



MINING LIMITED

ACN: 099 377 849

QUARTERLY ACTIVITIES REPORT PERIOD ENDING 31 DECEMBER 2003

MEDUSA MINING PROFILE

Medusa Mining Limited listed on the ASX on 23 December 2003 issuing 12,500,000 shares at \$0.20 to raise \$2,500,000.

Medusa's corporate objectives:

- To acquire gold and gold-copper projects with cash flow potential within 2 years.
- To achieve production with a low capital exposure and a rapid payback period.
- To explore for high grade deposits in areas with good access and infrastructure.

To achieve the objectives, **Medusa**

- Is earning a 50% interest in the Saugon Gold Project in the Philippines;
- Has purchased three gold projects in Western Australia;
- Has purchased a copper project in South Australia;

and subsequently

- Acquired an Option over the Queen River detrital pyrite deposits and the King Gold Mine adjacent to the Mt Lyell copper mine in Tasmania.

Medusa has a tight capital structure which should reflect project success.

Shares on Issue: 35,075,600

ASX code: **MML**

Further details:

Email: admin@medusamining.com.au

Web : www.medusamining.com.au

Geoff Davis
Managing Director

PO Box 860
Canning Bridge WA 6153
Telephone: 618-9367 0601
Facsimile : 618-9367 0602

HIGHLIGHTS

SAUGON GOLD PROJECT (EARNING 50%)

- THE FIRST HOLE AT THE SAUGON PROJECT REACHED 74 METRES WHEN CASING WAS LOST IN BROKEN GROUND AND ABANDONED. A NEW HOLE IS IN PROGRESS AND HAD REACHED 90 METRES ON 28 JANUARY 2004 WITH THE VEIN INTERSECTION TARGET DEPTH OF APPROXIMATELY 150 METRES BELOW SURFACE.
- RE-OPENING AN OLD PROSPECTOR ADIT ABOVE THE DRILL HOLE HAS COMMENCED AND AN INTERNAL WINZE WITHIN THE MINERALISED VEIN IS IN PROGRESS.

MONTACUTE COPPER PROJECT (100%)

- SURFACE SAMPLING RESULTS TO 20.4% COPPER, 3.85G/T GOLD, 11G/T SILVER, 10.3% COPPER, 0.47G/T GOLD, 7.9G/T SILVER AND 0.13% COBALT, 0.46% COPPER, 0.02% NICKEL..

SUBSEQUENT EVENTS:

KING AND QUEEN PROJECTS (3 MONTH OPTIONS TO PURCHASE)

- OPTIONS TO PURCHASE EACH PROJECT SIGNED ON 19 JANUARY 2004.
- THE QUEEN PROJECT COVERS THE QUEEN RIVER WHICH CONTAINS ABUNDANT DETRITAL PYRITE CONCENTRATED BY WATER FROM THE MT LYELL COPPER MINE TAILINGS.
- THE KING PROJECT COVERS THE OLD KING GOLD MINE WHICH PRODUCED HIGH GRADE GOLD ORE FROM A QUARTZ VEIN APPROXIMATELY 150M LONG AND TO A DEPTH OF 60M.

FORTHCOMING WORK PROGRAMS

- CONTINUE DIAMOND DRILLING AT THE SAUGON GOLD PROJECT
- BULK SAMPLING AT THE QUEEN GOLD PROJECT
- RCP DRILLING AT THE MONTACUTE COPPER PROJECT.



PROJECT OVERVIEWS

Figure 1 shows the locations of Medusa's projects.

SAUGON GOLD PROJECT (Medusa earning 50%)

The project is located in central eastern Mindanao in the Republic of the Philippines (Figure 2) and is accessed by the national highway approximately 2.5 hours driving north of Davao City.

Drilling Progress

On the 23 December Medusa's joint venture partner and project operator, Philsaga Mining Corporation commenced drilling the South Vein Set utilising its in-house diamond drilling rig.

Drilling of the first hole encountered younger overlying sediments down to at least 74 metres down hole before a length of casing and shoe bit were lost in broken ground. The broken ground is interpreted as being close to the contact with the underlying volcanic rocks and these are the host rocks for the epithermal quartz veins.

Drilling of a new hole then commenced several metres away and at 28 January had reached a depth of 90 metres having passed successfully through the section of bad ground in the younger sediments and entered the andesitic volcanics, host rocks to the quartz veins.

The Drill Target

The Saugon Project consists of essentially uneroded, low sulphidation epithermal veins at the South Vein Set Prospect (Figure 3) that have been outlined over a strike length of approximately 600 metres. Surface sampling of outcrops and in trenches has returned consistent gold values above 1g/t over the current known strike length. The South Vein Set is the most advanced, in terms of exploration, of several similar vein systems that have been located in the tenements to date.

The drilling is aiming to intersect the veins at a vertical depth of approximately 150 metres below surface. The hole position that has commenced is marked as "B" on Figure 3, and includes a schematic cross-section. This is the first drilling that has been carried out on the property.

The Mineralisation Model

Medusa is basing its mineralization model on nearby high grade Co-O and Diwalwal Deposits which are being mined as shown schematically on Figure 4. In both the illustrated cases, and others known in the district, the surface expressions of these vein systems generally consist of narrow, low grade veins in an envelope of clay alteration and disseminated pyrite. In both the illustrated cases the grades of the gold mineralization and the widths of the veins have increased significantly with depth.

The Joint Venture

Medusa is earning a 50% interest in the project from joint venture partner Philsaga Mining Corporation by funding the first A\$1,200,000 of expenditure. All subsequent expenditure will be shared equally by both parties. The aim of the joint venture is to develop a gold mine producing 150 tonnes of ore per day.

Philsaga is the project manager and has acquired its own diamond drill rig which has a 600 metre depth capacity. Philsaga has an excellent technical team capable of managing the project to a high level.

KING AND QUEEN PROJECTS (Three month Options to Purchase 100%)

The projects are located adjacent to the Mt Lyell copper mine in southwest Tasmania and are shown on Figure 5.

The Queen Project, Mining Lease applications 6M/2002 and 8M/2002.

These two Mining Lease applications cover 10 kilometres of the Queen River which drains the Mt Lyell Mine Area. The Option to Purchase Agreement is to allow the Company a three month period in which to undertake due diligence investigations on the economic potential of abundant detrital pyrite rich deposits in and along the Queen River.

The Queen River pyrite rich deposits may represent available and easily mined mineral resource, especially of gold.

They have resulted from approximately 100 million tonnes of tailings and some slag material that have been discharged into the Queen River during the mining of the Mt Lyell orebodies which commenced in 1883. Since that time until 1989 the mine produced 104M tonnes of ore from which were recovered 1.24 million tonnes of copper, 724 tonnes of silver and 42 tonnes of gold.

The water action of the Queen River over an extended period has naturally concentrated heavy minerals within the tailings, such as pyrite and other sulphide minerals, along the river system, and washed away most of the light minerals, such as clay, quartz and mica. The resulting "natural" pyrite concentrate is a serious environmental problem as it is continuing to oxidize producing acidic discharges, discolouring the river water and releasing metals into the river.

The Company intends to undertake a thorough test work program regarding the mineral contents of the pyrite rich deposits, the practicalities of mining and the recovery of any commercial minerals, and potentially the removal of the pyrite from the river system as part of a rehabilitation program. This work will be undertaken within a framework of extensive consultation with parties with an interest in the outcomes of the project.

The Option to Purchase Agreement has been initiated by the reimbursement of \$10,000 of expenses. On exercising the Option the Company will acquire 100% of the Mining Leases by making a payment of \$25,000 in cash or shares to the vendor and assuming the Mining Lease bond of \$5,000. On commencement of any production, the vendor will be entitled to up to 50% of Net Operating Profit depending on certain circumstances being satisfied.

The Company has also applied for an Exploration Permit to cover the King River system where substantial volumes of pyritic tailings are reported.

The King Gold Mine, Mining Lease application 14M/1996

This Mining Lease application covers the old King River Gold Mine and several other old nearby mining sites. The Option to Purchase Agreement will allow the Company a three month period to undertake due diligence investigations on the project.

The King River Mine was discovered in 1881 and was operated until about 1890. Records indicate that a quartz vein was discovered as a result of following up extensive alluvial gold in the adjacent creeks. The top of the vein was sluiced by the early prospectors in a slot approximately 250 metres long and up to 5 metres deep. Data in the Tasmanian Mines Department archives indicate that the quartz vein below the sluiced slot returned some very rich patches of gold from underground mining including one 9 metre long section that yielded grades up to 20 ounces (620 g/t) per tonne of gold. Grade cut-offs for mining at the time are not known. The vein is quoted as reaching up to 2.1 metres wide and averaging 1 metre wide, and is thought to be vertical to subvertically dipping to the west. The mine workings are indicated to be no deeper than 60 metres below surface, and there are no records or indications of drilling ever carried out below the workings.

The Option to Purchase Agreement has been initiated by the re-imburement of \$15,000 of expenses. On exercising the Option, the Company will acquire 100% of the Mining Lease by making a payment of \$25,000 in cash or shares and assuming the Mining Lease bond of \$25,000. On commencement of gold production from a hard rock source, the vendor will be entitled to up to a 4% Net Smelter Return royalty depending on certain circumstances being satisfied.

Proposed Work Program

The Queen River gravels are visually estimated to contain 70-80% rounded pebble to boulder sized fragments (maximum diameter generally 20-30cm) and 20-30% finer material including sulphides, grits and other material.

Based on these observations and data currently being collected, a program of bulk testing is being planned to commence in the second half of February. Conceptually, the program will consist of particle separation through sizing and gravity separation. Analysis and microscopic examination of the fractions produced by the separation processes will follow prior to process design.

MONTACUTE COPPER PROJECT (M 5889 -100%, EL 3061 -95%)

The Montacute Project is located east of Adelaide and covers the old Montacute Copper Mine in M 5889 and 3,432 hectares of prospective ground with other old mine workings in EL 3061 as shown on Figure 6.

Planning has commenced for drilling of 5 RC holes to test for extensions of the Montacute Mine mineralisation once the transfer of the tenement to Medusa has been completed. The mineralisation, which is exposed in a small open cut and in limited underground workings, consists of copper rich quartz vein stockworks hosted by a gently dipping quartzite horizon which appears to be at least 15 metres thick.

Previous grab samples from stockpiles at the open cut returned up to 32.65% copper from massive sulphides and underground chip samples to 1 metre at 3.77% copper.

Recent surface sampling of rocks at the Montacute open cut mineralisation has returned results of up to 20.4% copper, 3.85g/t gold, 11g/t silver, and 10.3% copper, 0.47g/t gold, 7.9g/t silver.

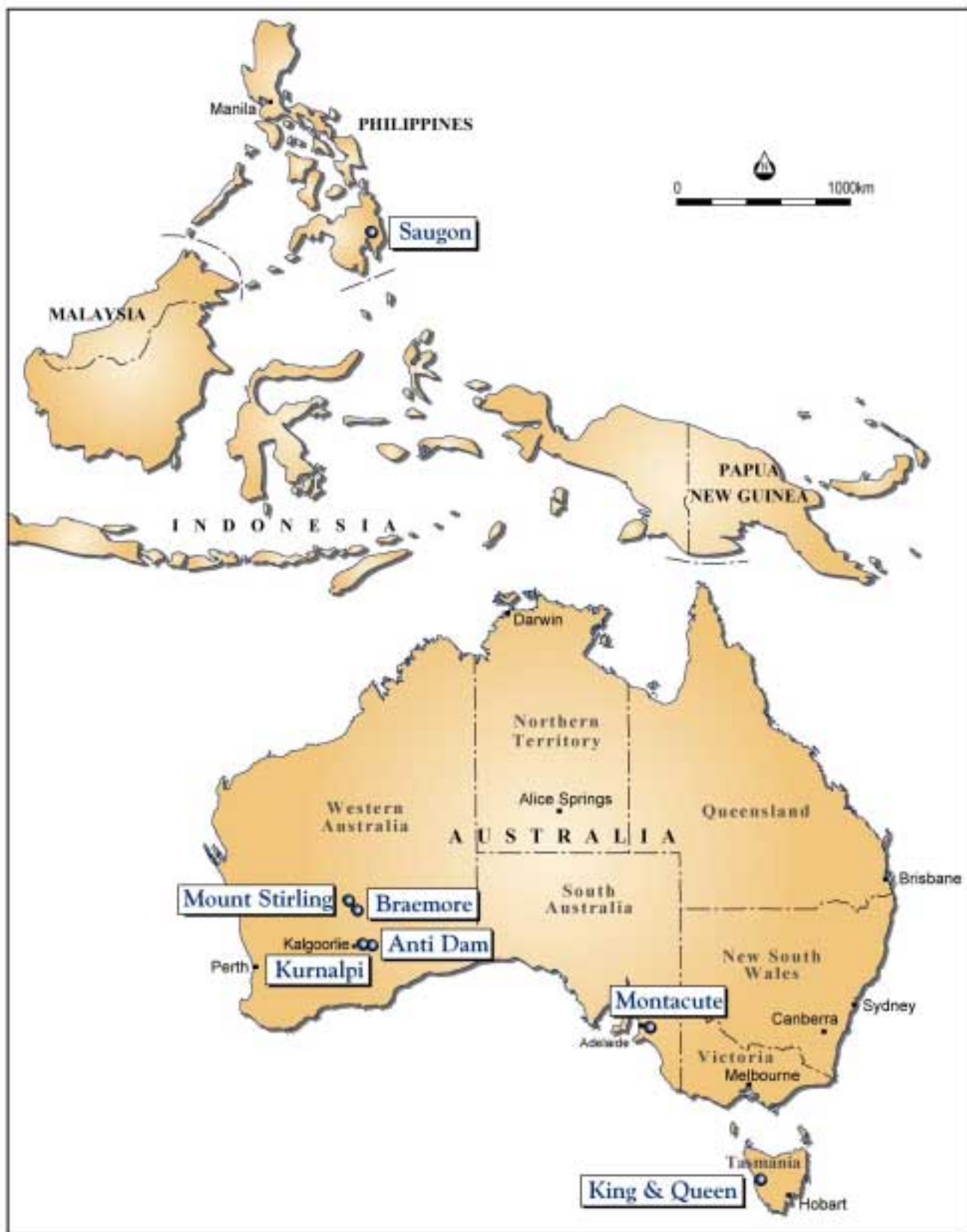
The results indicate that the copper mineralisation can contain significant gold and further sampling is planned.

Sampling of magnetite-rich mine-dump soil from a prominent shear zone has confirmed old reports of high cobalt values (4.1 tonnes at 7.71% cobalt and 1.3% nickel) returning 0.13% cobalt, 0.46% copper and 0.02% nickel. The significance of the high cobalt values will be further examined.

OTHER PROJECTS

No work was carried out on the **Anti Dam, Braemore, and Mt Stirling Projects** during the reporting period commencing 23 December 2003.

A Warden's Court decision on the **Kurnalpi Project** is expected after 7 February 2004.



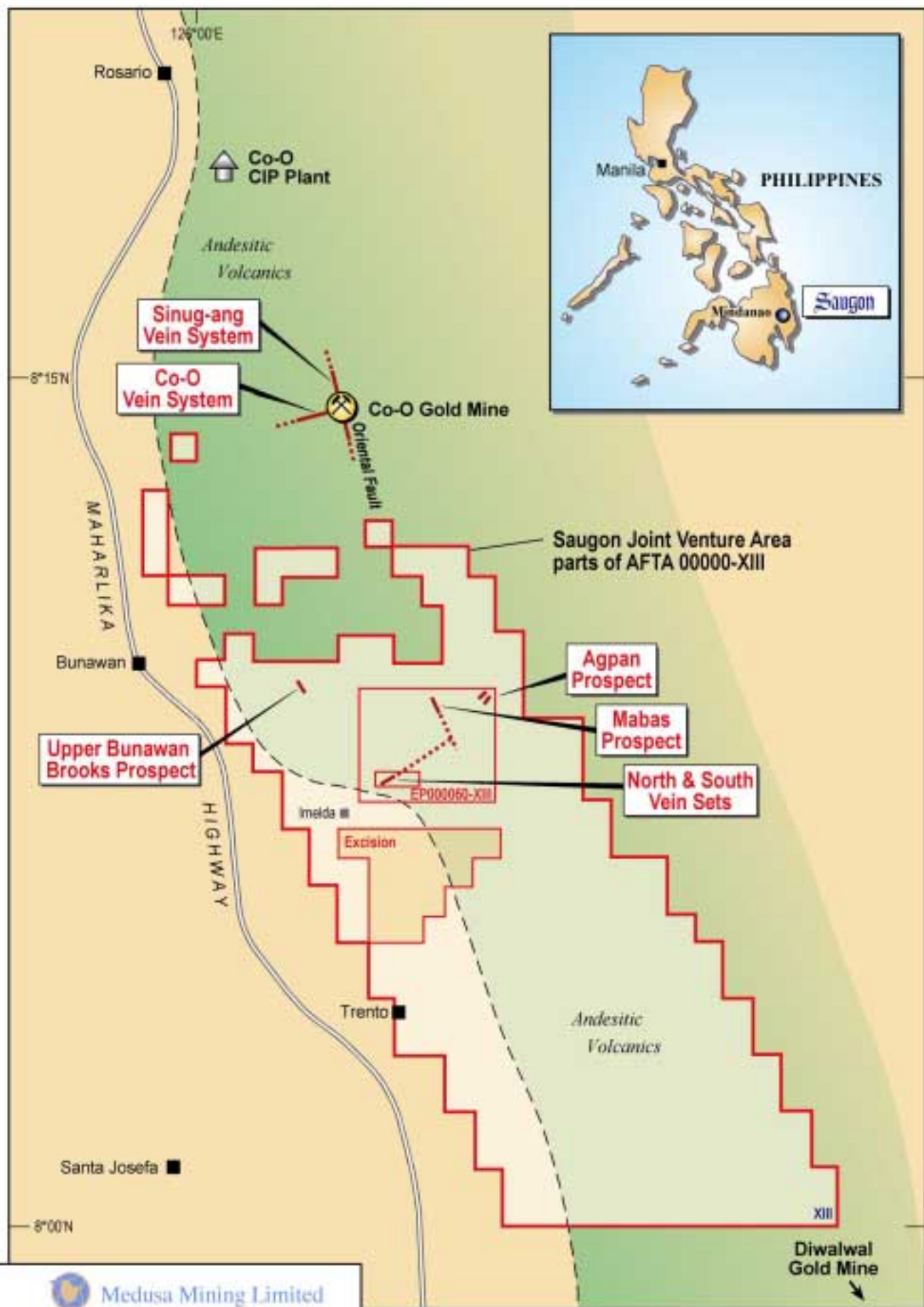
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PROJECT LOCATIONS

MED0011D

January 2004

Figure 1





Medusa Mining Limited
SAUGON PROJECT, PHILIPPINES
LOCATION GEOLOGY AND
EXPLORATION TARGETS
 MED00308 January 2004

Figure 2

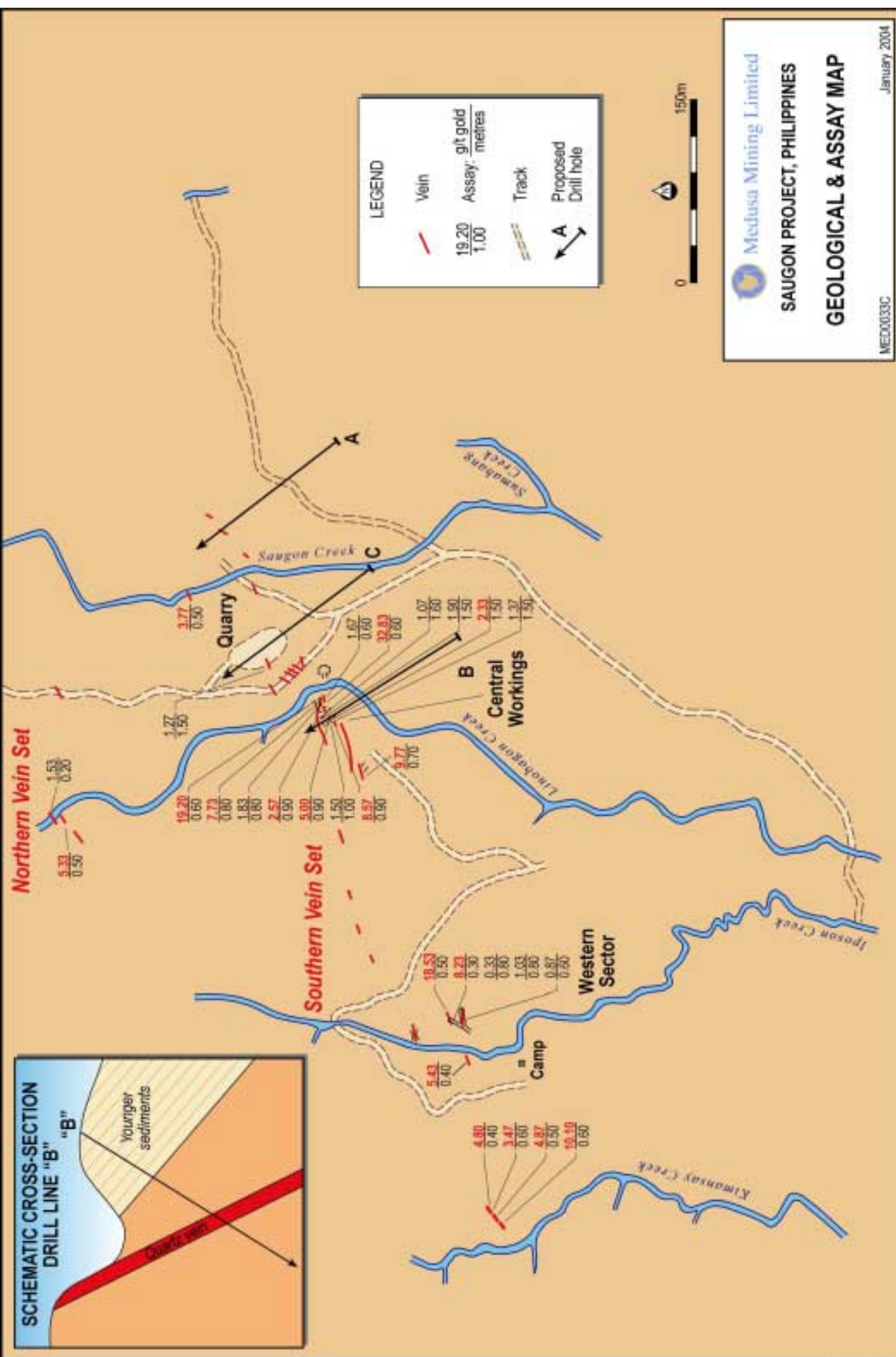
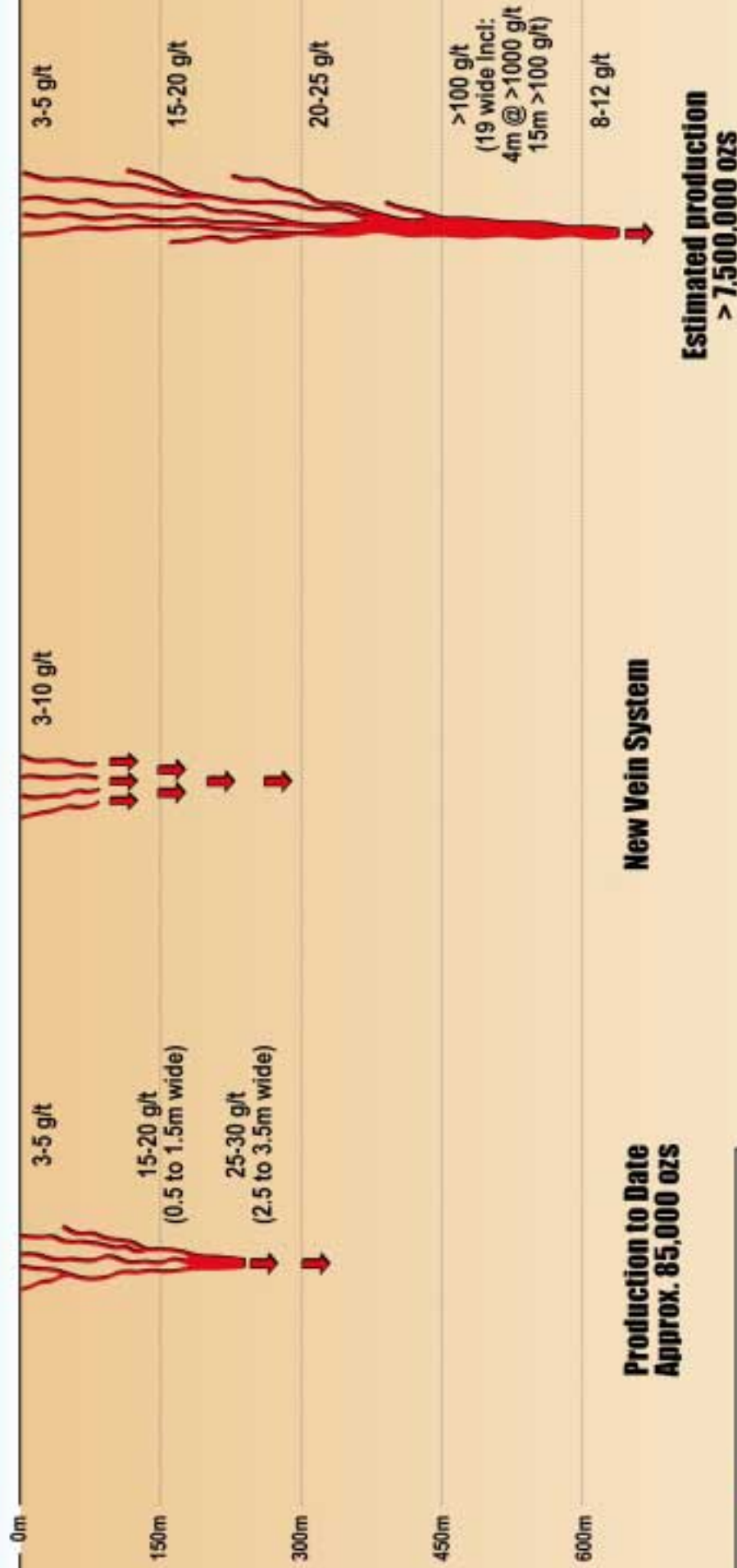


Figure3

Co-O MINE ← 10 km → SAUGON PROJECT ← 50 km → DIWALWAL MINE



Production to Date
Approx. 85,000 ozs

New Vein System

Estimated production
> 7,500,000 ozs

- Veins commonly > 1km long
- Increased grades with depth
- Increased width with depth



SAUGON PROJECT, PHILIPPINES

REGIONAL EPITHERMAL
MINERALIZATION PATTERNS



Queenstown

King Gold Mine

Queen River

6M/2002
8M/2002

14M/1996

Queen River

River

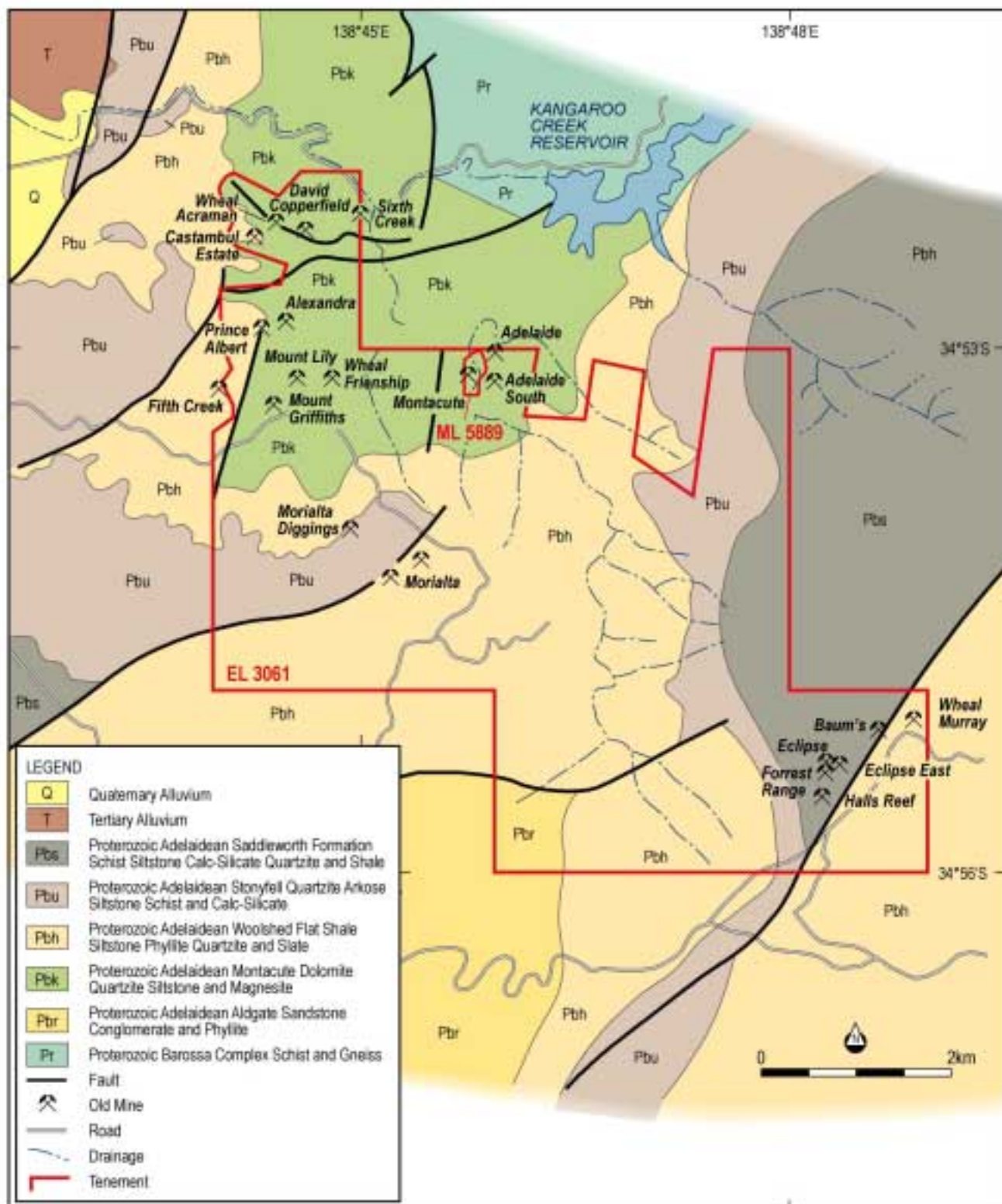
King River


Medusa Mining Limited
KING AND QUEEN PROJECTS
TENEMENT LOCATION MAP
MT LYELL DISTRICT, TASMANIA

MED0038A January 2004



Figure 5



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**MONTACUTE PROJECT
LOCATION & GEOLOGY**

MED0016A

January 2004