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

Dear Sir/Madam,

ADDITIONAL INFORMATION FOR THE DIZON TAILINGS PROJECT, LUZON ISLAND, PHILIPPINES

The Company has been requested to provide additional information regarding the nature of the mineralisation from which the tailings were derived, the implications of the mining and processing that the original hard rock deposit has been subjected to, the key critical factors that have to be determined regarding its potential viability and additional information regarding the work to be undertaken in the future, as follows:

1. Nature of the original hard rock mineralisation and subsequent processing

The tailings are derived from the processing of a large, low grade porphyry copper-gold deposit. The main characteristics of porphyry copper deposits are their size and uniformity of grade which enable bulk mining techniques to be utilised. The Dizon deposit underwent a detailed feasibility study based on extensive drilling followed by bulk samples taken from tunnels in the orebody. The bulk samples were utilized for developing the milling characteristics of the ore and to further verify the metal contents. The relevant sections of this feasibility study have been made available to the Company.

The mining and milling processes have resulted in the ore being measured for its grade and weight many times, and also results in additional homogenisation of what is already an even grade orebody. During mining, grade control drilling was utilised to ensure that ore was delivered to the mill that had a consistent grade, hence all ore was assayed and a mined grade calculated. Once the ore was delivered to the mill, the head grade of the ore was again calculated before it was processed. During processing the grades of the various process streams were constantly monitored through assaying to ensure that the mill is operating at optimal efficiency, and a large factor in this determination is knowing exactly what is contained in the tailings stream that is being sent to the tailings dam.

The Dizon ore that has been processed was weighed on a continuous basis as it went through the mill, hence the weight is no longer an estimate based on drill hole calculations but has been actually measured.

When the mining of an orebody is completed, the orebody has been completely ground up to sand sized particles, homogenised and has been moved from the hard rock open pit to the tailings dam. The weight of material in the dam has been measured as it is processed, less the weight of the metals removed by the processing.

2. Comparison with other deposits commonly reported on by Australian resource companies.

The Dizon tailings differ dramatically from hard rock deposits that are commonly reported by Australian listed companies. Hard rock deposits are normally explored by drilling with many variables to be estimated to determine their economic parameters and impacts, and until they are actually mined, some of these variables are not fully understood. Some will only be fully understood when mining is completed.

The Dizon tailings are composed of mined rock and therefore most of the variables which affect the viability of a hard rock deposit do not apply to the tailings. The best known Australian tailings project is most likely the re-treatment of the Kalgoorlie tailings dumps, but these were different to the Dizon tailings because the Kalgoorlie tailings were derived from the treatment of many different orebodies with different mineral compositions and different metallurgical characteristics, and during a >50 year period when most records were not kept, poorly kept or are no longer available. By comparison the Dizon tailings were derived from one homogenous orebody with consistent metallurgical and mineralogical characteristics, and for which good quality records were kept and some of which have been obtained by the Company.

Tailings deposits which are very low grade are not commonly reported in the public arena and therefore the understanding about them is at a lower threshold than conventional hard rock deposits. The capital and operating cost structures and grade-tonnage requirements of hard rock deposits are, in general, well understood by the wider mining investment community.

However the same level of understanding does not apply to tailings projects. Consequently the Company has attempted to provide to the market additional insight into the economic factors and key characteristics which will affect the viability of its Dizon project and which have to be determined in a sequential manner to justify progressing the project through the initial testing stages towards a feasibility study.

3. Key parameters that affect the potential viability of the tailings

The key parameters affecting the viability of the Dizon tailings are:

- The amount of contained metal and its gross in situ value on a per tonne basis;
- The mineral form of these contained metals and whether they are easily and economically recoverable;
- The likely cost of their recovery;
- The likely processing methods and the likely capital cost.

The above characteristics and parameters are all part of conceptualising the project and whether the Company should continue to spend money on additional work, or in hard rock terminology, is essentially a scoping study which has assessed the broad project economics. The outcome of the above key parameters, ie, in simple terms, the question "is there potentially enough recoverable metal per tonne to more than cover recovery costs and capital costs?" has been positively determined, consequently the Company is now continuing with its testing program.

In this assessment, the weight of material available is not an issue because that has already been determined by the mining process. Consequently the Company will not be undertaking drilling on a systematic basis to determine a conventional hard rock style JORC compliant resource tonnage. The only additional drilling (or bulk sampling) likely to be undertaken will be to obtain sufficient material for process design, materials handling studies and further bench scale metallurgical recovery testwork, and other studies as may be required

4. Continuing assessment program

The Company has determined:

- That the tailings have sufficient metal in terms of value per tonne to warrant further assessment,
 - That sufficient of the gold and magnetite components appear to be in a form that can be economically and easily extracted using conventional, ie, sand mining technology,
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- That the value of the potentially recoverable gold and magnetite appear to be sufficient to cover cash costs, and
- That the broad cost structures of the sand mining industry are such that the Company can justify the Dizon tailings project proceeding to the next stage of detailed metallurgical testwork.

The Company restricted its initial drilling to the top 50m of the tailings dam (and several holes penetrated the basement of the dam) because if the economics for the top 50m were not favourable then the lower part of the dam was certainly not of economic interest because of what would amount to 50m of overburden.

The 12 completed drill hole positions were designed to test for variability in the grade of the tailings which was thought possible from physical separation or "beaching" that may occur around the tailings outlet pipe (which was moved regularly to avoid build up in any one area), however the consistent grades returned from the drilling indicate that there is negligible variability.

Based on the above, the planned detailed metallurgical testwork program is commencing the week of 6 December 2004 and is anticipated to be completed in February- March 2005. The Company will provide updated information when it is a form that can be readily assessed by the market, and based on those results, will also advise its intended future work program and the likely timing of that work.

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.
