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MEDUSA MINING LIMITED
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The Manager
Australian Stock Exchange Limited
Level 4
20 Bridge St
Sydney NSW

Dear Sir/Madam,

QUEEN RIVER PROJECT, MT LYELL DISTRICT, TASMANIA

The Company advises completion of their evaluation work program on the economic potential of abundant detrital pyrite rich deposits in the Queen River, downstream of the Mt Lyell Copper Mine and Queenstown, Tasmania.

It is the finding of the work program that the riverine deposit does not meet the criteria for further investment by Medusa.

Consequently, Medusa has declined the opportunity to purchase the mining leases offered under the Option to Purchase Agreement.

Explanation

Further to the Company's ASX announcements of 19th January 2004, advising of Medusa's execution of an Option to Purchase Agreement for three Mining Leases over and adjacent to the Queen River downstream of the Mt Lyell Copper Mine and Queenstown, Tasmania, Medusa undertook comprehensive investigations on the economic potential of abundant detrital pyrite rich deposits in and along the Queen River

As advised in an ASX release of 14th April Medusa had completed a bulk fieldwork program of sampling 17 costeans over six kilometres of the river and approximately 2.5 tonnes of minus 3mm material from the costeans were to be submitted for metallurgical testwork by Lakefield Oretest Laboratory in Perth.

During this program, Medusa compiled aerial photography of the area to map the river sediments and estimate their volume from field measurements and observations. Contact and liaison was also made and entered into with the appropriate regulatory authorities and the West Coast Council as to the proposed mining and treatment of the river sediments and the disposal of waste products.

The vendor of the mining leases granted Medusa an extension of the three month period agreed in order that Medusa could complete their testwork program and evaluation of results.

The testwork identified several different forms of gold available within the Queen River system for which bench tests were conducted to extract the gold by gravity concentration and amalgamation, amongst other means. Whilst anticipated prior to entering into the Agreement, the impact on the free gold recovery of the high content of sulphide grains and slag particles in the sediments was greater than that expected by Medusa and considerable effort was expended to address this issue.

A probable means of processing the river sediments to extract free gold and the sulphide grains, also containing gold, was developed with an expectation of reasonable recovery.

However, the evaluation by Medusa of the volume of available material for treatment, the nominal head grade, the recovery rates, the anticipated costs and the return on investment to conduct the proposed operations lead to the conclusion that the project was not suitable for Medusa.

Hence, with the completion of this comprehensive investigation, Medusa decided not to proceed with purchasing the Mining Leases or conduct further work on the project.

Further information

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

Yours faithfully,

Geoff Davis.
Managing Director.
