & 1,262g/t Ag
- At 19.10m, 0.05m @ 354g/t Au & 5,661g/t Ag

First Hit Vein mineralisation

- At 12.8m, 0.35m @ 21.8g/t Au & 277g/t Ag
- At 16.5m, 1.90m @ 47.0g/t Au & 708g/t Ag
- At 18.0m, 1.90m @ 11.3g/t Au & 178g/t Ag

Distances refer to depth below collar of the winze.

Verification of previous gold results by NATA registered laboratory

SILVER CONTENTS

As detailed in the ASX announcement of 27 April, pulps from samples from the First Hit Vein winze were submitted to McPhar Laboratories in Manila for check gold assays and additional Cu, Pb, Zn and Ag assays. The laboratory owned by Medusa's joint venture partner, Philsaga Mining Corporation only has gold assay facilities at this stage.

Additional assaying was conducted on sample pulps from a depth of 12.80 to 19.10 metres down the winze. The correspondence between the assay results from the Philsaga and McPhar Laboratories is regarded as good with Philsaga tending to under-assay. Further check assaying will be conducted as appropriate.

The high silver contents in the winze support the current interpretation that the vein intersected in diamond drill hole SDDH-2B below the winze (1m @ 35.95g/t Au and 542.2g/t Ag) and the vein in the winze are the same vein.

The silver assays (as shown in Table I) have confirmed that the First Hit Vein is a silver rich vein with Au:Ag ratios in the range of approximately 1:14-18, with the high silver contents enhancing the value of the ore. In general terms, 60g/t Ag is approximately equivalent in value to 1g/t Au. Petrological studies are currently underway to understand the distribution and form of the silver mineralisation.

The “black leader” veinlets are generally base metal-rich, but also may contain a high percentage of black silica. In general it appears that high gold and silver values are related to elevated lead and zinc values.

Table I. Exploration winze vein channel sample Au, Ag, Cu, Pb and Zn results

(a) West wall of winze

Depth (m)	West wall width (m)	Au g/t Philsaga	Au g/t McPhar	Ag g/t	Cu %	Pb %	Zn %	Comment
7.5	1.50	6.42						
8.3	1.80	17.35						
9.3	1.70	3.14						
11.0	Grab	5.10						
12.8	0.30	2.67	2.46	51.4	0.13	0.29	0.27	
14.9	0.04	92.32	95.54	1,262.5	1.11	4.72	5.26	Black leader
15.4	0.55	2.00	1.85	26.4	0.10	0.23	0.38	
16.5	0.35	0.47	7.83	171.7	0.12	0.23	0.48	
17.6	0.30	5.00	4.41	53.3	0.15	0.22	0.46	
18.0	0.35	17.96	19.77	258.0	0.21	0.85	0.43	
19.10	0.60	2.76	2.58	41.4	0.03	0.31	0.18	
19.25	0.25	2.43						
20.35	0.80	8.73						

(b) East wall of winze

Depth (m)	East wall width (m)	Au g/t Philsaga	Au g/t McPhar	Ag g/t	Cu %	Pb %	Zn %	Comment
7.5	1.05	10.0						
8.3	1.65	13.80						
9.3	1.4	5.99						
11.0	Grab	8.50						
12.8	0.35	21.96	21.78	276.9	0.33	2.05	0.85	
14.9	0.04	96.32	94.91	1,225.2	0.87	4.61	5.23	Black leader
15.4	1.60	10.43	10.53	147.6	0.12	1.20	1.57	
16.5	1.90	24.20,40.16	46.93	707.9	0.89	5.35	2.33	
17.6	2.25	11.61,12.80	15.62	215.6	0.27	1.41	1.65	
	0.08	134.59	202.27	3,792.5	8.43	24.45	6.99	Black leader
18.0	1.90	10.36	11.35	177.8	0.16	0.82	0.82	
19.10	1.20	7.95	9.19	140.8	0.26	0.52	0.37	
	0.05	294.04	354.0	5,661.3	3.38	19.09	8.44	Black leader
19.25	1.25	5.30						
20.35	2.10	15.66						

McPhar Laboratory assay techniques: 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.

SAUGON GOLD PROJECT (Medusa earning 50%)

The project is located in central eastern Mindanao in the Republic of the Philippines (Fig. 1) and is accessed by the national highway over an approximate 2.5 hour drive north of Davao City. Access from the highway to the project is via 5 kilometres of gravel roads. The project is approximately 23 kilometres by road from the Co-O milling facility owned by the Company's joint venture partner, Philsaga Mining Corporation, who is the operator of the joint venture.

Work on the Southern Vein Set commenced in mid 2003, and the vein which is currently being drilled and on which the exploration winze is being sunk has been named the **First Hit Vein**.

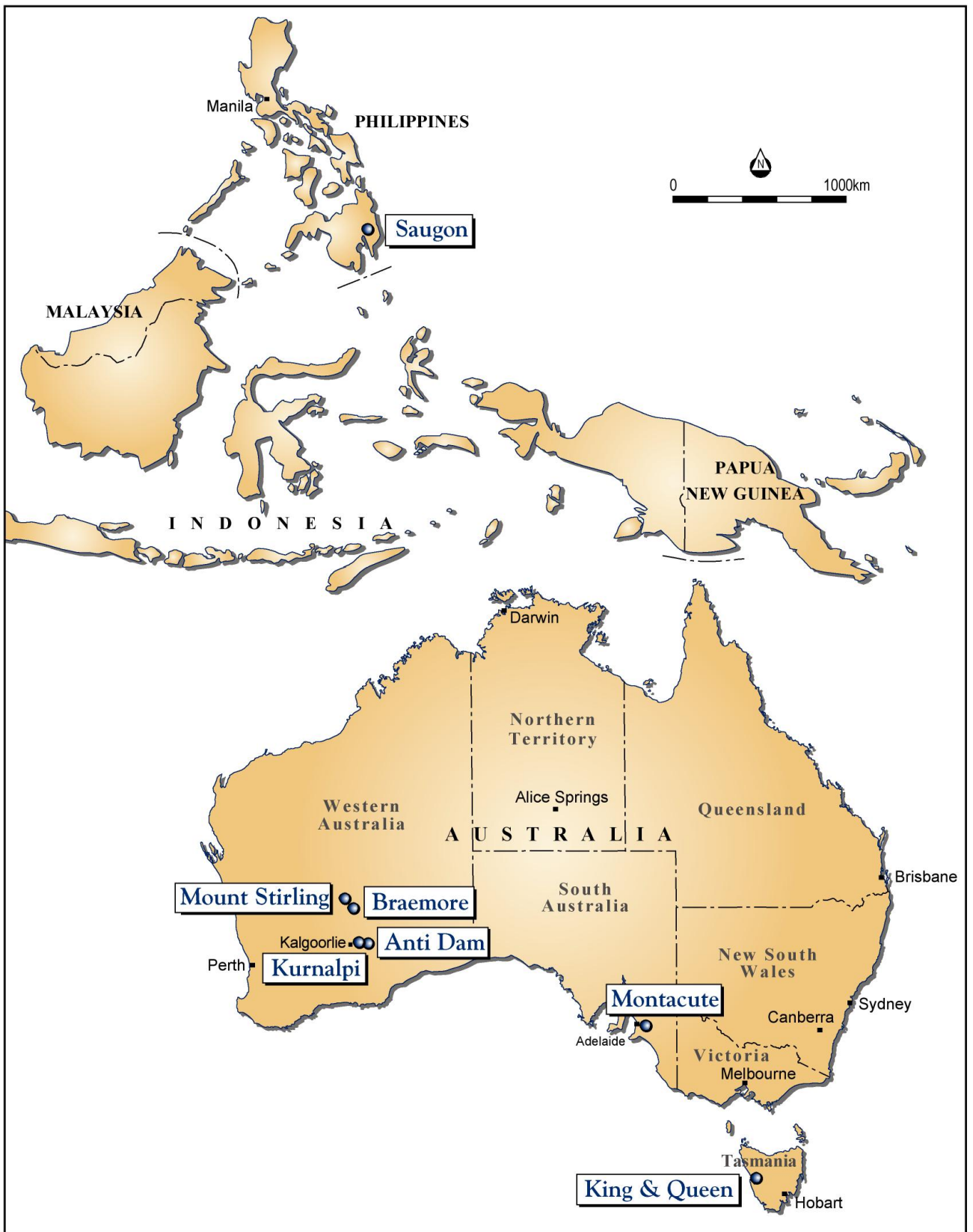
FURTHER INFORMATION

For further information contact the undersigned on 618-93670601 or by email to admin@medusamining.com.au Detailed descriptions of the Company's projects can be viewed in Medusa's Prospectus and subsequent releases on 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.



Medusa Mining Limited

PROJECT LOCATIONS

Figure 1