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

Dear Sir/Madam,

Co-O PROJECT PROGRESS REPORT

The Company's projects in the Philippines are shown on Figure 1.

1. Co-O MINE - ORE SUPPLY

Philsaga Mining Corporation ("Philsaga") have advised that they are on schedule to supply sufficient ore towards the end of the second quarter in 2006 to achieve a targeted production rate of +40,000 ounces of gold on an annualised basis. It is expected that ore will begin to be stockpiled from about the end of the first quarter 2006 prior to the recommencement of operation of the large ball mill in the Co-O plant at the end of the second quarter 2006.

In the meantime up to approximately 150 tonnes of ore per day will continue to be processed through two smaller ball mills.

2. Co-O PLANT UPGRADE

Budgeting and programming of the Co-O plant upgrade through the re-commissioning of an existing SAG mill and modifications to the existing treatment plant is almost complete. It is estimated that the plant upgrade will take approximately 6 months to complete commencing with equipment purchases this week.

3. NEAR MINE EXPLORATION TARGETS

Philsaga have advised that surface mapping and sampling has continued to locate new vein systems with the most recent being the Tagabaka vein system, a system of sigmoidal veins over 1 metre wide at surface and with considerable strike extent, as shown in Figure 2. These veins are shedding abundant coarse gold which is being sluiced by local prospectors. Sluicing activities are an excellent exploration tool which exposes bedrock.

Work is continuing in this area with the strike extent of this vein system and others continuing to be extended and new veins located. On grant of the Mining and Production Sharing Agreement ("MPSA") an aggressive drilling program will be commenced to test these vein systems.

4. TENEMENT CONSOLIDATION

As announced to the ASX on 22 November 2005, with the signing of an agreement with Abacus Consolidated Resources and Holdings, Inc., Medusa and Philsaga are continuing to consolidate the tenements within trucking distance of the Co-O plant. This agreement adds another 8,100 hectares or 81 km² increasing the total landholding now controlled by Medusa and Philsaga to 638 km² as shown on Figure 3.

Both companies will continue to acquire tenements in the region where possible.

5. GRANTING OF THE Co-O MPSA

Philsaga and Medusa are continuing to work closely to achieve the granting of the Co-O MPSA. Both companies continue to be optimistic that a positive outcome will be achieved.

6. DIGITAL DATA BASE

A digital data base has now been set up on site with entry of new and historical data progressing well. This compilation of data is expected to provide new insights into the mineralisation of the Co-O Mine and surrounds.

7. AEROMAGNETICS

A fixed wing aeromagnetic survey with 200 metre line spacings has been completed over the Co-O Mine area, the Bunawan joint venture between Philsaga and Magnum Gold Limited and the Philsaga-Medusa Saugon joint venture project. Interpretations are expected shortly.

8. ASSAY LABORATORY

A review of the on site assay laboratory by an independent geochemist was been completed last week with the objective of designing a program of equipment purchases and procedures which will lead to upgrading the laboratory to international standards.

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



Figure 1. Project location map

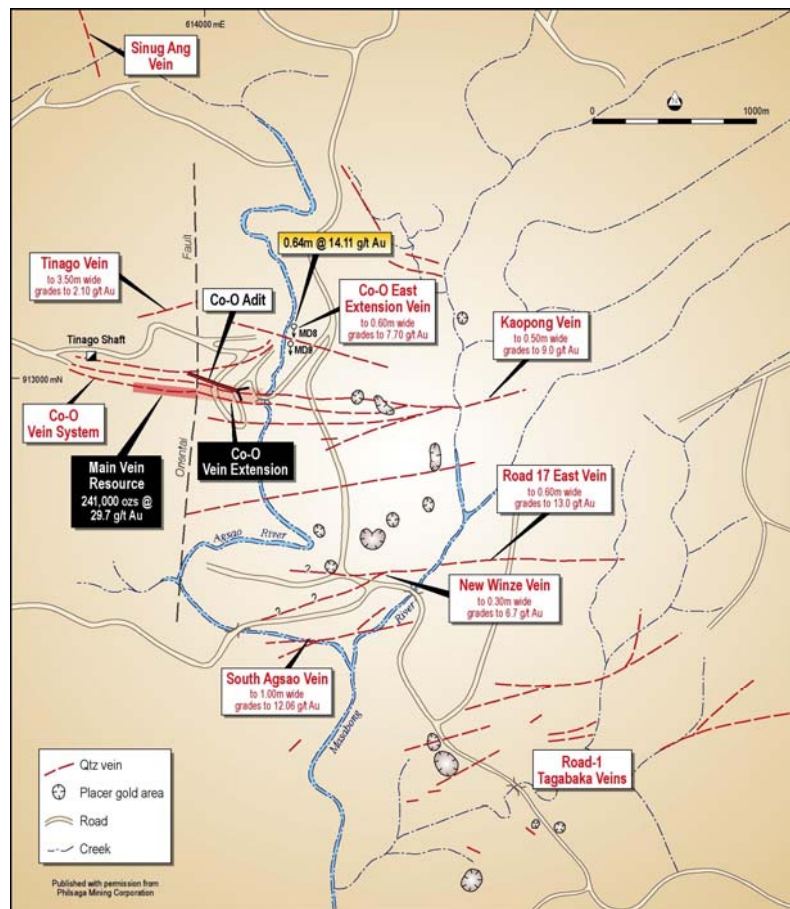


Figure 2. Surface map showing vein systems around Co-O Mine

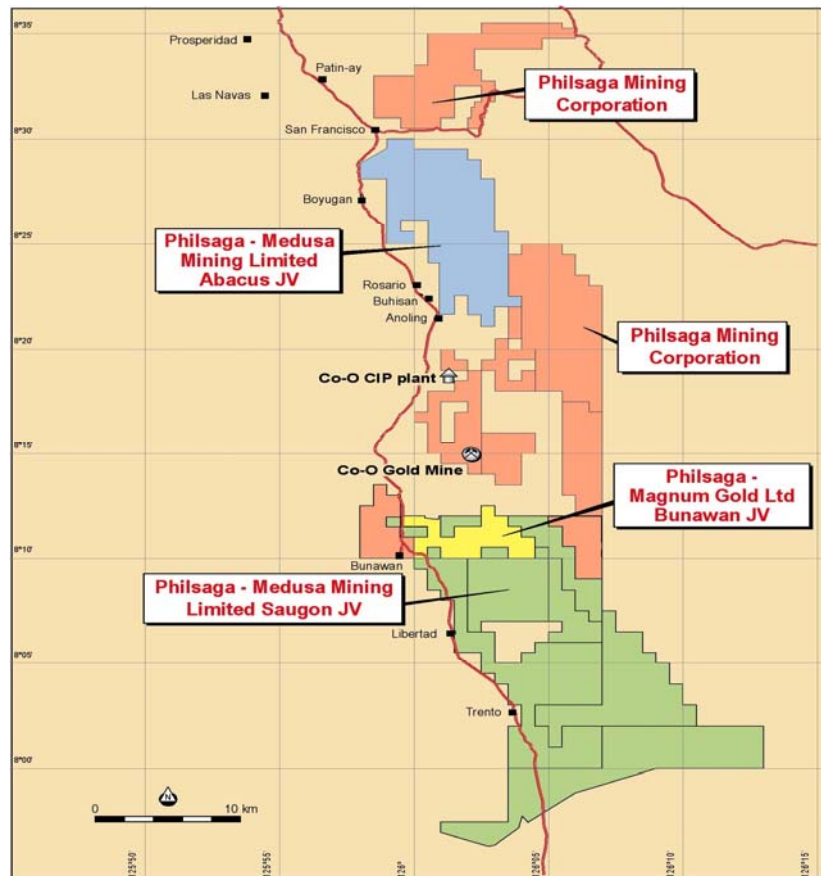


Figure 3. Regional tenement position