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

Dear Sir/Madam,

Tambis Banaghilig Mine update, Philippines

Philsaga Mining Corporation ("Philsaga") has provided Medusa Mining Limited ("Medusa") with an update on the development of the Tambis Banaghilig Mine. Compilation of previous drilling and interpretation in conjunction with re-surveying, re-mapping and re-sampling of all local underground workings has been recently completed.

Development is proceeding rapidly via an inclined shaft with two main drives and two main adits with over 700 metres combined of development already completed. The first sublevels are being set up with development ore stockpiled for the first batch treatment possibly late October to early November.

Background

As shown on Figure 1 the Tambis Banaghilig Mine is located approximately 35km by the National Highway to the north of the Co-O Plant.

During the late 1970s to 1990s, several companies evaluated the Tambis area as a bulk mining proposition. This resulted in the drilling of a total of 344 diamond and RC drill holes. Whilst significant tonnages of low grade material were defined, studies indicated it was subeconomic at that time.

A total of 29,476 metres of drilling in 344 holes has been previously completed comprising 117 diamond holes for 16,853 metres and 227 RC holes for 12,624 metres. The attached table contains the 81 intersections at a cut off of ≥1 metre at ≥10 g/t Au which is contained within a much larger tabulation of 188 intersections of ≥1 metre at ≥5 g/t Au. The balance of 107 intersections between 5 and 10 g/t gold over ≥1 metre have not been included in the table.

The weighted average of all intersections ≥1 metre at ≥ 5 g/t gold is 16.63 g/t gold uncut and 14.66 g/t gold when a top cut of 100 g/t gold is applied.

The area to the south of the drilling is covered by younger limestone and drilling clearly shows that mineralised veins continue below the limestone.

Development

Since the granting of Small Scale Mining Permits earlier this year, Philsaga has completed the L190 50m deep, 2 compartment inclined shaft and has completed approximately 700m of horizontal development at the recent rate of over 200m per month as shown on Figure 2. The shaft is set up with a haulage way for a 1 tonne skip on rails and a ladder way. From the bottom of the shaft, driving has advanced over 100m to the northwest where it is designed to crosscut a number of interpreted vein systems which were intersected in the previous drilling. After cross-cutting a number of these veins to gain an understanding of vein geometries and ground conditions, mining areas will be systematically set up.

A second drive is in progress to the east where it will branch with one drive to head south to crosscut high grade veins interpreted from drilling under the limestone, and a second drive to the northeast will connect with the L120 adit and become the main drainage tunnel.

The L120 Crosscut adit is also designed to intersect a number of interpreted veins. Currently some development ore is being extracted from the southern section of a north-south vein system as underground exploration proceeds.

The North-south Vein adit on the north side of the Banaghilg River is developing the vein in this area where a sub-level has been commenced. Topography here provides up to about 50m of backs above the adit level.

The L120 Crosscut adit and the North-south Vein adit are connected by a bridge across the Banaghilig River. The ore pad where the ore from both adits is loaded into dump trucks is approximately 30m above river level. The ore is hauled up the slope by exactly the same system as used in the L170 shaft, ie, a 1 tonne skip on rail. Currently manual trucking is used in the mines and this will be mostly replaced by small electric locomotives in the near future.

As more veins are cross-cut in all areas of the mine and stoping areas set up, it is anticipated that production will progressively increase.

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.

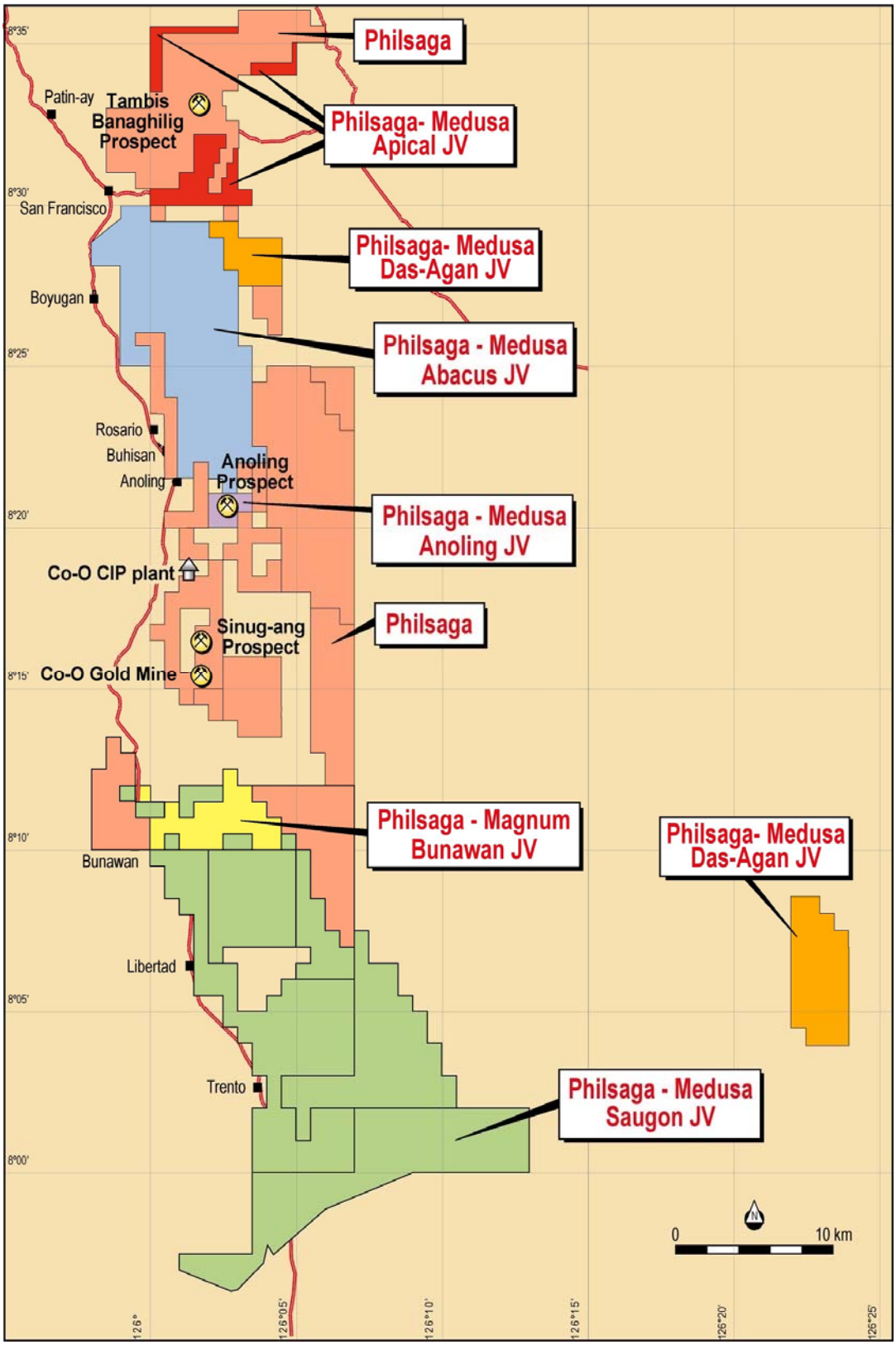

Figure 1. Tambis Banaghilig mine location.

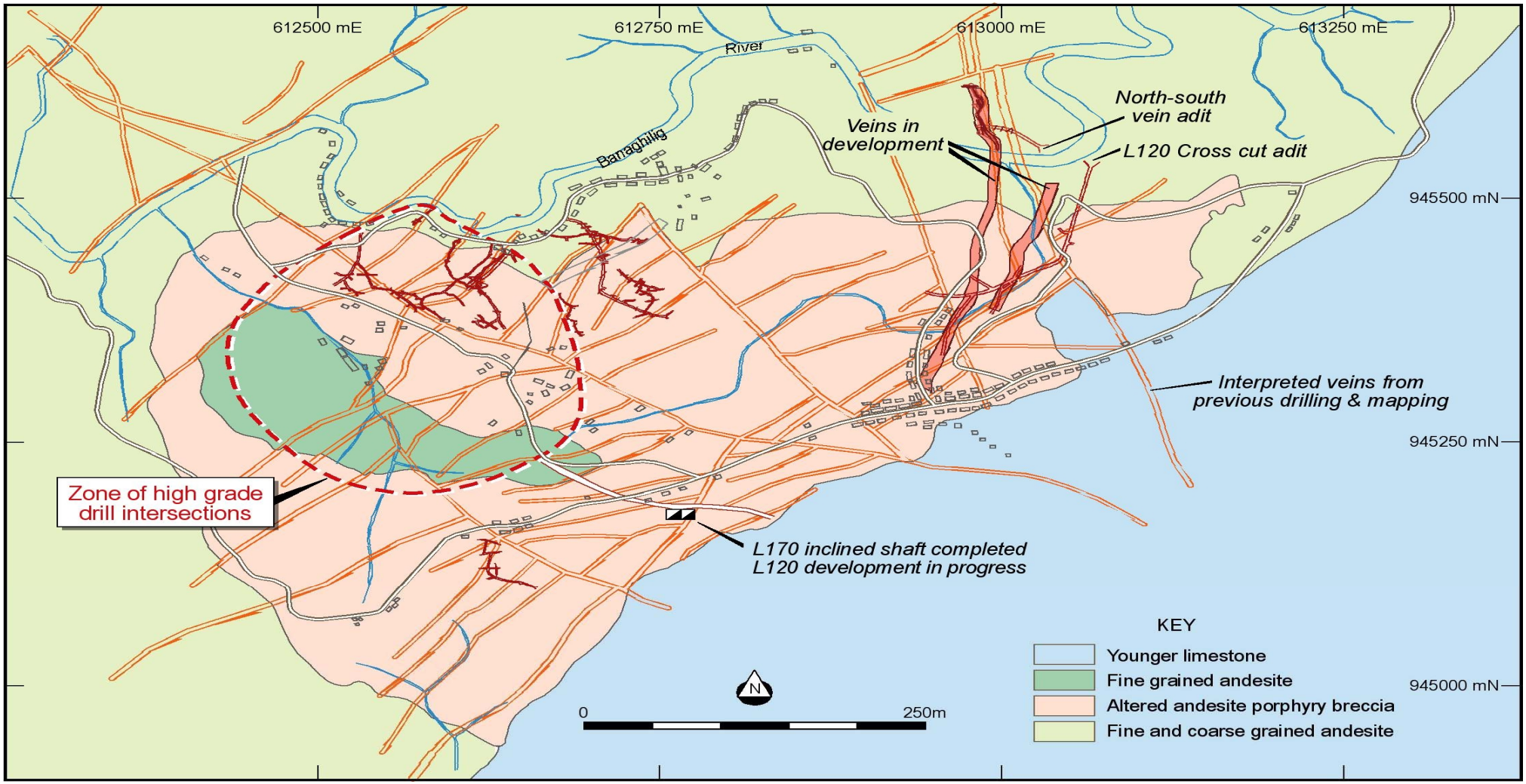

Figure 2. Tambis Banaghilig surface map.

Hole No.	From	Intercept	g/t gold	East	North	Dip	Azimuth
DD26-24	14.0	1.0	**10.41**	612680	945129	-60	130
DD26-24	48.0	1.0	**13.48**	612680	945129	-60	130
DD26-24	55.0	1.0	**11.20**	612680	945129	-60	130
DD26-28	96.0	1.0	**19.71**	612637	945168	-60	130
DD34-1	9.0	1.0	**14.00**	612535	945405	-45	130
DD34-1A	9.0	1.0	**14.00**	612537	945406	-48	130
DD34-1A	22.0	1.0	**23.00**	612537	945406	-48	130
DD34-2	9.0	1.0	**23.73**	612578	945368	-45	130
DD34-2A	27.0	2.0	**61.00**	612576	945366	-50	220
DD34-3	98.0	1.0	**20.21**	612487	945442	-45	130
DD34-3	127.0	2.0	**85.86**	612487	945442	-45	130
DD34-3	144.0	1.0	**54.53**	612487	945442	-45	130
DD34-46A	17.0	8.0	**22.76**	612515	945426	-45	130
DD34-46A	56.0	2.0	**18.27**	612515	945426	-45	130
DD34-50	19.0	1.0	**14.04**	612461	945465	-50	130
DD34-50A	131.0	1.0	**22.41**	612461	945465	-65	130
DD36-34A	34.0	1.0	**13.22**	612663	945336	-85	130
DD36-46A	53.0	1.0	**10.76**	612528	945452	-55	130
DD36-46A	136.0	1.0	**10.87**	612528	945452	-55	130
DD36-48	70.0	1.0	**18.25**	612507	945460	-60	130
DD37-18	43.0	2.0	**43.24**	612865	945184	-50	130
DD38-1	1.0	1.0	**12.00**	612599	945425	-45	130
DD38-1	88.0	1.0	**10.00**	612599	945425	-45	130
DD38-2A	59.0	1.0	**20.00**	612562	945460	-45	220
DD41-18	221.0	1.0	**13.21**	612902	945242	-60	130
DD42-2A	122.0	1.0	**41.37**	612573	945537	-45	310
DD46-36A	29.0	1.0	**68.61**	612736	945470	-50	330
DD48-32A	131.7	3.5	**27.19**	612809	945454	-90	0
DD49-59	88.0	1.0	**27.51**	612508	945728	-50	210
DD56-32	57.0	1.0	**18.41**	612871	945559	-60	130
DD58-28	97.0	1.0	**10.14**	612937	945530	-60	90
DD58-28	100.0	1.0	**16.16**	612937	945530	-60	90
DD60-19	15.0	2.0	**21.77**	613077	945476	-85	210
DD60-19	139.0	1.0	**14.23**	613077	945476	-85	210
DD63-30	94.0	2.0	**16.93**	612967	945967	-75	90
DDH-A3	15.0	3.0	**12.77**	612506	945434	-65	84
DDH-A3	75.3	1.7	**16.71**	612506	945434	-65	84
DDH-A4	22.4	3.0	**11.06**	612506	945434	-65	203
DDH-B1	61.0	2.4	**38.63**	612543	945366	-90	0
DDH-C3	42.0	3.0	**10.70**	612619	945401	-76	346
DDH-D1	43.9	1.5	**19.90**	612556	945466	-38	131
DDH-D2	22.6	1.8	**14.86**	612556	945466	-65	131
DDH-D4	107.3	3.7	**12.13**	612556	945466	-65	93
DDH-D5	-	2.4	**186.51**	612556	945466	-65	171
DDH-D5	68.7	2.4	**11.52**	612556	945466	-65	171
DDH-D7	15.0	3.0	**12.69**	612556	945466	-90	0
DDH-D7	57.0	3.0	**21.84**	612556	945466	-90	0
DDH-E3	30.5	1.3	**60.94**	612603	945416	-35	91
DDH-G1	7.1	13.9	**13.52**	612542	945409	-80	90
DDH-G1	44.3	8.9	**18.99**	612542	945409	-80	90
DDH-G2	18.0	3.0	**30.02**	612542	945409	-40	90
DDH-G2	36.0	3.0	**12.38**	612542	945409	-40	90

Hole No.	From	Intercept	g/t gold	East	North	Dip	Azimuth
DDH-G3	4.8	2.2	**18.22**	612542	945409	-80	30
DDH-G3	87.8	1.5	**10.18**	612542	945409	-80	30
DDH-G3	104.0	3.0	**20.17**	612542	945409	-80	30
DDH-G4	61.8	3.0	**20.88**	612542	945409	-80	150
RC30-20	21.0	4.0	**19.00**	612768	945135	-60	130
RC30-24	34.0	1.0	**10.98**	612724	945221	-60	130
RC30-26	17.0	2.0	**50.30**	612705	945186	-60	130
RC30-26	39.0	1.0	**94.89**	612705	945186	-60	130
RC30-26	45.0	1.0	**10.57**	612705	945186	-60	130
RC30-34	48.0	1.0	**23.28**	612610	945265	-60	130
RC32-34	35.0	1.0	**25.04**	612628	945287	-60	130
RC32-46	65.0	1.0	**10.24**	612488	945407	-60	130
RC34-23	43.0	1.0	**23.07**	612779	945202	-60	130
RC34-34B	28.0	1.0	**13.45**	612651	945307	-90	0
RC34-38	28.0	1.0	**13.45**	612608	945349	-60	130
RC38-22	41.0	1.0	**27.45**	612819	945245	-60	130
RC38-26	58.0	1.0	**10.05**	612780	945279	-60	130
RC38-35	4.0	1.0	**413.54**	612680	945342	-60	130
RC38-35	30.0	1.0	**47.95**	612680	945342	-60	130
RC38-35	51.0	1.0	**10.55**	612680	945342	-60	130
RC40-16	43.0	1.0	**188.90**	612908	945212	-60	130
RC40-24	23.0	1.0	**10.78**	612821	945286	-60	130
RC50-18	32.0	1.0	**11.39**	612974	945345	-60	270
RC52-18	32.0	1.0	**14.57**	613007	945362	-60	130
RC54-14	35.0	1.0	**146.00**	613069	945353	-60	130
RC54-14	42.0	1.0	**12.12**	613069	945353	-60	130
RC56-16	30.0	1.0	**14.92**	613064	945390	-60	130
RC56-22	34.0	2.0	**13.14**	612994	945451	-60	130
TDH002	241.4	3.0	**14.50**	612850	945189	-50	130