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The Manager  
Australian Stock Exchange Limited  
Level 4  
20 Bridge St  
Sydney NSW 2000

Dear Sir/Madam,

**1. DRILLING EXTENDS CO-O VEINS TO EAST, CO-O PROJECT, PHILIPPINES**

Philsaga Mining Corporation ("Philsaga") has advised that it has extended the Co-O vein system a further 50m to the east of the Oriental Fault. Medusa is currently acquiring Philsaga and control of the high grade Co-O gold mine.

Key points derived from advice provided by Philsaga to Medusa are that:

- Drill hole MD 3 has intersected extensions of the Co-O vein system at approximately 100 metres east of the Oriental Fault.
- MD 3 intersections in intensely brecciated vein and difficult core recovery conditions included: 260.5 – 262.2m for 1.7m @ 5.85 g/t Au
- A new drill hole is in progress up dip of MD 3 and the next hole is planned a further 50m east to test for additional strike extensions.

**2. DISCOVERY OF SEDIMENT HOSTED, DISSEMINATED CARLIN STYLE MINERALISATION**

- At the new Road 17 Prospect, the first sampling of sediments, approximately 2km east of the Co-O Mine has returned assay values of 1.2 g/t Au over 12 metres.
- The importance of the Road 17 prospect and of another yet to be named with altered sediments to the north of the Co O Mine, is the potential for Carlin style mineralised sediments to be found within volcano-sedimentary sequences of the Diwata Range that straddles 70km of the Philippine Fault and over which Philsaga controls 537 square kilometres of tenements.

**3. AEROMAGNETIC SURVEY PREPARATIONS**

- Medusa, in conjunction with Philsaga, is preparing to undertake regional airborne geophysical reconnaissance of their tenements in mid 2005 to identify targets to be followed up by ground exploration. This will be the first application of modern exploration techniques to most of this highly prospective geological package.
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## 1. CO-O VEIN EXTENDED EAST & DOWN DIP ON EAST SIDE OF ORIENTAL FAULT

Medusa has been advised by Philsaga Mining Corporation that they have completed a third diamond cored drill hole, MD 3, east of the Oriental Fault.

This hole extends the Co-O vein system a further 50m to the east as well as to depth below previous drill intersections of MD 1 and MD 2. The Co-O vein system has now been identified to extend approximately 100 metres east of the Oriental Fault, the previously defined eastern limit to the Co-O mine's stoping. As in holes MD 1 and 2, two veins have been intersected in hole MD 3:

All the intersections east of the fault are listed below:

- MD 1: 164.60 - 165.80m 1.20m @ 13.46g/t Au  
178.00-179.65m, 1.65m @ 28.54g/t Au
- MD 2: 199.4 - 202.0m, 2.60m @ 45.19g/t Au  
221.6 - 233.3m, 11.70m @ 21.30g/t Au
- MD 3: 242.90 - 243.90m 1.00m @ 0.64g/t Au  
260.50 - 262.20m 1.70m @ 5.85g/t Au

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

The vein material in MD 3 is heavily brecciated resulting in difficult drilling conditions and core recovery difficulties but still recorded grades up to 16.30g/t Au over 0.2m. The better grades occur within a wider brecciated and gold anomalous zone of 10.1m downhole from 256.70m to 266.80m. Comparison is made by site geologists with holes that intersected the Co-O vein system in similar ground conditions to the west of the fault and where it has been recorded that the mined grades far exceeded the drilled grades. The suggestion is that a similar situation may exist here with the above MD 3 intersections under-estimating the grade.

A new hole has been commenced from the MD 3 collar position and is designed to intersect the mineralisation above the MD 3 intersection to better define the mineralisation strike and dip and to target the area being developed on by Philsaga with drives at the 3040 mL and 3100 mL.

The success of the three MD holes to intersect and identify the eastern extension of the Co-O vein system has resulted in Philsaga planning another drill hole further 50m to the east.

## 2. DISCOVERY OF SEDIMENT HOSTED, DISSEMINATED CARLIN STYLE MINERALISATION

At the Road 17 prospect, approximately 2 kilometres east of the Co-O mine, a prominent mineralised structure parallel to and approximately 400m south of the Co-O structure has been located which truncates sediments.

Initial sampling has demonstrated that disseminated gold mineralization is hosted by shales and siltstones with the first sampling returning 12m @ 1.17g/t Au across the bedding of the sediments. Local prospectors initially worked the mineralised E-W mineralised fault zone, and the soils which developed by weathering of the sediments adjacent to the fault zone have also been sluiced for gold. Trenching and mapping is in progress.

A second, as yet un-named location north of the Co-O Mine has also been located with silicified and pyritised limestone on a north trending structure. It is currently undergoing sampling and mapping work.

The discovery of these two sediment hosted and Carlin style gold mineralisation prospects is geologically significant in that they demonstrate that different mineralisation styles are likely to be discovered and hence may provide alternative sources of gold ore for the Co-O plant.

These sediment hosted prospects are a significant development in the initial exploration of the large, 537 square kilometres of ground held by Philsaga over the Diawata Range.

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Medusa has signed a contract to undertake a regional airborne geophysical survey of the tenements in mid 2005 to identify targets to be followed up with ground exploration. This will be the first application of modern exploration techniques to this extensive geological exploration package.

**FURTHER INFORMATION**

For further information contact the undersigned on 618-93670601 or by email to [admin@medusamining.com.au](mailto:admin@medusamining.com.au) Detailed descriptions of the Company's projects can be viewed on [www.medusamining.com.au](http://www.medusamining.com.au)

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.*

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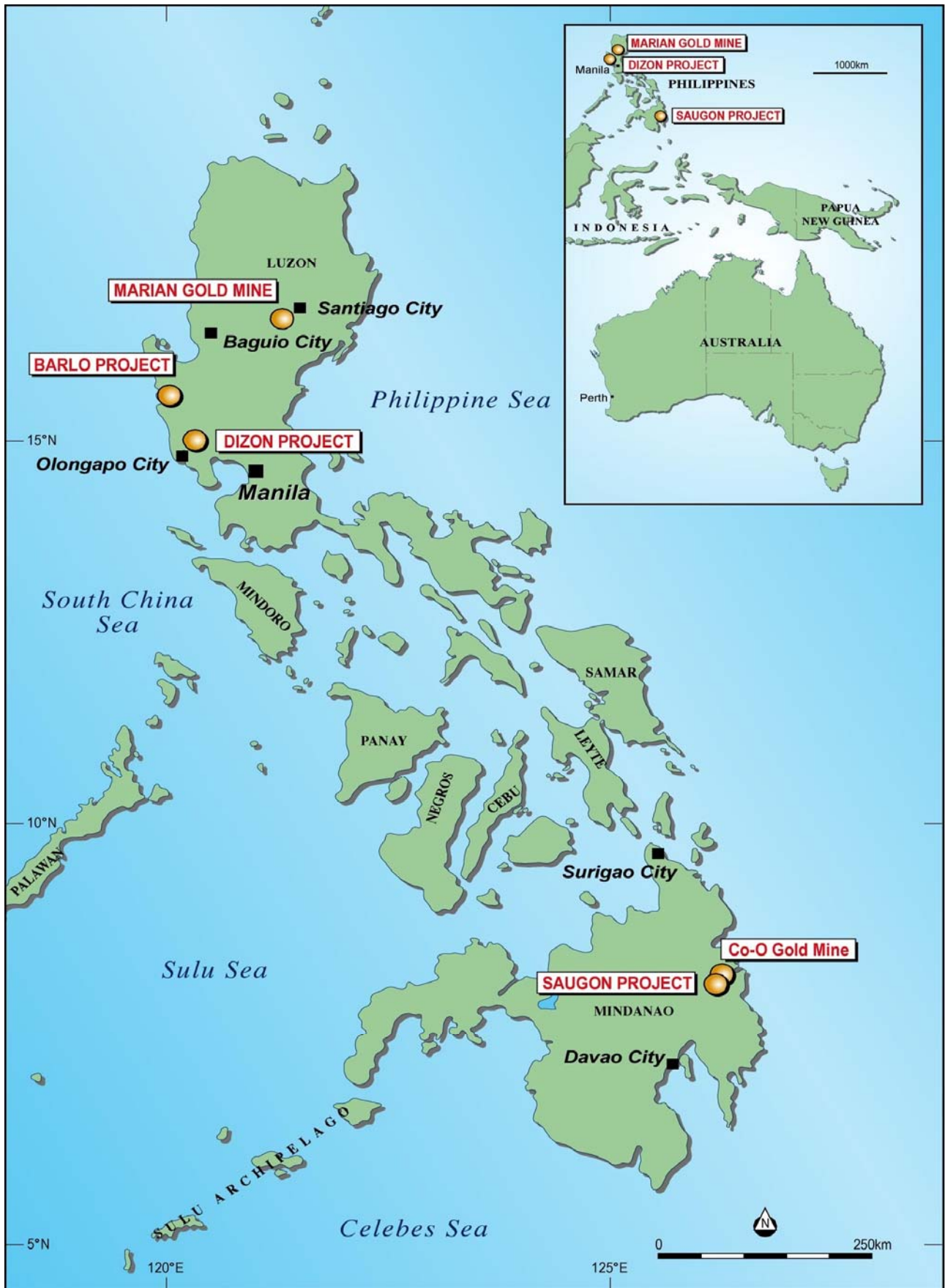


FIGURE 1



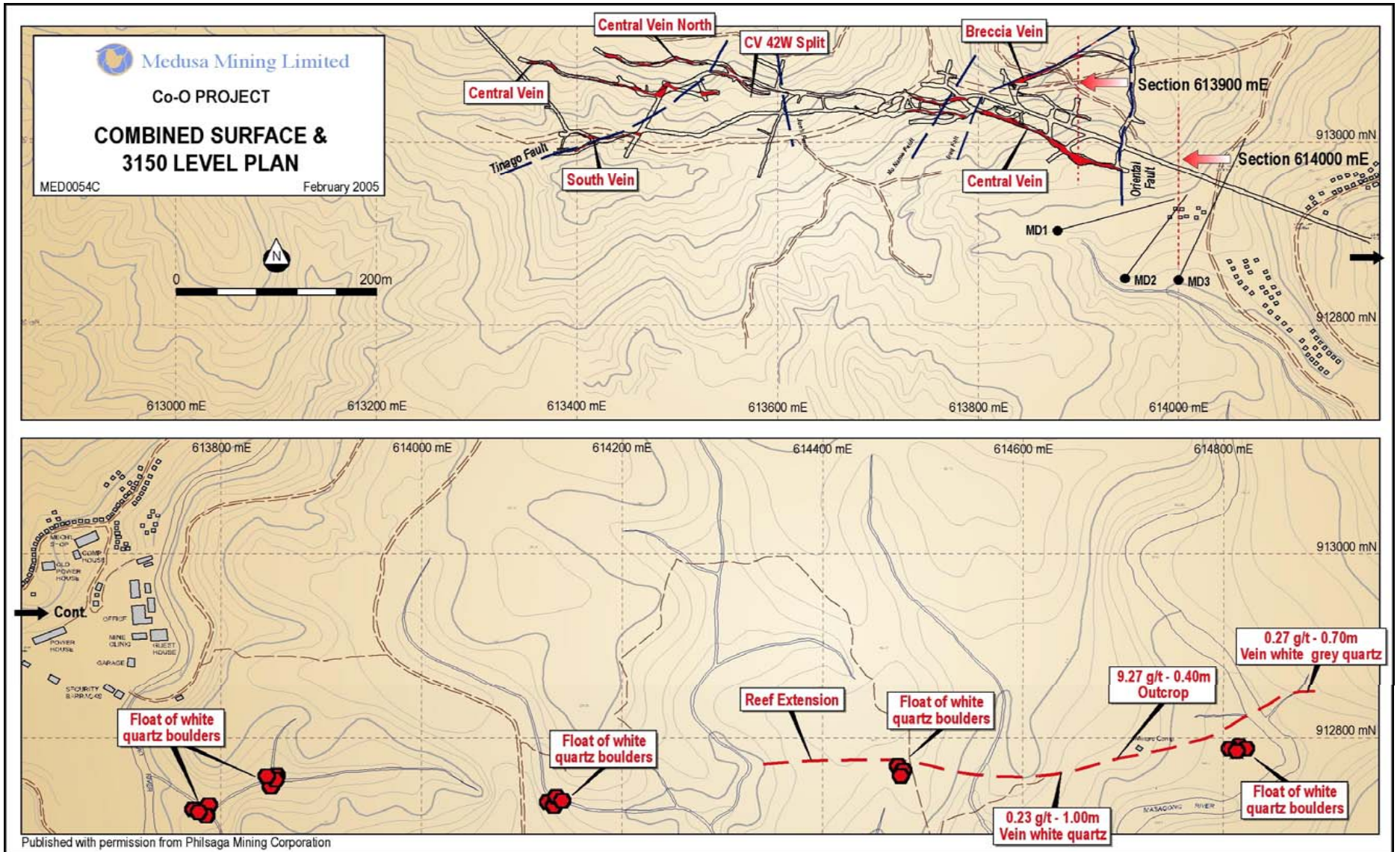
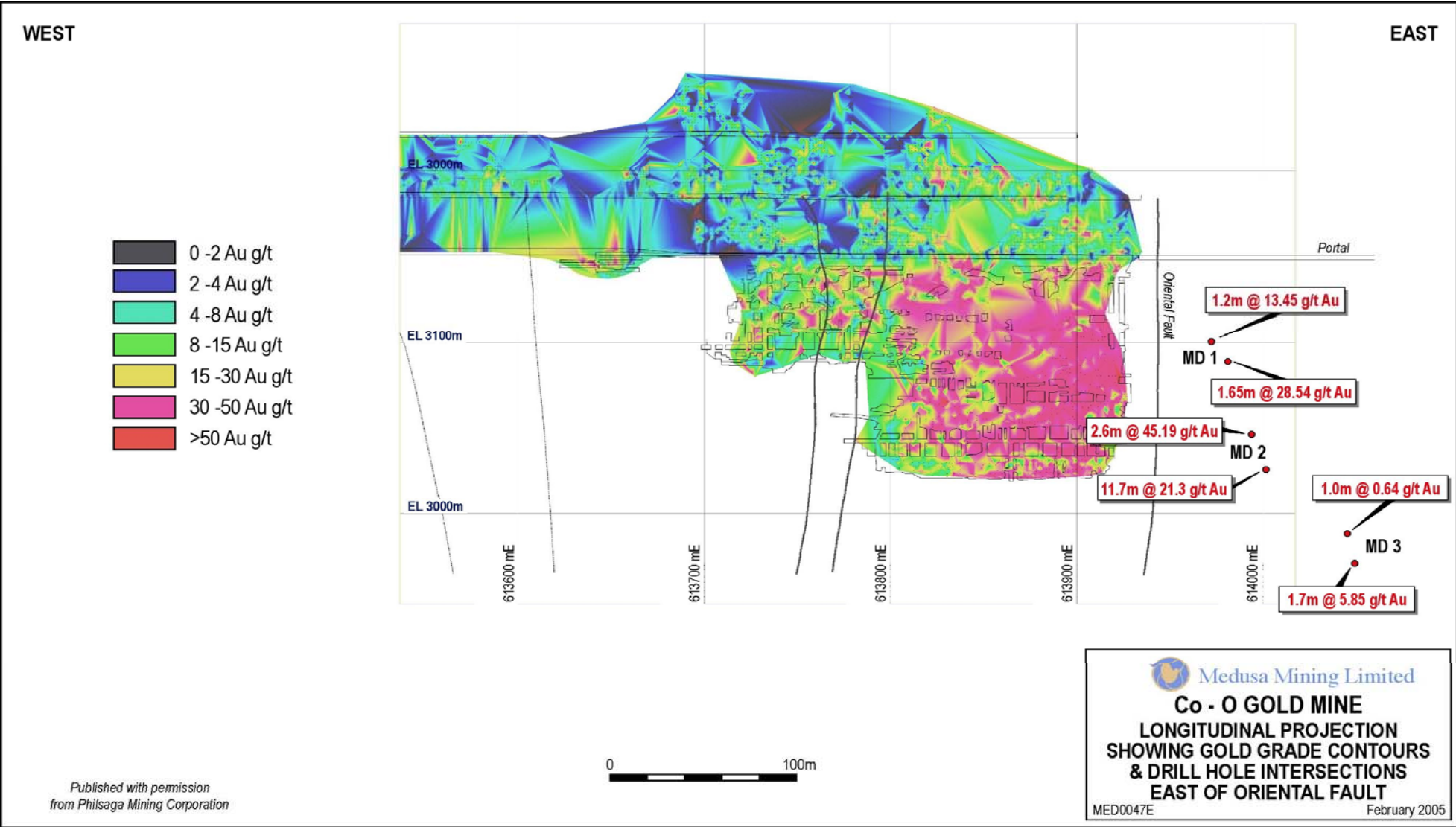


FIGURE 2



**FIGURE 3**