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MEDUSA MINING LIMITED
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18 August 2004

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

Dear Sir/Madam,

MEDUSA COMPLETES EARN-IN FOR 50% INTEREST IN SAUGON GOLD-SILVER PROJECT, REPUBLIC OF THE PHILIPPINES

The Company advises that it has completed the expenditure of A\$1,200,000 which entitles it to a 50% interest in the Saugon Gold-Silver Project. This is the final stage of the "earn-in" under the joint venture agreement whereby the Company earned its 50% interest by sole funding the first A\$1,200,000. The effectiveness of this expenditure is summarized below:

- | | |
|---|-----|
| • Winze sinking and underground development | 54% |
| • Diamond core drilling | 31% |
| • Access and logistics | 7% |
| • Overheads | 8% |

Joint Venture Details

As detailed in the Company's prospectus issued in October 2003, under the terms of the Saugon Joint Venture, the Company was required to sole fund the first A\$1,200,000 of exploration expenditure to earn a 50% interest in the project. 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. Underground development on the first level to the First Hit Vein is about to re-commence after installation of a head frame and skip to the winze. Exploration work has commenced on the Mabas and Paradise Ridge Prospects with diamond core drilling, underground sampling and surface geological work.

The partnership between Medusa and Philsaga is efficient as evidenced by the effectiveness of the exploration expenditure to date where all but 14% of the funds have been spent "on the ground" as either winze sinking or diamond core drilling and associated mapping.

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