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21 May 2004

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

Dear Sir/Madam,

**MEDUSA ACQUIRES 20% INTEREST IN SAUGON GOLD-SILVER PROJECT,
REPUBLIC OF THE PHILIPPINES**

The Company advises that it has completed the expenditure of A\$500,000 which entitles it to a 20.833% interest in the Saugon Gold-Silver Project. This is the first stage of the “earn-in” under the joint venture agreement whereby the Company will earn a 50% interest by sole funding the first A\$1,200,000.

Exploration work is continuing on the First Hit Vein.

Joint Venture Details

As detailed in the Company's prospectus issued in October 2003, under the terms of the Saugon Joint Venture, the Company is required to spend a minimum of A\$500,000 before it can earn a pro-rata equity in the project as the first stage of earning a 50% interest in the project by sole funding the first A\$1,200,000. Under the terms of the agreement, the Company has advised its joint venture partner, Philsaga Mining Corporation that this expenditure level has been reached.

The objective of the joint venture is to achieve a production rate of 150 tonnes per day of underground ore from narrow high grade quartz vein systems. Work is

well advanced on the First Hit Vein as has been reported at regular intervals. Further updates will be provided as results become available.

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.

SAUGON PROJECT

Location Geology and Exploration Targets

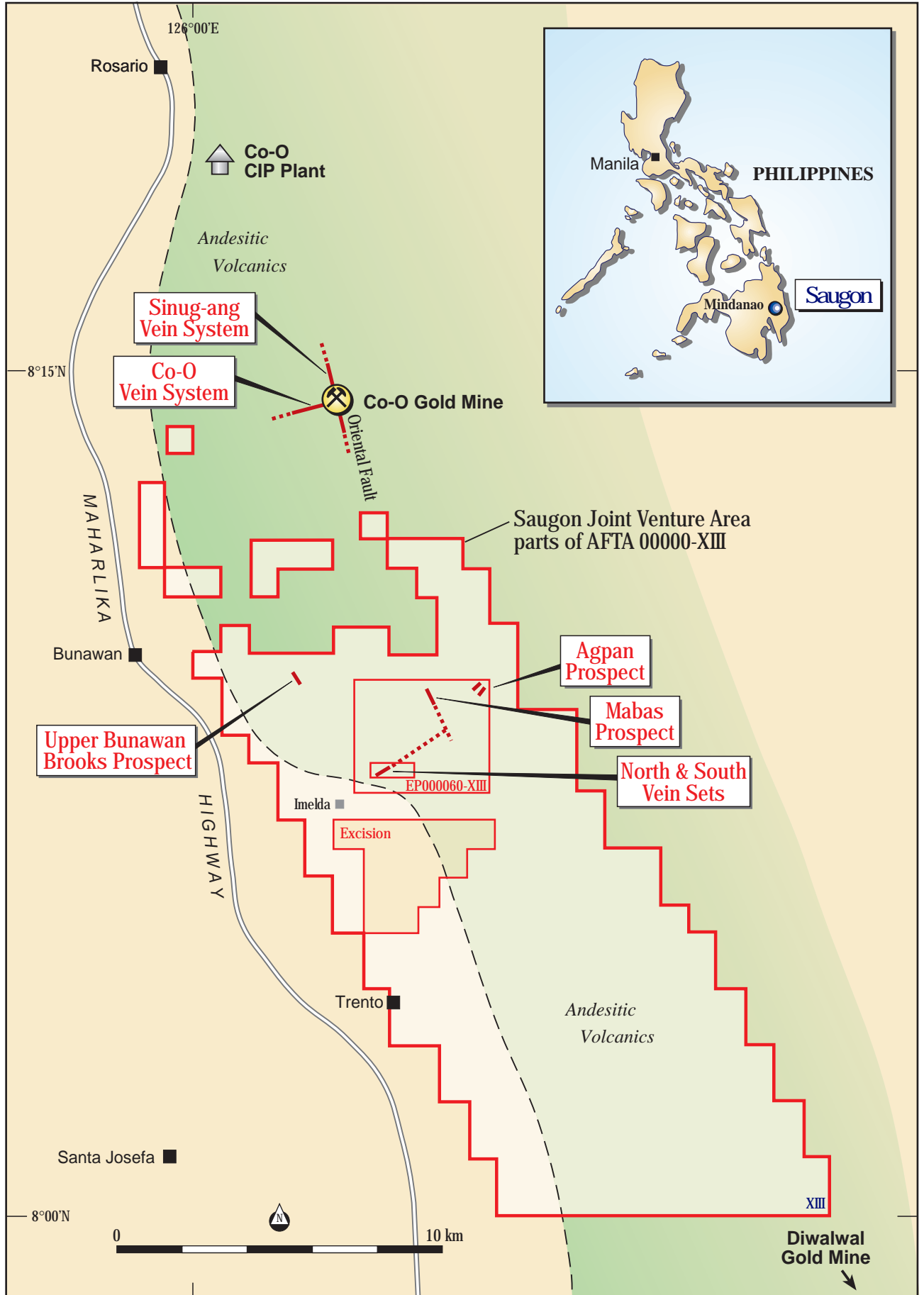


Figure 1