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MINING LIMITED

ACN: 099 377 849

4 June 2004

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

Dear Sir/Madam,

SAUGON GOLD-SILVER PROJECT, PHILIPPINES.

Following receipt of drill hole intersection results and technical reports, a site inspection by Medusa on 1st June, and a growing appreciation of the First Hit Vein geology, the Company advises that:

Diamond Drilling

- Recent drilling has intersected mineralised fault zones and fault breccias including 0.95m at 3.20g/t Au and 31.8g/t Ag in hole SDDH-5 and 0.10m at 14.88g/t Au and 200g/t Ag in hole SDDH-6.

Exploration Winze

- The winze is currently at 37 metres depth and due to steepening of the vein, the first plat will now be cut at 40 metres depth down winze in preparation to develop the first level in mid-July.

Mineralogical Examination

- Microscopic examination of drill hole and winze samples indicates sub-microscopic free gold grains with up to 17% silver content occur intimately associated with erratically distributed clots and patches of silver telluride, and sulphides of lead and zinc.

Geological Appreciation

- Possible "fault windows" may occur along the First Hit Vein structure as indicated by the recent drilling and winze observations.
- Consistent east wall winze results combined with the high grade SDDH-2B intersection possibly indicate a high grade vertically plunging shoot of potentially mineable dimensions may be present adjacent to the east side of the winze

Saugon Joint Venture

- **Medusa and JV partner, Philsaga Mining Corp, have signed a new agreement with the same earn-in terms as the previous agreement (which is now replaced), but have additionally agreed to form a jointly owned, project operating corporation which will enable the partners to apply for tax incentives, such as a 5 year tax holiday and other tax incentives, when mining commences.**
- **Exploration Permit 000060-XIII is awaiting approval for granting in Manila, and two new permit applications numbered 000064-XIII and 000065-XIII have been submitted.**
- **Planning will commence for a regional geochemistry program late in 2004 to the south of the First Hit Vein and as part of the Saugon Project.**

DIAMOND DRILLING

Diamond drilling has continued to explore the First Hit Vein's position to the east and west of the winze (Figs 1 and 2).

Drilling progress was limited during May by breakdowns to one of the two drilling rigs, but three rigs are now operating at site and three new holes have been commenced.

The project location and drill hole positions are shown on Figures 1 and 2. Table 1 shows a summary of the results received to date for the six holes completed. Following is a summary of drill holes not previously reported.

Hole SDDH-5 intersected grey and white quartz veins at the down hole intervals:

- 69.95 - 71.70 metres for 1.75 metre of brecciated vein,
- 71.80 - 72.75 metres for 0.95 metre of brecciated vein, and
- 83.15 - 83.50 metres for 0.35 metre of vein.

The fragments in the brecciated vein sections, cemented by white quartz, consist of grey silica with galena and sphalerite present and appear similar to the high grade vein reported in SDDH-2B.

Hole SDDH-6 intersected intensely silicified volcanics and quartz veining at intervals:

- 144.10 – 114.20 metres for a 0.10 metre wide massive white crystalline quartz vein with galena.
- 114.60 - 119.90 metres for 5.30 metre of silicification, brecciation and veins. This intersection is interpreted as a cross-fault to the First Hit Vein, and

Hole SDDH-7 intersected at the down hole intervals:

- 167.70 – 178.2 metres for a 12 metre wide zone of multiple quartz breccias, quartz veining and silicification which is interpreted as a cross fault, and
- centred on 205 metres for a wide zone of calcite veining and alteration which also contains approximately 1 metre of grey quartz with galena and sphalerite similar to the high grade intersection in SDDH-2B. The core is currently being prepared for sampling and submission to the independent analysis laboratory.

The three holes recently commenced are

Hole SSDH-8 designed to test extensions of the vein system approximately 100 metres to the east of previous drilling.

Hole SDDH-9 designed to test the vein system a further 50 metres west of holes SDDH-6 & 7.

Hole SDDH-10 designed to test the down dip extensions of the high grade intersection in SDDH-2B (1m at 35.95g/t Au and 541.2g/t Ag).

TABLE 1. First Hit Vein: Summary of diamond drill hole results, 3 June 2004.

Hole	North	East	Dip	Azimuth	From (m)	To (m)	Width (m)	Au g/t	Ag g/t
SDDH-2B	899,267	616,944	55°	316°	108.5	109.5	1.00	35.95	541.2
SDDH-3	899,305	616,977	55°	316°	106.55 222.15	106.75 222.65	0.20 0.50	0.09 1.42	4.0 27.6
SDDH-4	899,318	616,912	59.6°	290°	64.55 89.50	65.55 89.70	1.0 0.20	1.37 9.74	19.8 143.2
SDDH-5	899,344	616,964	54.3°	345°	71.80	72.75	0.95	3.20	31.8
SDDH-6	899,233	616,907	51.9°	317°	119.55 144.10	119.90 144.20	0.35 0.10	1.84 14.88	24.24 200.00

NOTE: Hole SDDH-7 has core being submitted for analysis. Holes SSDH-8 to -10 presently being drilled.

DRILL CORE ANALYSIS

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

MICROSCOPIC EXAMINATION OF THE GOLD MINERALISATION

Microscope examination was undertaken by Perth consultants of drill core samples from the SDDH-2B high grade intersection and from black leader mineralisation from the winze.

The black leader sample chosen was that from the east wall at 19.10 meters inclined depth that recorded the highest assay value to date in order to increase the chance to observe as many grains of gold as possible.

The gold occurs as free sub-microscopic grains, commonly smaller than 0.01 millimetres in size, and many containing up to 17% silver forming a gold-silver alloy called electrum. The grains examined to date occur in close association with the silver telluride, hessite, and with the lead and zinc sulphides, galena and sphalerite, and to a lesser extent with rarer grains of chalcopyrite (copper sulphide). Other tellurides called coloradoite and altaite are also present. Minor gold occurs enclosed in quartz.

Examination of the samples from hole SDDH-2B showed similar associations as those exhibited in the winze samples.

Observations of free gold particles to the examination supports earlier preliminary metallurgical test work conducted on samples from the stock pile whereby +90% recovery was achieved in laboratory scale cyanide leach testwork.

EXPLORATION WINZE

The exploration winze is progressing on schedule and is currently at 37 metres inclined depth. A comprehensive diagram showing the spatial relationship of the winze and the sample assay results will be provided with the next ASX release when the winze is completed at 40 meters depth..

The dip of the vein has started to steepen from a dip of 55°-60° to nearly 70° in parts. Consequently, by maintaining a constant angle, the winze has moved across the vein and entered into the hanging wall of the vein.

Hence it has been decided to cut the plat for the first level development at the 40 metre inclined depth rather than the initially planned 50 metres. Included with the plat excavation will be installation of a dewatering sump and pumping facilities.

In the access adit at the top of the winze, additional excavation has been completed in preparation for installation of an internal head frame and winder which will be capable of hoisting at 150 tonnes per day.

The adit is being extended to establish ventilation to the headframe excavation.

It is emphasised that the “black leader” veinlets observed in the winze walls are within the main quartz vein and are therefore important “sweeteners” for the overall vein grades. It is also emphasised that it has not always been possible to sample the full width of the vein when the vein is not fully exposed in the walls of the winze.

Stockpiling of the vein material excavated from exploration winze commenced from 8.30 metres depth, and currently totals an estimated 422 tonnes at a grade of 5.31 g/t Au. When the stock pile is toll treated at Philsaga’s Co O Plant, all gold produced will be shared equally by the Joint Venture partners, Medusa and Philsaga Mining Corporation (Philsaga).

Philsaga as operator of the Saugon exploration drilling and winze sinking program, are of the opinion that there may be sufficient high grade mineralisation adjacent to the east wall of the winze for development of the first production stope.

Table 2. Summary of Exploration Winze Channel Sample Results (Au, Ag, Cu, Pb & Zn)

Table 2.a East wall of winze

Depth (m)	East wall width (m)	Philsaga. g/t Au	McPhar. g/t Au	g/t Ag	% 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	15.16						
21.20	2.00	4.72						
22.10	1.95	2.46						
23.50	1.90	7.80						
24.65	2.10	15.66						
25.65	2.15	5.07						
26.70	1.95	2.43						
28.40	1.90	7.80						
29.65	0.35	2.76						
31.05	1.60	1.40						
31.65	0.80	4.37						

32.04	1.30	21.69		222.77				
33.25	0.30	34.65		439.29				Black leader
	1.00	2.90						
34.05	1.00	12.67						
35.05	1.00	7.10						
36.30	0.80	13.13						

Table 2.b West wall of winze

Depth (m)	West wall width (m)	Philsaga. g/t Au	McPhar. g/t Au	g/t Ag	% 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						
21.20	0.40	5.57						
22.10	0.40	4.23						
23.50	1.45	9.56						
24.55	0.8	8.78						
25.65	0.40	5.57						
26.70	1.40	4.43						
28.40	1.45	9.56						
29.65	1.50	3.60						
31.05	0.50	3.37						
31.65	1.00	3.43						
32.04	0.60	7.78		94.22				
33.25	0.75	3.20						
34.05	0.70	1.50						
35.05	0.30	5.23						
36.30	1.65	1.97						

Assaying of winze samples is conducted in the fully equipped assay laboratory located at Philsaga's Co O treatment plant site. Assaying is by fire assay with AAS finish on 25g charges.

GEOLOGY OF THE FIRST HIT VEIN.

The geological understanding of the structure and gold distribution of the First Hit Vein is improving with the data now available from the winze and drilling program.

It is becoming apparent that the exploration winze is following the intersection of an oblique cross cutting fault and the First Hit Vein. This may explain the differences in mineralisation and quartz nature between the east and west walls to the winze.

Consistent assay results down the winze's east wall and the presence of the high grade "black leader" together with the high grade intersection of drill hole SDDH-2B, indicate the possibility of a high grade and vertically plunging shoot of potentially minable dimensions may be present to the east of the winze.

Observations of the vein material within the core, on the winze stockpile and other available information indicates that the galena and sphalerite, with which the fine gold particles appear to be intimately associated, are erratically distributed as clots and patches within the veins.

Should this observation be correct, then it will be difficult to obtain representative samples from drill holes alone and this may explain the slightly erratic nature of the winze sample assay results.

Until a better understanding of the distribution of the gold is obtained through increased sample density, primarily from underground level development, the focus will be on continuing to define the quartz vein position along strike and down dip.

REGIONAL EXPLORATION.

Granting of Exploration Permit 000060-XIII over an extended area at Saugon about the First Hit Vein is awaiting approval by the Mines Department in Manila, having received regional departmental approval and the support of the local community. Two new permit applications numbered 000064-XIII and 000065-XIII have also been submitted.

Planning will commence in late 2004 for a regional geochemistry program to the south of the First Hit Vein at the Saugon prospect.

THE SAUGON PROJECT JOINT VENTURE MANAGEMENT

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 to be treated at Philsaga's CIL plant about 28 kilometres from Saugon.

Philsaga as the Project operator, has an excellent technical team capable of managing the project to a high level.

Medusa's management role at this stage consists only of regular site visits every 6-8 weeks providing geological and general technical input. All in-country corporate management of the Company's affairs is managed by Medusa's Liaison officer stationed in Davao City.

Medusa management recently inspected the progress at the project on 31st May and 1st June 2004.

Medusa and JV partner, Philsaga Mining Corp, have signed a replacement agreement with the same earn-in terms as the previous agreement, and have additionally agreed to form a jointly owned, project operating corporation which will enable the partners to apply for tax incentives, such as a five (5) year tax holiday and other tax incentives, available to Filipino corporations on commencement of mining operations.

FURTHER INFORMATION

For further information contact the undersigned on 618-9367 0601 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.

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

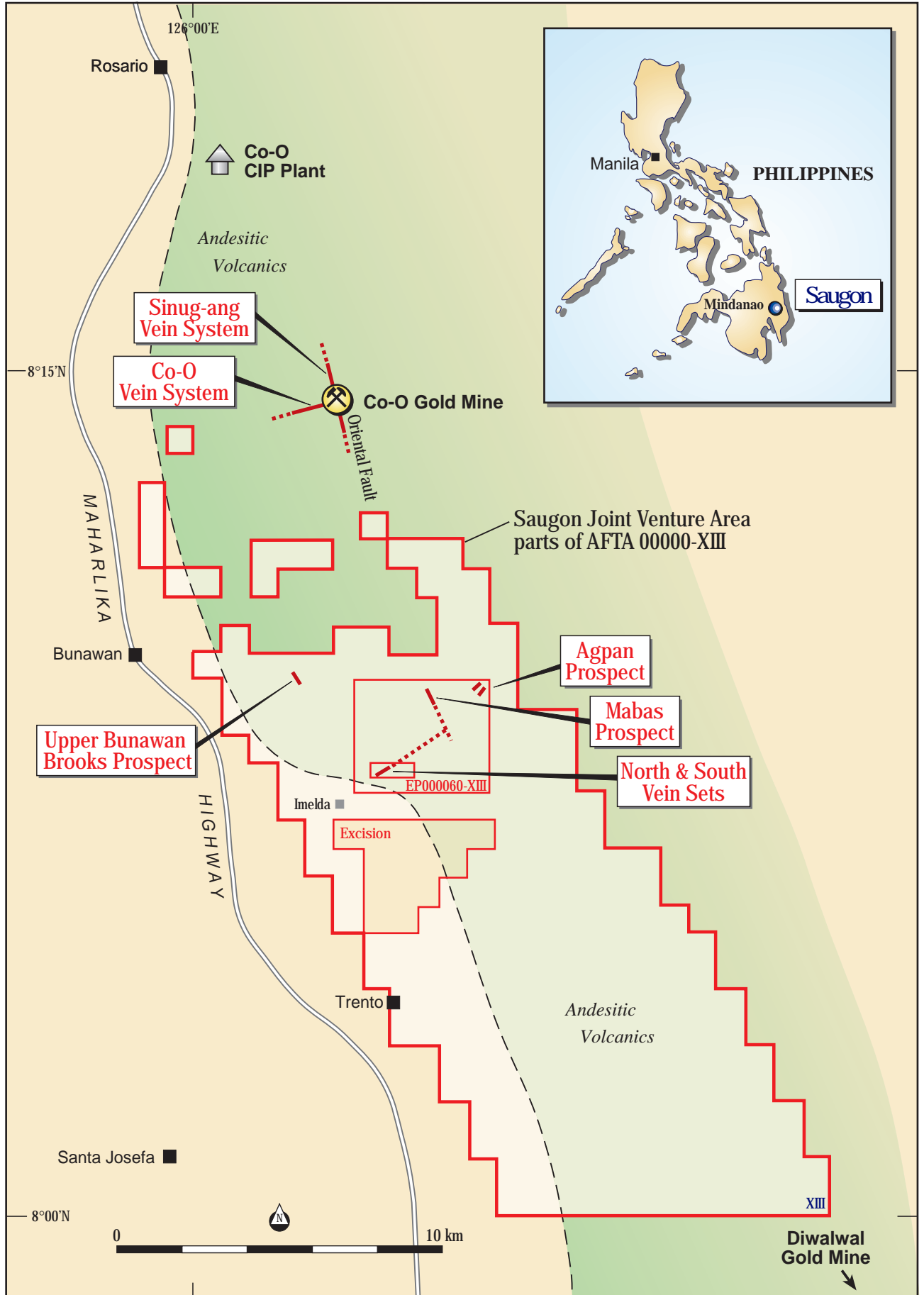
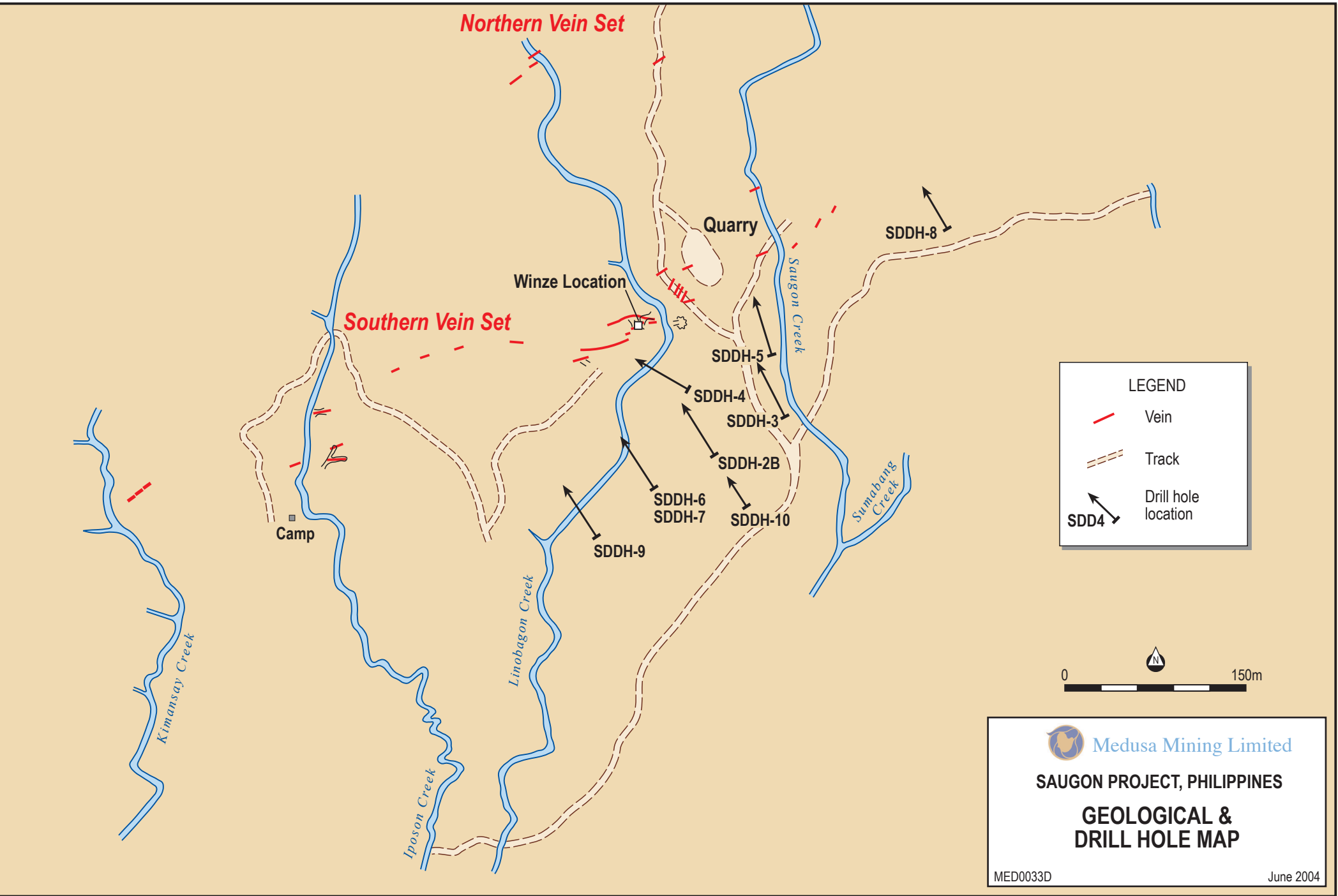





Figure 1



LEGEND

-  Vein
-  Track
-  Drill hole location



 **Medusa Mining Limited**

SAUGON PROJECT, PHILIPPINES

GEOLOGICAL & DRILL HOLE MAP

MED0033D June 2004