



**MEDUSA MINING LIMITED**

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

Dear Sir/Madam

**MEDUSA EXERCISES OPTION, DIZON TAILINGS PROJECT, LUZON ISLAND, PHILIPPINES**

**The Company advises that it has exercised its Option with Dizon Copper-Silver Mines Inc to convert the Memorandum of Understanding for the Dizon tailings project to a Mines Operating Agreement.**

**Metallurgical test work on tailings samples is being finalised and project viability assessment in commencing.**

**1. PROJECT BACKGROUND**

On 4 June 2004, Medusa signed a Memorandum of Understanding (MOU) with Dizon Copper-Silver Mines Inc. (DCSMI) under which the Company has six months or longer, depending on satisfaction of certain conditions precedent, in which to obtain sufficient representative samples from the mill tailings on which to undertake preliminary metallurgical test work. This phase of work was to be funded solely by Medusa. Subsequent to the initial extension of the Option period to 31 March, the Option period was further extended by DCSMI to 31 May 2005 to allow the diagnostic metallurgical test work to be advanced.

Upon encouraging results from the test work, DCSMI and Medusa will replace the MOU with a Mines Operating Agreement (MOA) under which DCSMI and Medusa will form a joint venture with the initial equities being DCSMI 40% and Medusa 60%. Under the terms of the joint venture, should DCSMI elect to only partly contribute to the subsequent expenditures then its equity will reduce pro-rata. If DCSMI elect not to contribute or their contribution results in an equity of less than 10% then DCSMI will reduce to a 3% Net Smelter Return royalty.

Subsequent to the above, on 13 September 2004, the Company announced signing a 50:50 Joint Venture MOU with BacTech Mining Corporation of Canada resulting in Medusa and BacTech each having a 30% initial interest in the Dizon tailings project. Under the terms of the Joint Venture MOU BacTech will provide its technology on an exclusive basis to the Joint Venture in the Philippines for the treatment of refractory

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gold ores or gold-copper ores with high penalty element components in concentrates produced by conventional flotation processes.

Under the BacTech agreement, Medusa is responsible for obtaining representative samples from the site and delivering these to the metallurgical laboratory of choice. BacTech is responsible for supervising and funding all metallurgical test work undertaken on the samples provided by Medusa.

## **2. THE DIZON PROJECT**

The Dizon Project is located 100 kilometres northwest of Manila and approximately 28 kilometres by all weather gravel road from Olongapo City at Subic Bay (Fig. 1).

The Dizon Porphyry Copper-Gold Mine operated as a 50:50 joint venture between Dizon Copper and Silver Mines Inc (DCSMI) and Benguet Consolidated Inc (“Benguet”) from late 1979 until 1997 after mining 110 million tonnes of ore with Benguet as the operator. The mill tailings are impounded at the head of a valley behind an earth wall dam and at their deepest point are 126 metres deep. Subsequent to closure of the operations, Benguet withdrew from the joint venture, returning the project to DCSMI. It is not the intention of the Company to drill the tailings to calculate a JORC compliant resource based on drilling as the tailings have been measured in terms of volume at numerous times during the exploration, mining and processing history of the Dizon porphyry copper-gold orebody. The anticipated grades of the remaining mineralisation in the tailings as back-calculated from production data have been confirmed by a drilling program conducted by the Company.

A considerable amount of background and additional information with respect to the history of the project, the nature of the original Dizon orebody pre-mining and the subsequent effects of mining and processing on the homogenisation of that orebody are contained in the ASX releases dated 2 and 3 December 2004.

## **3. COMPLETED WORK**

Medusa has completed a drill sampling program whereby 578 metres of Denison tube coring was undertaken over 12 holes to recover 800kg of tailings material with which to conduct metallurgical test work. Average sample recovery from the drilling was high for drilling in this type of material at over 80%.

The cored tailings samples were collected, logged onsite by a geologist, packaged and transported to the Manila Laboratory of McPhar Geoservices Phils Inc. where they were dried and composited into two groups of samples per hole. McPhar undertook head grade analysis of the 24 samples for gold, silver, total sulphur, silica and a suite of base metals.

Bulk grades of 24 composited drill hole samples show good consistency in grades of elements analysed with average grades of 0.3 g/t Au, 0.6g/t Ag and 740 ppm Cu. The tailings also contain approximately 4% magnetite.

Metallurgical work undertaken includes characterising the physical and chemical characteristics of the tailings by assaying, sizing analysis, gravity separation techniques, gold and sulphide flotation techniques, magnetic separation, amalgamation and gold dissolution techniques.

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## **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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