



## MEDUSA MINING LIMITED

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

Dear Sir/Madam,

### **MEDUSA IDENTIFIES SEVEN POTENTIAL PORPHYRY COPPER TARGETS, PHILIPPINES**

Medusa Mining Corporation ("Medusa") and Philsaga Mining Corporation ("Philsaga") have completed an initial assessment of the known mineralisation and potential mineralisation targets within the group's 700km<sup>2</sup> of tenements which span 70km of strike length of the richly endowed East Mindanao Ridge. The targets identified include:

- One known porphyry copper prospect and six potential porphyry copper targets;
- One large Carlin-style disseminated gold target in sediments; and
- Multiple high grade vein targets.

Aggressive exploration has commenced with a budget of approximately US\$350,000 per month designed to achieve approximately 2,500 metres of diamond drilling per month.

#### **PORPHYRY COPPER TARGETS**

Seven potential porphyry copper-gold targets are present in the group's tenements as listed below:

1. **Lingig prospect:** The project was located as a result of an aid program between Filipino and Japanese geologists and technicians in 1972 to 1974 over eastern Mindanao. Subsequently a program of five holes was completed on five different targets defined on the basis of Induced Polarisation and geochemical anomalies of >200 ppm copper. Hole DDH1 intersected quartz diorite porphyry containing:

• 0 - 100 metres	Altered rocks
• 100 - 200 metres	100 metres @ 0.40 % Cu
• 200 - 248 metres	48 metres @ 0.50 % Cu, 0.1g/t Au
• 248 - 250 metres [End of Hole]	2 metres @ 4.93 % Cu, 0.5g/t Au

The quartz porphyry is located within an alteration area measuring at least 2.5km x 3.5km and open in most directions. The alteration and the porphyry position appear to be controlled by two parallel NNE trending faults. The DDH1 drill hole results bode well for a fully preserved porphyry copper deposit which is exhibiting increasing grades with depth, and suggesting that DDH1 was stopped short of the high grade core that is commonly present in these styles of deposit. The other four holes to the south (DDH2 is the closest, being approximately 250 metres to the south-west) intersected narrow near surface copper mineralization to almost 1% and significant molybdenum values to 100 ppm which are interpreted to be leakages of copper and molybdenum along structures away from the main mineralised porphyry.

2. **Tambis area:** Work by previous operators and aeromagnetics have identified an area of at least 6km in diameter of intense argillic alteration within a larger area of weaker alteration. It is interpreted that this large alteration envelope is likely to result from the presence of an intrusive body that may contain porphyry style copper-gold mineralisation. The current Banaghilig narrow vein development is on the northern edge of the intense alteration envelope, and alteration in this area consists of silica-sericite-clay with a corresponding radiometric signature. Previous stream sediment and BLEG sampling geochemistry programs established a regional gold anomaly measuring approximately 20km x 8km using a BLEG threshold value of 61ppb gold.
3. **Borobo area:** Compilation of past exploration in the 1990s and further assessments indicate the presence of an altered diorite over an area of approximately 2km x 3km. This feature also has distinctive airphoto patterns.
4. **Co-O Mine area:** The Co-O Mine and numerous associated veins are within a significant aeromagnetic anomaly indicating intense argillic alteration. The aeromagnetics do not, at the scale undertaken, identify a specific porphyry style target; however a drill hole in 2005 just east of the Co-O Mine intersected disseminated copper and gold style mineralisation in volcanic rocks over short intervals associated with porphyry style magnetite alteration.
5. **Gamuton prospect:** Recent drilling below quartz veins at Gamuton has intersected intense propylitic alteration as epidote associated with silicified zones and containing strongly anomalous gold and silver values, and irregular stringers and patches of copper minerals as chalcopyrite. Hydrothermal breccias and other styles of brecciation were also intersected. Further assessment is required to determine the likely position of possible porphyry intrusives.
6. **Saugon area:** Work in 2004 identified a large area of altered rocks in the vicinity of the Saugon First Hit vein system, including argillic altered diorites and volcanics. Aeromagnetics show that the mapped alteration is part of a much larger alteration system trending northeast approximately 5km long by 2 to 2.5km wide and sandwiched between two northeast trending faults.
7. **Lasang area:** Aeromagnetics indicate an intense argillic alteration area approximately 4km x 2km elongated northeast and with some internal magnetic signatures requiring further assessment. No field assessments have yet been completed.

#### **OTHER STYLES OF POTENTIAL MINERALISATION**

- **Skarn-replacement style:** In the Borobo area, lead-zinc skarn-replacement styles of mineralisation have been identified with accessory gold in the vicinity of the Borobo porphyry prospect.
- **Carlin style disseminated mineralisation in sediments:** In the Borobo area, zones of gold mineralised silicification and veining over an area of approximately 400 metres x 200 metres have been located in limestone rocks and associated with prominent structures parallel to the Philippine Rift Fault and smaller conjugate structures.

#### **OPERATIONS AND PRODUCTION FROM NARROW VEIN SYSTEMS**

The group is operating the Co-O Mine, shown on Figure 1, and is developing and producing some development ore from the Tambis Banaghilig Project. Production is also planned at Anoling when tenements are granted. At the Sinug-ang Project, comprising the Banbanon and Sinug-ang prospects, drilling is continuing for the planning of a potential new mine development in the near future.

Other vein systems are known at Saugon and Trento. Initial work at the Saugon First Hit prospect in 2004 identified high grade mineralisation in underground exploration and drilling. This mineralisation is currently being re-assessed. At Trento, field visits have confirmed the presence of local prospectors mining high grade veins within a large 15km x 7km aeromagnetic anomaly defining weak argillic alteration and which may also have porphyry copper potential.

#### **REGIONAL MINERALISATION BACKGROUND**

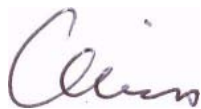
The East Mindanao Ridge has been a major mining region since before World War II. Previous mining has essentially been divided into two areas, the Surigao District in the north and the North Davao District in the south as shown on Figure 2.

Pre-WWII operations were mainly confined to the Surigao District with production from high grade veins at the Mindanao Motherlode (or Mabuhay) Mine, Tapian and Mapaso Mines, from veins at the Siana underground mine commencing in 1938, and from veins at the Placer Mine commencing in 1936. In later years Siana became an open pit mine and numerous open pit mines were established in the Placer Mine area where porphyry copper-gold bodies were found adjacent to and below the high grade vein systems.

The most notable recent discovery in the Surigao District is the large Boyongan porphyry copper-gold deposit which is undergoing further work.

In the North Davao District, the Masara copper-gold deposits were discovered in 1938 and subsequently mined. The Amacan porphyry copper deposits were mined in the 1980s, and the large Kingking porphyry copper deposit was discovered as well as smaller porphyry copper deposits such as Mapula. Epithermal veins such as Hijo were mined as part of the Amacan operation, and approximately 20 years ago the large Diwalwal epithermal vein system was discovered with high grade mineralisation extending to approximately 600m from surface.

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.*

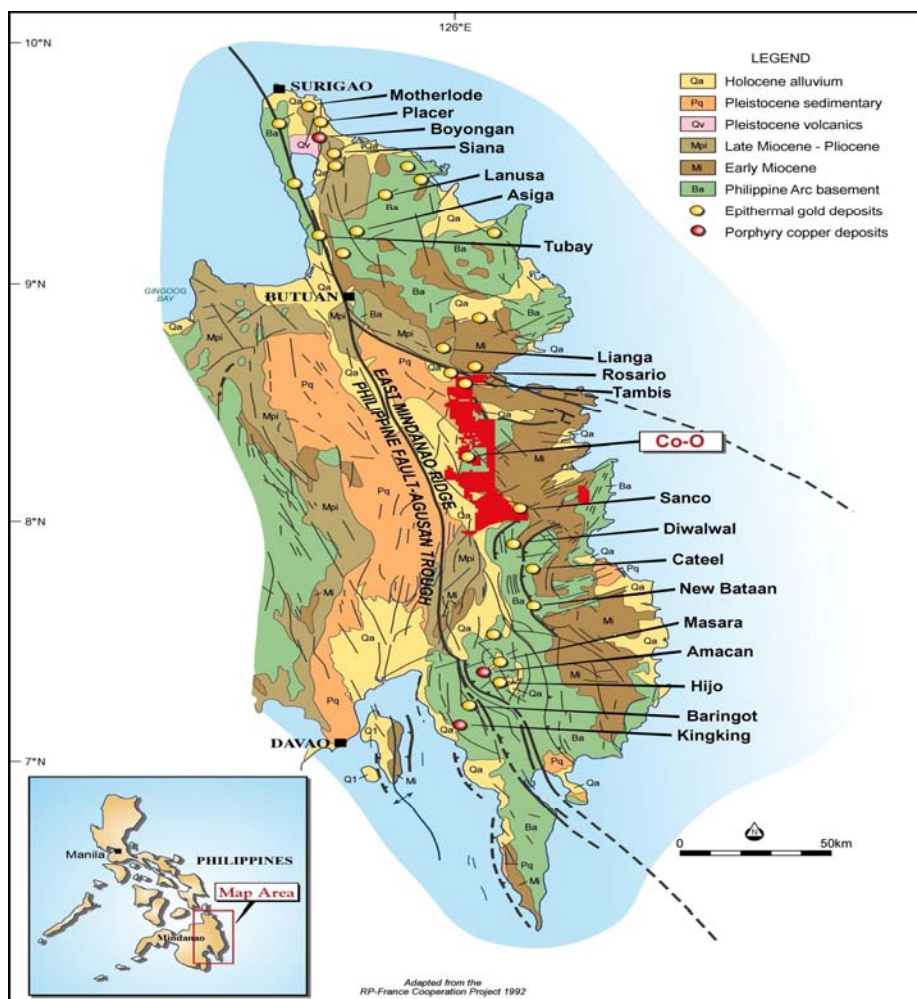


Figure 1: East Mindanao Ridge mineralisation map

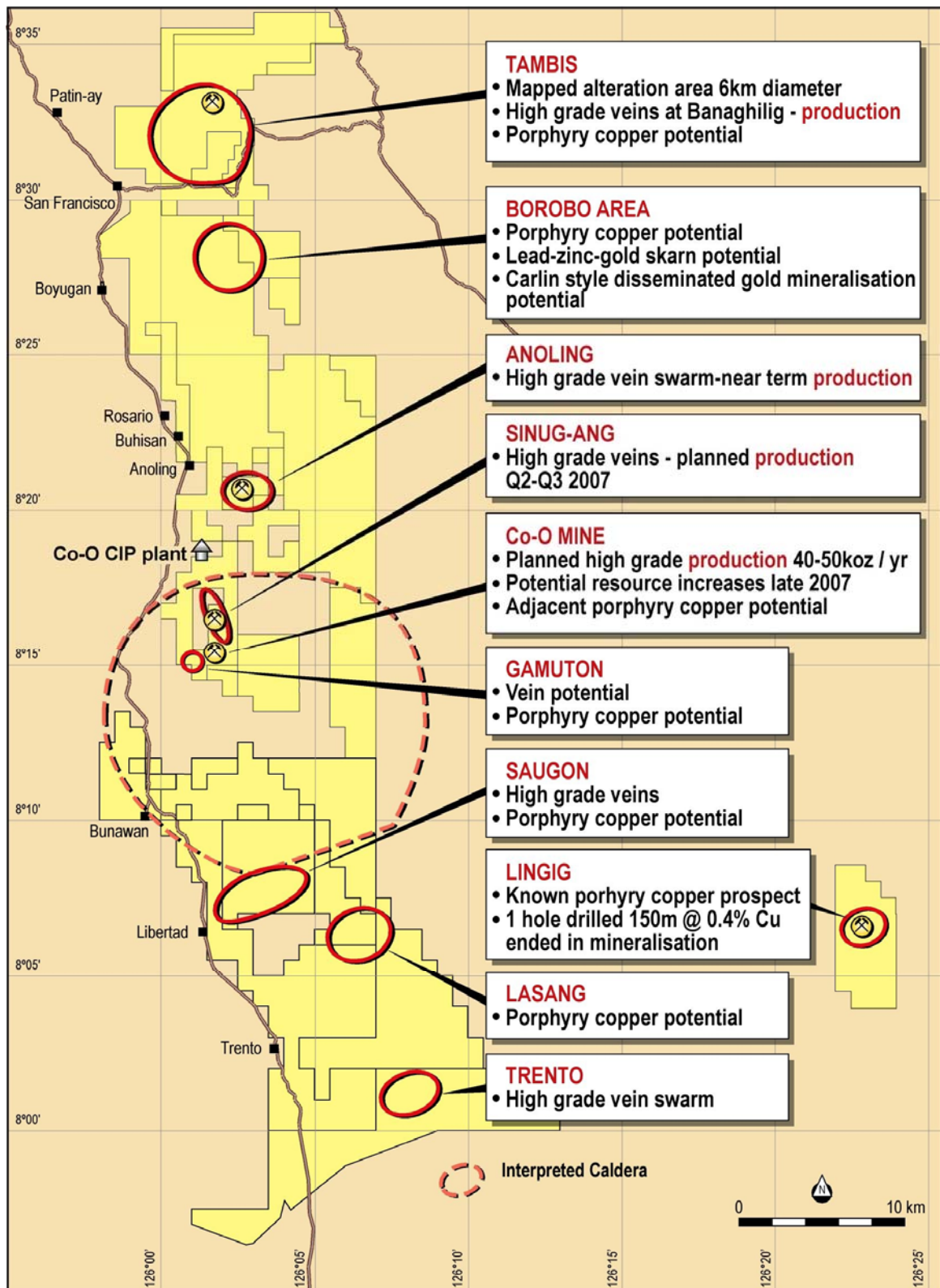


Figure 2: Summary map of mines, prospects and potential areas of mineralisation.