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1 February 2005

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

Dear Sir/Madam,

1. CO-O MINE - HIGH GRADE INTERSECTIONS EAST OF ORIENTAL FAULT

Philsaga Mining Corporation have advised that they have successfully located the top of the Co-O vein extensions in their first 2 diamond drill holes on the east side of the Oriental Fault at the Co-O Mine with the following downhole intersections:

- MD 1 164.60-165.80m 1.2m @ 13.46g/t Au
178.00-179.65m, 1.65m @ 28.54g/t Au
- MD 2 199.4-202m, 2.6m @ 45.19g/t Au
221.6-226.4m, 4.8m @ 7.31g/t Au
228-233.3m, 5.30m @ 39.58g/t Au

True widths are currently estimated to be approximately 25-30% of the down hole widths and will be confirmed with additional drilling.

Vein outcrops, boulders and alluvial gold workings indicate vein extensions for at least 1.4km east of the Oriental Fault. The vein in the Co-O mine is approximately 600m long.

2. PHILSAGA SHAREHOLDERS AGREE TO A DEFERRED PAYMENT OF A\$5,000,000

Medusa and the Philsaga shareholders have executed a Variation Agreement in which A\$5,000,000 of the A\$15,000,000 cash component of the purchase price will be paid in 2 instalments of A\$2,500,000 at the end of each of the next 2 years, thereby reducing to A\$10,000,000 the immediate capital raising requirements of Medusa to achieve settlement.

3. SAUGON FIRST HIT VEIN – NEW HIGH GRADE INTERSECTIONS

Drilling below the winze level is defining an irregular shoot with several new high grade intersections in the structurally complex First Hit Vein, as follows:

- SDDH 27 0.90m @ 10.14g/t Au and 146.8g/t Ag
 - SDDH 28 1.75m @ 19.05g/t Au (preliminary)
 - SDDH 29 0.90m @ 15.32g/t Au (preliminary)
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1. CO-O MINE – HIGH GRADE INTERSECTIONS EAST OF THE ORIENTAL FAULT

The locations of the Company's projects are shown on Figures 1 and 2.

Philsaga Mining Corporation have advised that they have successfully located the Co-O Central Vein on the eastern side of the Oriental Fault in the first 2 holes drilled. The surface topography and layout of the mine and adit level workings are shown on Figure 3 as well as the locations of the first two drill holes MD1 and 2 and the positions of the cross-sections shown on Figure 4.

The MD 1 and 2 intersections are high grade and indicate that the eastern side of the fault has been down faulted by at least 200m and moved slightly to the south as shown on Figure 4 when cross-sections on both sides of the Oriental Fault are compared. Earlier drilling by Musselbrook Mines and Energy Ltd has now been shown to be too shallow as shown on Figure 4 for 40m either side of the section.

The Central Vein on the western side of the Oriental Fault has a distinct lithology being white high grade epithermal quartz on both walls and a common black silica band with low 1-5g/t Au grades in the centre up to 1.0m wide. On the east side of the Oriental Fault, this same vein lithology and grade distribution has been intersected in the northern most of the new veins and consequently the veins are correlated with a high degree of confidence across the Oriental Fault.

Figure 5 shows a longitudinal projection of the contoured gold grades and the positions of the MD 1 and 2 intersections.

Section 613900E on Figure 4 (and Fig. 5) shows clearly that the high grade section at depth of the Central Vein immediately adjacent to the western side of the Oriental Fault has formed where two upper veins have joined at the 3150m level. It is anticipated that this same feature, ie, the joining of the 2 veins intersected in the MD1 and 2 drill holes, will be encountered at depth below the intersections in MD 1 and 2. This evidence indicates that the complete vein system is fully preserved immediately on the east side of the Oriental Fault, and hence is expected to continue to considerable depth.

Figure 3 shows the location of the drill holes and also shows surface indications that the vein system continues for at least 1.4km to the east of the Oriental Fault.

Table 1 Summary of diamond drill hole intercepts east of Oriental fault

Hole	East	North	Azimuth	Dip	From	Intersection g/t Au
MD 1	613862	912782	75°	46°	164.60	1.20m @ 13.46
					178.00	1.65m @ 28.54
MD 2	613948	912372	23°	53°	199.40	2.60m @ 45.19
					221.60	4.80m @ 7.31 }
					226.40	1.60m @ 1.47 }11.7m @ 21.33
					228.00	5.30m @ 39.58}

Note: Assaying was carried out by the Co-O laboratory using a 25 gram fire assay charge and Atomic Absorption Spectrometry finish.

2. CO-O MINE RESOURCES

The Co-O Mine Central Vein resources have been calculated by Cube Consulting Pty Ltd as below using an 8g/t Au lower cut off grade and an upper cut off grade of 200g/t Au:

Table 2 Central Vein Resources, Co-O Mine

Category	Tonnes	Au g/t	Au Oz
Indicated Resource	110,000	32.2	114,000
Inferred Resource	142,000	27.8	127,000
TOTAL	252,000	29.7	241,000

Additional information regarding the Co-O Mine, associated assets and benefits to Medusa are contained in the Quarterly Report for December 2004.

3. NEGOTIATION OF DEFERRED SETTLEMENT WITH PHILSAGA SHAREHOLDERS

The Company has executed a Variation Agreement with the Philsaga shareholders whereby the shareholders have agreed to a deferred settlement of A\$5,000,000 over a two year period with the outstanding funds attracting a 10% per year interest rate and with A\$2,500,000 being repaid at the end of year 1 and A\$2,500,000 at the end of year 2.

4. SAUGON FIRST HIT VEIN

Subsequent to the Quarterly Report for December 2004, the Company has compiled assays for a number of holes which have been completed below the 40m level drive at the First Hit Vein. A close spaced drilling program to follow the irregular high grade shoot below the level and to link up with the earlier high grade intersection in SDDH-2.

The drilling as shown on Figure 5 is defining a high grade zone with irregular boundaries below the 40m level. The mineralization is generally base metal-rich with galena-sphalerite and chalcopyrite, minor pyrite. Whilst this shoot occurs within the extensive Saugon Fault Breccia zone, its structural controls are not yet clear, and is itself commonly brecciated.

In sections where likely mineralization is logged, the core is split in ½ of which ¼ is sent to the Co-O laboratory for rapid determination to facilitate positioning of the following drill holes. If +1g/t Au assays are returned by the Co-O laboratory then ½ core is sent to the laboratory of McPhar Geoservices Phils (Inc) in Manila (McPhar).

Table 3 Summary of First Hit Vein new diamond drilling

Hole	East	North	Azimuth	Dip	From	Intersection g/t Au, g/t Ag
SSDH 25	616921	899335	300°	60°		<1
SDDH 26	616938	899342	310°	60°		<1
SDDH 27	616921	899334	300°	73°	75.50	0.9 @ 10.14, 146.8 *
SDDH 28	616922	899307	300°	70°	89.95	1.75 @ 19.05
SDDH 29	616961	899315	300°	72°	112.25	0.90 @ 15.32
SDDH 30	616978	899386	330°	60°		<1
SDDH 31	616922	899254	315°	75°	146.8	2.20 @ 3.88
SDDH 32	616998	899266	308°	65°		<1

Note: * All drill core selected for assay was split in half by diamond saw and half core was sent to McPhar, a NATA registered laboratory. 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.

The other assays were carried out by the Co-O assay laboratory on ¼ core using 25 gram fire assay charge and AAS finish.

As shown on Figure 5, drilling is continuing with 2 rigs to define further the high grade shoot.

Yours faithfully

Geoff Davis
Managing Director

The information in the above announcement was compiled by Geoff Davis, who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Geoff Davis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Ted Coupland and Rick Adams of Cube Consulting, who are Members of the Australasian Institute of Mining and Metallurgy. Ted

Coupland and Rick Adams have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 1999 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Ted Coupland and Rick Adams consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Cube Consulting is an independent Perth based resource consulting firm specialising in geological modelling, resource estimation and Information Technology.



FIGURE 1

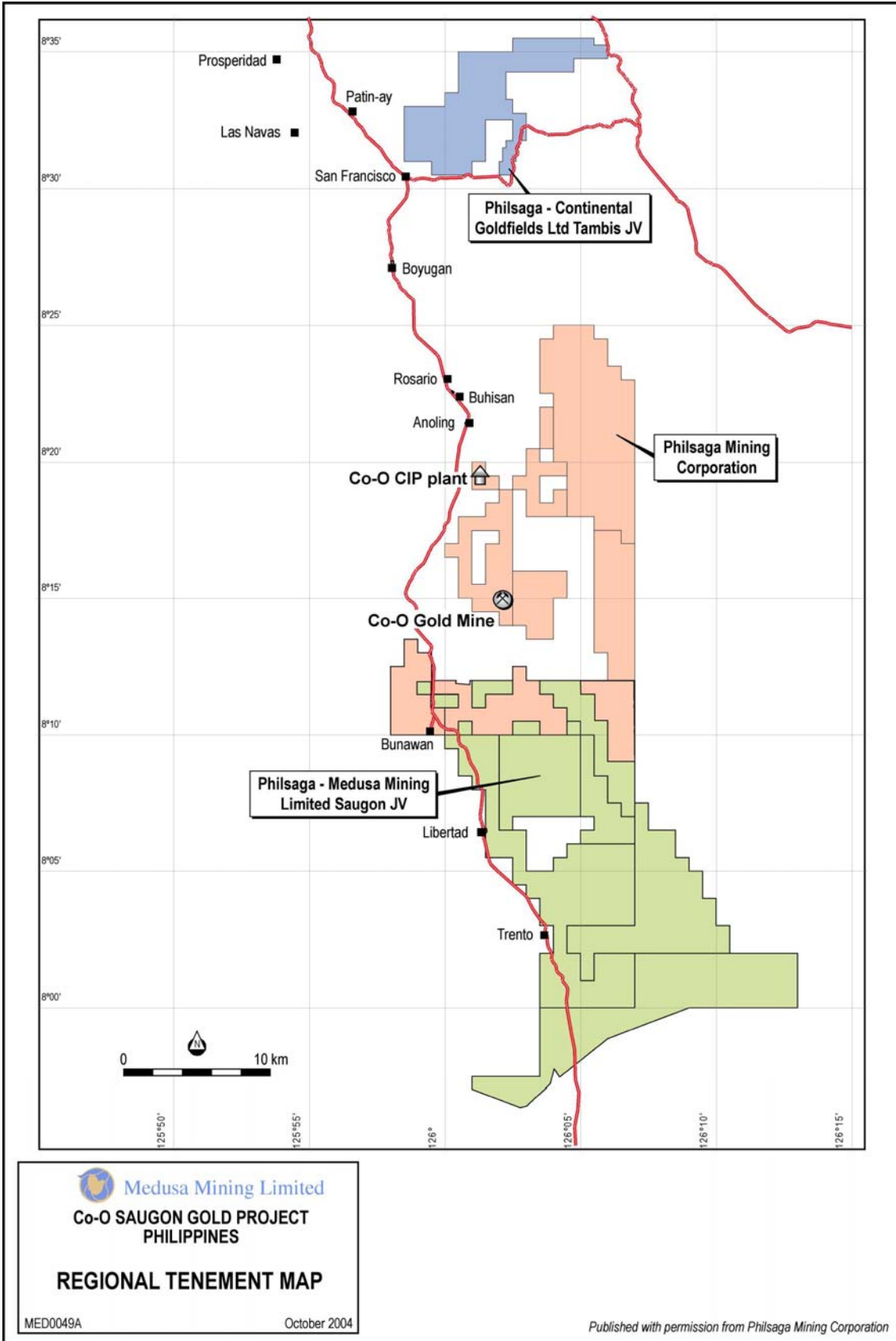


FIGURE 2

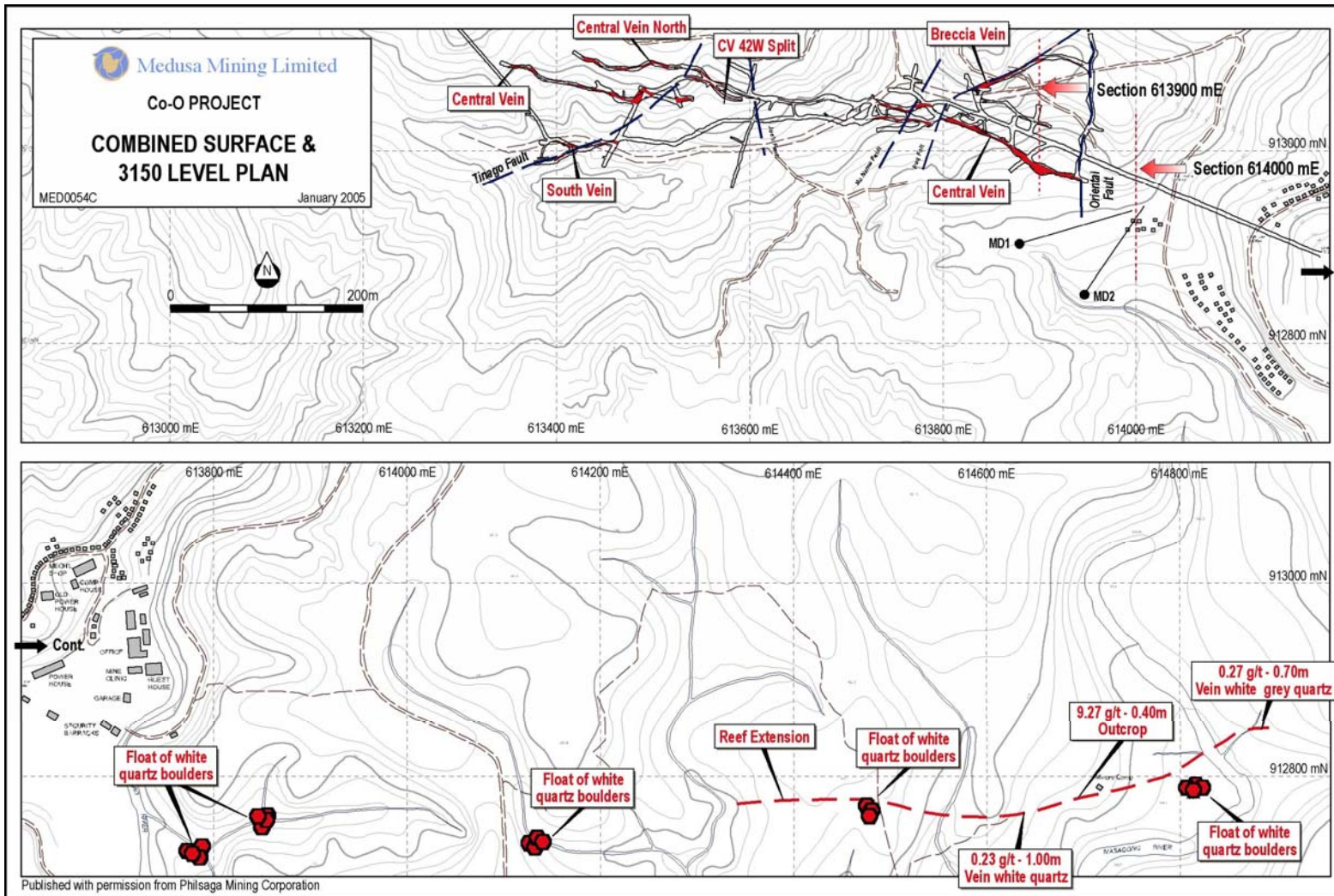


FIGURE 3

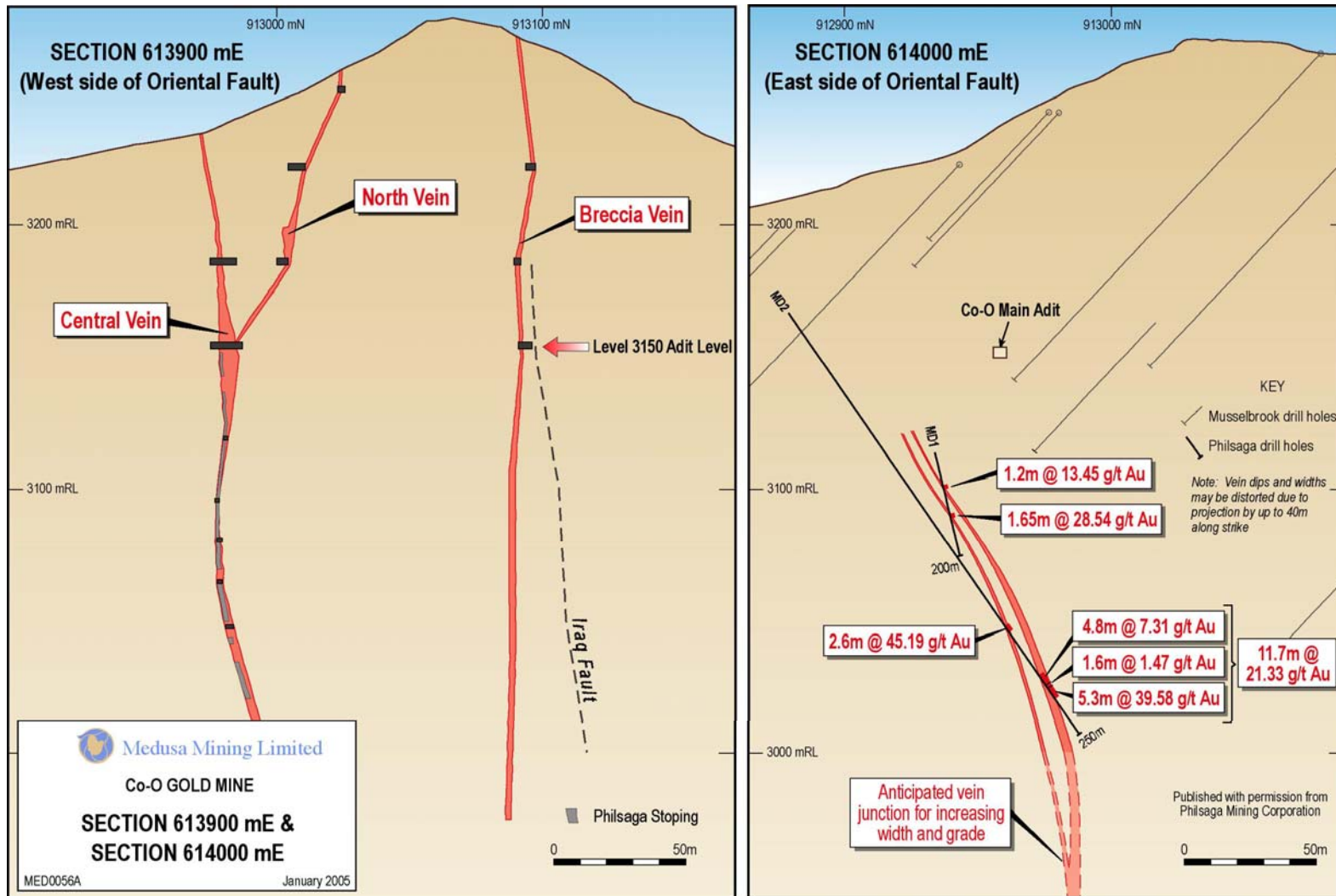


FIGURE 4

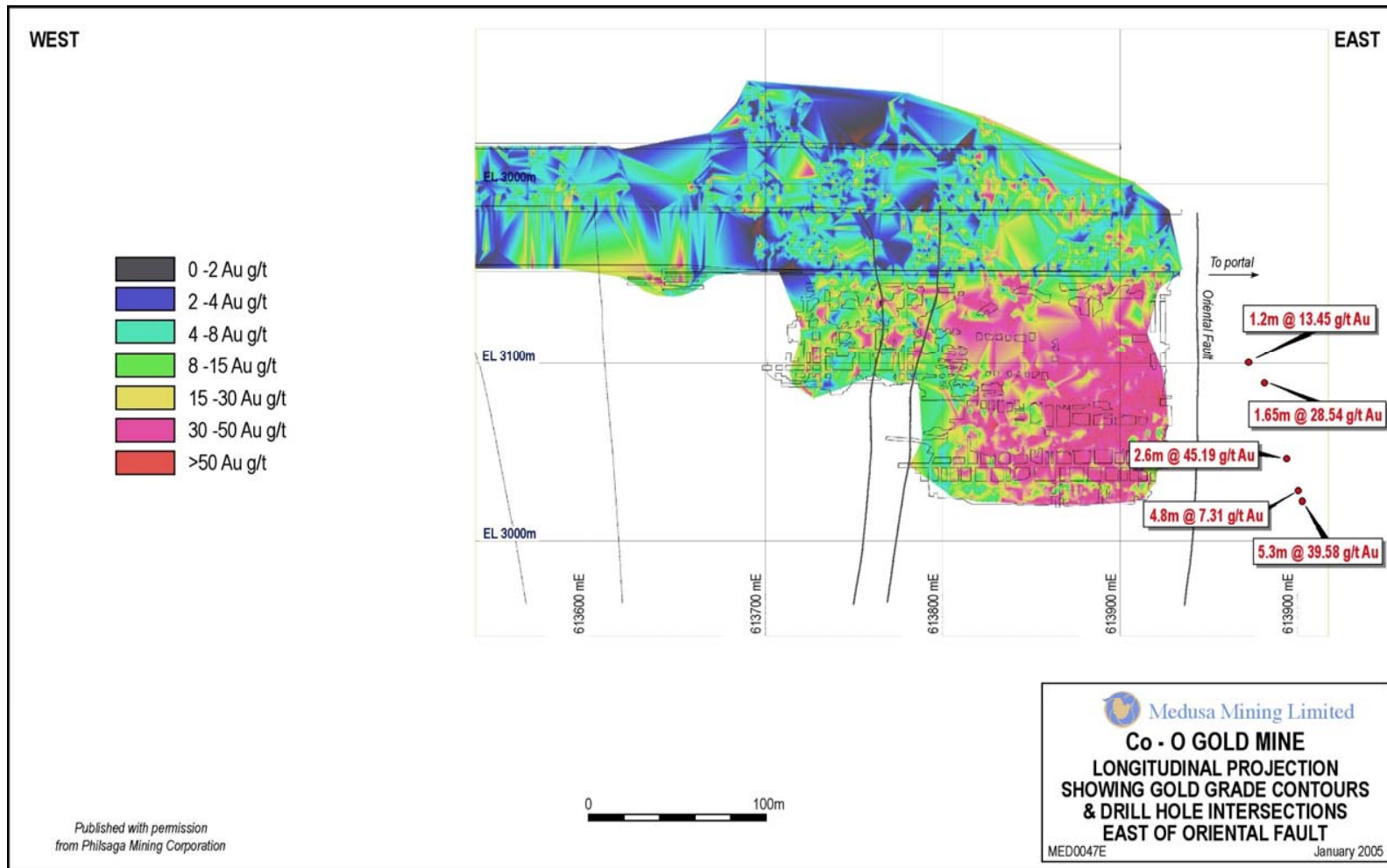


FIGURE 5

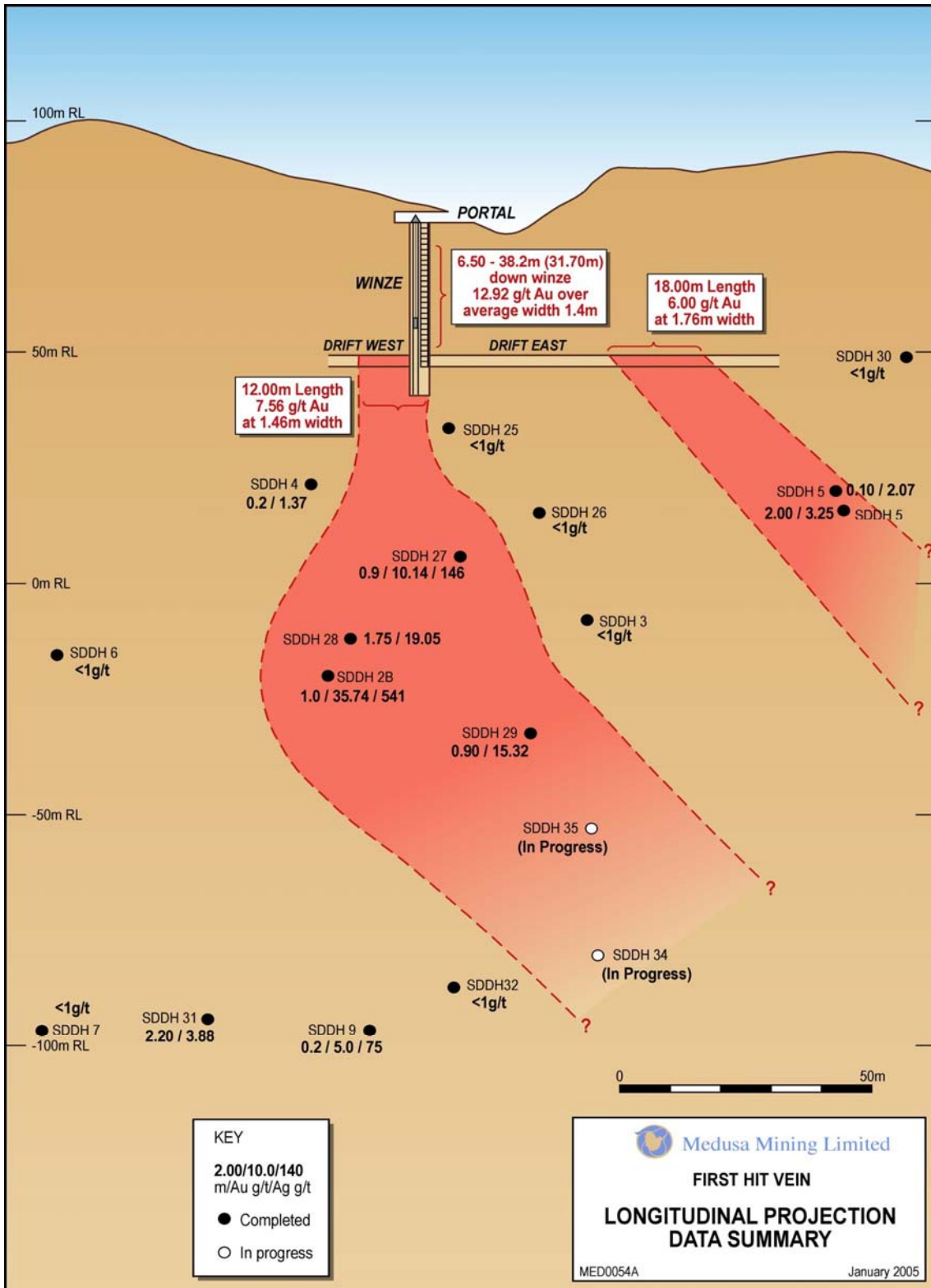


FIGURE 6