



MINING LIMITED
ACN: 099 377 849

QUARTERLY ACTIVITIES REPORT PERIOD ENDING 31 DECEMBER 2004

MEDUSA MINING PROFILE

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

Medusa's corporate objectives are to:

- Acquire gold and gold-copper projects with potential to generate cash flow within 2 years.
- Achieve production with a low capital outlay and a rapid payback period.
- Explore for high grade deposits in areas with good access and infrastructure.

To achieve the objectives, **Medusa**

- Has negotiated terms with its joint venture partner, Philsaga Mining Corp, to purchase Philsaga's Co-O gold mine with resources of 252,000t @ 29.7g/t Au containing 241,000z of gold & operating at approx, 550tpd plant and infrastructure and 537 km² of very prospective tenements over a strike length of 70km.
- Has earned a 50% interest in the Saugon Gold-Silver Project;
- Has commenced metallurgical testwork on the Dizon tailings project and data entry for the Marian underground gold mine.

Shares Issued: 39,564,842 ASX Code: MML
Options Issued: 21,485,793 ASX Code: MMLO

Geoff Davis
Managing Director

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HIGHLIGHTS

TERMS FINALISED TO ACQUIRE PHILSAGA MINING CORP

- 25 MILLION SHARES TO BE ISSUED TO VENDORS.
- CASH PAYMENTS OF A\$14M plus A\$2M TO BE PAID TO CONTRACTORS TO ACQUIRE MINE SERVICE EQUIPMENT OVER A TWO YEAR PERIOD.
- US\$20 PER OZ OF RECOVERED GOLD FOR CO-O MINE EXTENSIONS EAST OF ORIENTAL FAULT.
- 10% SHARE OF ANY CASH OR SHARES RECEIVED BY MML IN THE CASE OF PURCHASE OF A LARGE MINERAL DEPOSIT BY A MAJOR COMPANY.

SAUGON GOLD-SILVER PROJECT (50%)

- DRILLING BELOW THE WINZE INTERSECTED FURTHER FIRST HIT VEIN POSITIONS AS PART OF A HIGH GRADE SHOOT- RESULTS BEING COMPILED.
- DRIVING TO 60M EAST OF THE WINZE COMPLETED.
- VEIN IN EAST WALL OF WINZE FOUND TO BE FAULTED OFF 5M EAST OF WINZE. INVESTIGATIONS FOR EXTENSIONS IN PROGRESS.

DIZON TAILINGS & MARIAN GOLDMINE

- **DIZON:** ASSAYS OF COMPOSITE DRILL SAMPLES INDICATE TAILINGS CONTAIN 0.3g/t Au, 740ppm Cu & 4% MAGNETITE. INITIAL SIGHTER TESTWORK INDICATES A HIGH PERCENTAGE OF FREE GOLD. DETAILED METALLURGICAL TESTWORK IN PROGRESS.
- **MARIAN:** OPTION EXTENDED FOR 6 MONTHS. DATA ENTRY COMPLETED & ASSESSMENT IN PROGRESS.

FORTHCOMING PROGRAMS

- **PHILSAGA ACQUISITION:** PROCEED TO COMPLETION OF THE ACQUISITION BY EARLY TO MID APRIL
- **FIRST HIT:** CONTINUE DRILLING TO DEFINE HIGH GRADE GOLD SHOOT.
- **DIZON TAILINGS:** COMPLETE METALLURGICAL TESTWORK PROGRAM.
- **MARIAN:** ASSESSMENT OF REMAINING RESOURCES AND POTENTIAL.

PLACEMENT

THE COMPANY COMPLETED THE PLACEMENT OF 824,742 SHARES AT \$0.485 TO RAISE \$380,000 net of issue costs.



PROJECT OVERVIEWS

PURCHASE OF PHILSAGA MINING CORPORATION - SUMMARY

As advised in the announcement of 23 December 2004, the Company has signed a Letter Agreement with the principal shareholders (Shareholders) of Philsaga Mining Corporation (Philsaga) to acquire their shares and thereby ownership of all of Philsaga's assets in central eastern Mindanao, Republic of the Philippines.

The key terms of the acquisition are:

- The issue of 25,000,000 (twenty five million) fully paid shares in Medusa Mining Ltd to the Shareholders after the completion of capital raisings;
- A total of A\$14,000,000 (approximately US\$10,500,000) in cash. In addition Medusa will provide A\$1,000,000 in each of the first and second years for contractors to purchase equipment for the provision of services to the mine;
- A payment of US\$20 per ounce of recovered gold obtained from any extensions of the Co-O Mine mineralisation mined on the eastern side of the Oriental Fault limited to a maximum of US\$10,000,000;
- A 10% share of any cash or shares received by Medusa in the event that a large deposit is discovered and subsequently acquired by a major company;
- The current Philsaga management will continue to manage the project.

The assets of Philsaga include:

- The Co-O Mine Central Vein resources as below using an 8g/t Au lower cut off grade and an upper cut off grade of 200g/t Au:

Category	Tonnes	Au g/t	Au Oz
Indicated Resource	110,000	32.2	114,000
Inferred Resource	142,000	27.8	127,000
TOTAL	252,000	29.7	241,000

- The Co-O CIP plant with a rated capacity of 550 tpd and situated approximately 12 kilometres north of the mine.
- Gold production at cash costs of less than US\$200/oz;
- Infrastructure including administration buildings, work shops, standby power house, assay laboratory, warehouses and inventories, messing and accommodation facilities, and associated equipment;
- A work force skilled in all facets of the operation;
- A large tenement holding comprising approximately 537 km² (53,700 hectares) over an approximate strike length of 70 km (or 20% of the strike length of Eastern Mindanao) of the unexplored but highly mineralised and prospective Diwata Range that has had no systematic modern exploration;
- The Medusa-Philsaga Saugon Joint Venture to the south of Co-O where Medusa has earned its 50% interest;
- The Tambis joint venture to the north of Co-O where Continental Goldfields Ltd is about to commence spending US\$1.5M to earn a 50% interest;
- The Bunawan joint venture where Magnum Gold Ltd will earn a 50% interest through the expenditure of US\$1.5M.

1. BACKGROUND INFORMATION

Philsaga's assets are located in central eastern Mindanao in the Republic of the Philippines (Fig. 1) and are accessed by the national highway via an approximate 2.5 hour drive north of Davao City. Project areas and the Co-O mill site and mine are located on the eastern side of the highway and are accessible through a network of all weather gravel roads.

The project now comprises approximately 537 km² of tenements which cover approximately 70 km of strike length (Fig. 2).

Additional background information is contained in the announcement of 26 October, 2004.

2. THE PHILSAGA ASSETS

2.1 The Co-O Gold Mine

The Co-O underground mine (Fig 3) is developed on a series of low sulphide, epithermal quartz veins which strike west over a length of at least 600 metres and have been explored to a maximum depth of more than 200 metres from surface so far. The veins are open to the west and at depth, and until recently had been truncated in the east by the northerly trending Oriental Fault.

Below the 3150m level where Philsaga commenced operations and is now at the 3050m level, some of these veins coalesce into one vein which averages 2.5-3 metres in width and contain an average grade of +20g/t Au.

2.2 The Gold Resources

Data from the previous and current operations of the Co-O Mine have been incorporated into a digital database and Cube Consultants Pty Ltd of Perth, Western Australia have modelled the Central Vein which is currently the main focus of operations. Table I summarises the resource calculations.

Table I. Gold Resources for the Central Vein, Co-O Mine

Category	Tonnes	Au g/t	Au Oz
Indicated	110,000	32.2	114,000
Inferred	142,000	27.8	127,000
TOTAL	252,000	29.7	241,000

Composite assay data was analysed both statistically and geostatistically to determine appropriate top cuts and interpolation strategies. The resource has been estimated using Ordinary Kriging within a geologically defined domain and using a technique appropriate for this style of mineralisation. Tonnage factors were assigned on the basis of geology. Resource figures are reported above an 8.0 g/t Au gold minimum block grade and with an assay top cut grade of 200g/t Au.

The Indicated Resources are located within a 40 metre envelope extending from the mine workings and assay data areas. Inferred resources are located within an envelope extending up to 30 metres beyond the Indicated Resources and also include some remnant material within partly stoped areas.

The distribution of the gold within the Central Vein is shown on the longitudinal projection in Figure 4 shows a typical cross-section through the vein system.

Other productive veins are present in the mine and which are sources of ore but these have not been modelled in detail to date.

Cube Consulting is an independent Perth based resource consulting firm specialising in geological modeling, resource estimation and Information Technology

2.3 The Tenement Holdings and Joint Ventures

Since taking ownership of the Co-O mine and plant, Philsaga commenced consolidating the region north and south of the plant by acquiring a number of tenements through direct ownership or effective ownership via agreements.

As shown on Figure 3, this tenement holding is strategically located north and south of the Co-O milling facility and covers approximately 20% of the strike length of the highly prospective Diwata Range.

Philsaga has entered into a joint venture with Continental Goldfields Ltd to explore the Tambis project to the north of the Co-O plant, whereby Continental will earn a 50% interest by spending the first US\$1.5M. This work will commence shortly.

Philsaga has also negotiated a second joint venture with Magnum Gold Ltd on similar terms and conditions to explore the Bunawan Project.

2.4 Infrastructure and facilities

The Co-O Mine is independent of the mill site in that it is separated by a 12 kilometre distance and has its own diesel generators, workshops and workforce, the majority of which live at the mine. Ore is transported by dump truck to the mill.

The Co-O CIP plant is BHP designed and built with a current capacity of 550tpd. Minor alterations are required to increase the throughput to 700tpd and further modifications could maximise the crushing and grinding capacity at 1000-1100tpd.

Power to the CIP plant is supplied from the local grid with the high tension power line located approximately 150 metres from the plant. Back up diesel generators installed by MEM prior to the construction of the transmission line are operational and available.

The other facilities include administration offices and assay laboratory, a warehouse, mechanical and machine shops, messing and accommodation facilities and geological offices and core storage facilities.

3. BENEFITS OF THE ACQUISITION FOR MEDUSA

Completion of the acquisition would give Medusa the following benefits:

- Control of a profitable high grade gold mining operation;
- Access to an immediate cash flow from an initial production of approximately 25,000 ounces on an annualised basis, produced at less than US\$200/oz;
- Production is planned to increase in about mid 2005 with the commissioning of the additional Co-O Mine 3150m haulage level to approximately 35-40,000 ounces on an annualised basis, disregarding contributions from other production sites;
- Milling facilities which are strategically located and can be expanded as production increases from multiple mine sites;
- Control over a large, highly prospective tenement holding which will facilitate modern and systematic exploration for the first time ever;
- An existing workforce, management and infrastructure that are working effectively and co-operatively with local communities;
- Control of the Saugon joint venture which is currently being explored and two other joint ventures with combined expenditure commitments of US\$3M;
- A seamless transition from advanced explorer with anticipated initial production in the first quarter of 2005 to a producer with an increasing production profile.

4. TIMING AND COMPLETION

The parties are now proceeding to formal documentation and anticipate the completion of the transaction following a shareholders meeting in about mid-to-late March 2005.

Completion of matters regarding final asset lists and the resolution of certain circumstances involving some Philsaga tenements are expected prior to settlement. No board changes are anticipated as a result of the transaction.

Details of the fund raising will be provided when available.

The acquisition is subject to standard conditions precedent including necessary statutory and regulatory approvals and completion of a capital raising to fund the transaction.

5. SUMMARY OF INDICATIVE TIMETABLE

The timing below is indicative only. The Directors may vary the timetable without prior notice with possible consequential effects on the other dates.

2005	Event
January	Completion of due diligence issues
	Decision on funding arrangements
	Completion of formal documentation
February	Finalisation of notice of meeting of shareholders and despatch to shareholders
	Finalisation of prospectus for fund raising
March	Fund raising
	Shareholder meeting and approval of transaction
April	Completion of the transaction

The proforma balance sheet and capital structure are attached.

SAUGON GOLD-SILVER PROJECT (Medusa 50% / Philsaga 50%)

1. Background

The Co-O milling facility owned by the Company's joint venture partner and operator of the joint venture, Philsaga, is approximately 28 kilometres by road from the project (Fig. 2).

Work commenced in mid 2003 on the **First Hit Vein** which has been followed intermittently at the surface over 600m and which is currently being explored underground via a 40 metre deep winze and level development.

Diamond drilling has been suspended along the strike of the First Hit Vein but recommenced during the quarter to further define the high grade shoot below the winze level.

2. First Hit Vein Underground Exploration Progress

During the quarter driving to the east along the main vein was completed for a length of 60m. At the same time a raise from this level in conjunction with a sub-level drive to the east from half way down the winze was commenced to investigate the possibility of stoping vein material from this position. The vein was found to be faulted off approximately 5m from the winze and further investigations will be undertaken to attempt to locate it. Development of the breccia zone below the level was also suspended.

As a result of the additional faulting encountered in the underground workings, a new diamond drilling program was commenced to better define the high grade zones below the winze level. The drilling is continuing as vein has been intersected in several holes. Results of the drilling are currently being compiled and should be available shortly.

3. Mabas Prospect

Drilling at the Mabas prospect was discontinued during the quarter due to results showing that the mineralisation discovered so far was poddy and discontinuous along strike and down dip away from and below the section of continuous vein located in the underground workings 23m below surface. Further exploration work is ongoing in the area and has resulted in the location of additional shear zones which will be explored for quartz veins.

4. Paradise Ridge

Two drill holes have been completed below the original discovery area of silica capping with disseminated barite and barite-quartz veining. Both holes returned results below 1g/t Au but demonstrated an extensive alteration system which requires additional surface exploration as it may represent the distal part of an epithermal mineralising system.

5. Regional stream sediment sampling

A program of regional stream sediment sampling has been completed over the Saugon Exploration Permit. Assay results are awaited.

DIZON PROJECT (Option to Joint Venture 60%)

Background

On 4 June 2004 the Company announced an Option Agreement with Dizon Copper and Silver Mines Inc., a public company listed on the Philippines Stock Exchange. On 13 September 2004, the Company announced signing a 50:50 Joint Venture MOU with BacTech Mining Corporation of Canada whereby BacTech will provide its technology on an exclusive basis to the Joint Venture in the Philippines for the treatment of refractory gold ores or gold-copper ores with high penalty element components in concentrates produced by conventional flotation processes.

The drilling of 12 holes to 50 metre depth for the collection of tailings samples for metallurgical testwork was completed. In addition five in-field manually produced heavy mineral concentrates were obtained. Approximately 800 kg of composited drill samples have been shipped to a metallurgical laboratory in Perth, Western Australia.

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 now been confirmed by the drilling program.

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.

Key observations and results

- 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 indicating the total value of contained and potentially recoverable gold and magnetite is approximately US\$5.90 per tonne. The Dizon Mine processed 110 million tonnes of ore during 18 years of operation.
- Significant free gold and magnetite components are indicated in the initial results from metallurgical testwork on five manually produced heavy mineral concentrate "sighter" samples from the tailings, which contain between 2.7 and 11.6g/t Au. These findings suggest a potentially viable project using gravity concentration to initially extract free gold and magnetite.
- The conceptual model being considered by Medusa is that of a low CAPEX (typically US\$5-10M) and OPEX (typically US\$1.50-2.00 per tonne) mineral sands mining and gravity processing operation to recover free gold, magnetite and sulphides. The former two products are readily saleable while testwork remains to be conducted on the potential for

processing the sulphides to obtain saleable products. Test work in progress will provide better information on the application of gravity recovery.

- Metallurgical test work is on-going with the expectation of receiving interim results in the near future. Completion of the testwork is expected during March.

MARIAN GOLD MINE (Option to Joint Venture 50%)

On 14 July 2004 the Company announced an Option Agreement with Vulcan Industrial and Mining Corporation, a public company listed on the Philippines Stock Exchange. An extension agreement has been agreed to by the companies extending the Option Period to early July 2005 for an extension fee of US\$10,000.

Data entry and survey verification of the data for the 4 main vein systems has been completed. A detailed assessment of the remaining mineralisation as well as the potential for additional mineralisation is progressing.

BRAEMORE PROJECT (Optioned)

As advised in the ASX release of 26 May 2004, the Company has reached agreement with Teck Cominco Australia Pty Ltd (Teck) whereby Teck has acquired an Option to Purchase the Braemore Project after undertaking a RAB drilling program aimed mainly at exploring a 10 kilometre long prospective contact which is known to contain gold mineralisation. Teck Cominco has provided the following summary of activities:

A first pass RAB drilling program consisting of 73 holes for 3,491 metres was completed at the Braemore Project late in the quarter, testing the southern portion of the project, coincident with a NNW trending geochemistry anomaly. Drilling was completed on 200m spaced lines with holes centres every 100 metres over tenements P37/5330, P37/5333, P37/5333 and P37/5477. The majority of holes intersected felsic volcanoclastics (with minor sericite alteration) and fine grained clastics (with minor quartz-goethite veinlets).

Several anomalous assay results were returned from the program. The results are typically of a moderate tenor, with a peak result of 5 metres @ 0.258ppm Au returned from BRAB048 at a depth of 45 metres, associated with quartz veining adjacent to the felsic/sediment contact. Other significant intercepts include 20 metres @ 0.16ppm Au in BRAB024 from 30 metres and 20 metres @ 0.106ppm Au in BRAB032 from 25 metres. All holes are also associated with a strong arsenic anomalism which defines the entire length of the sediment/felsic contact (shear zone) targeted by drilling.

KURNALPI and ANTI DAM PROJECTS

On 27 October the Company announced (together with its wholly owned subsidiary Newcastle Nominees Pty Ltd) entering into a joint venture with Newcrest Operations Limited to explore the Kurnalpi (E28/465) and Anti Dam Projects (E28/699, Ps28/789, 958, 993 and 994).

- Under the terms of the JV, Newcrest may earn a 70% equity in the tenements by completing expenditure of \$1M within 4 years, with a minimum expenditure commitment of \$100,000 within 12 months and before Newcrest is entitled to withdraw.

Medusa then has the option of:

- Contributing its 30% share of expenditure to maintain its 30% equity position, or up to a first decision to mine, Medusa may elect to dilute on a program by program basis, or
- Reducing to a 20% carried equity position with project loans provided by Newcrest up to a first decision to mine to be repaid from operational cashflow, or
- Providing Medusa's equity is not less than 10%, Medusa may elect to take a "free carried" interest of 10% up to a first decision to mine; or
- Selling its equity at valuation.

Once any decision to mine is made the parties contribute according to their then held Participating Interests.

Joint venture partner Newcrest Mining Ltd has advised as follows:

Halfway Hill (E28/465)

Historic drilling at Halfway Hill has outlined a NNW trending zone of anomalous mineralization that can be traced along strike for some 900 metres. Significant gold intercepts are confined to a discrete 200 to 300 metres long zone.

The mineralization appears to have a subvertical to steep easterly dip and shows a general shallow (6°-10°) N-NNW plunge. The mineralization has not been adequately tested along strike, down dip and down plunge.

Newcrest is planning to drill two RC holes. The first hole is designed to test the down plunge potential of the known mineralization. The second hole is designed to test the northern strike extent and depth potential of the mineralization. A total of 500 metres of RC drilling is planned.

The drilling has been delayed due to drill rig availability. It is anticipated that drilling will commence in late February.

Proposed Exploration

During the next quarter RC drilling at Halfway Hill will be undertaken. A detail review of the Anti Dam area will also be conducted.

OTHER PROJECTS

The Company has negotiated a termination of the Purchase Agreement with the vendors of the **Mt Stirling** prospect, which will be announced when all documentation is complete.

CORPORATE

As advised to the ASX on 10 December 2004, the Company raised \$380,000 net of issue costs via the placement of 824,742 shares at \$0.485 per share.

Mr Roy Daniel was appointed Company Secretary on 6 December 2004 following the resignation of Mr Bruce Acutt.

Yours faithfully

Geoff Davis
Managing Director

For further information please contact the undersigned on 618-93670601 or by email to admin@medusamining.com.au.

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.

The information in this report that relates to Mineral Resources is based on information compiled by Ted Coupland and Rick Adams of Cube Consulting, who are Members of the Australasian Institute of Mining and Metallurgy. Ted Coupland and Rick Adams have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 1999 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Ted Coupland and Rick Adams consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Cube Consulting is an independent Perth based resource consulting firm specialising in geological modelling, resource estimation and Information Technology.

Medusa Mining Limited
Un-audited Pro-forma Consolidated Statement of Financial Position
as at 30 September 2004

An un-audited pro-forma consolidated statement of financial position of Medusa Mining Limited, taking into account the acquisition of the Co-O mine and associated assets as at 30 September 2004.

Description	Un-audited	Adjustments	Pro-forma
<u>CURRENT ASSETS</u>			
Cash	1,933,743	-	1,933,743
Receivables	60,564	-	60,564
Prepayments	27,366	-	27,366
Total assets	2,021,673	-	2,021,673
<u>NON-CURRENT ASSETS</u>			
Acquisition of Co-O mine	-	28,750,000	28,750,000
Property, plant & equipment	49,406	-	49,406
Mineral properties	2,192,666	-	2,192,666
Total non-current assets	2,242,072	28,750,000	30,992,072
TOTAL ASSETS	4,263,745	28,750,000	33,013,745
<u>CURRENT LIABILITIES</u>			
Payables	165,230	-	165,230
Provisions	2,515	-	2,515
Total current liabilities	167,745	-	167,745
<u>NON-CURRENT LIABILITIES</u>			
Payables	-	5,000,000	5,000,000
Total non-current liabilities	-	5,000,000	5,000,000
TOTAL LIABILITIES	167,745	5,000,000	5,167,745
NET ASSETS	4,096,000	23,750,000	27,846,000
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	4,936,854	23,750,000	28,686,854
Retained profit & loss	(840,854)	-	(840,854)
TOTAL SHAREHOLDERS' EQUITY	4,096,000	23,750,000	27,846,000

The pro-forma consolidated statement of financial position assumes:

1. The acquisition cost of the Co-O mine and associated assets at a cost of \$28.75 million;
2. Issue of 25,000,000 vendor shares at an assumed price of \$0.55;
3. Proposed equity raising of \$10 million via a placement of 18,181,818 shares at an issue price of \$0.55;
4. Proposed borrowings of \$5,000,000 via the issue of a convertible note/preference shares;
5. The issue price of \$0.55 is only an assumption for the purpose of this exercise.

The Company wish to advise that the details on fund raising have not been finalized and that the mixture of debt and equity as reported in the pro-forma reports will be subject to change.

Medusa Mining Limited
Pro-forma Capital Structure

Description	Current capital structure	Proposed transaction	Pro-forma capital structure
<u>Ordinary shares</u>			
Issued	39,564,842	-	39,564,842
Vendor shares	-	25,000,000	25,000,000
Placement	-	18,181,818	18,181,818
Total ordinary shares	39,564,842	43,181,818	82,746,660
<u>Options</u>			
<u>Listed</u>			
- \$0.20 options expiring 31 Jan 2007	20,660,793	-	20,660,793
<u>Unlisted</u>			
- \$0.6072 options expiring 31 Jan 2007	225,000	-	225,000
- \$0.4334 options expiring 26 Jun 2010	600,000	-	600,000
Total options	21,485,793	-	21,485,793

The Company wish to advise that the details on fund raising have not been finalized and that the mixture of debt and equity as reported in the pro-forma reports will be subject to change.

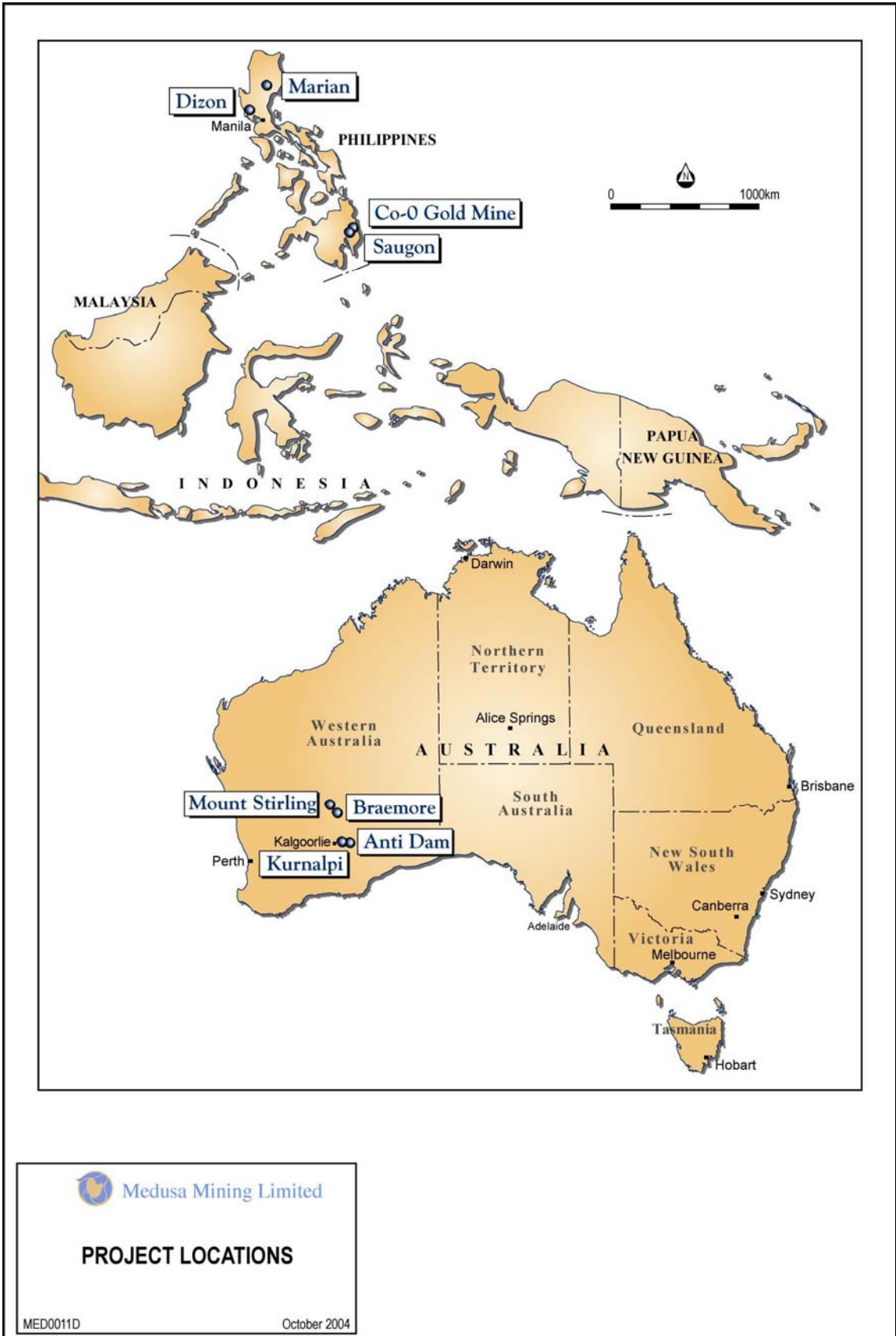


FIGURE 1

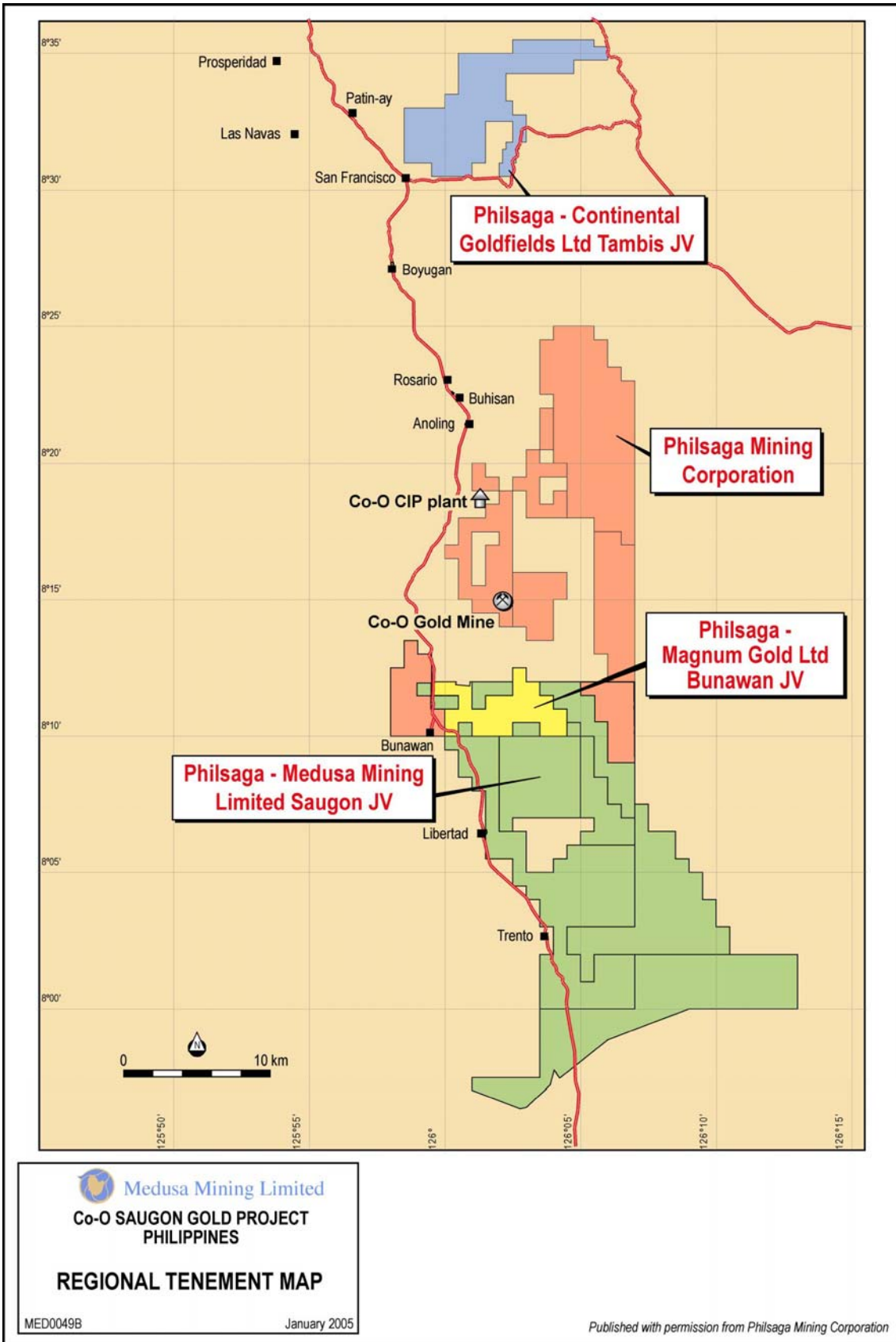


FIGURE 2

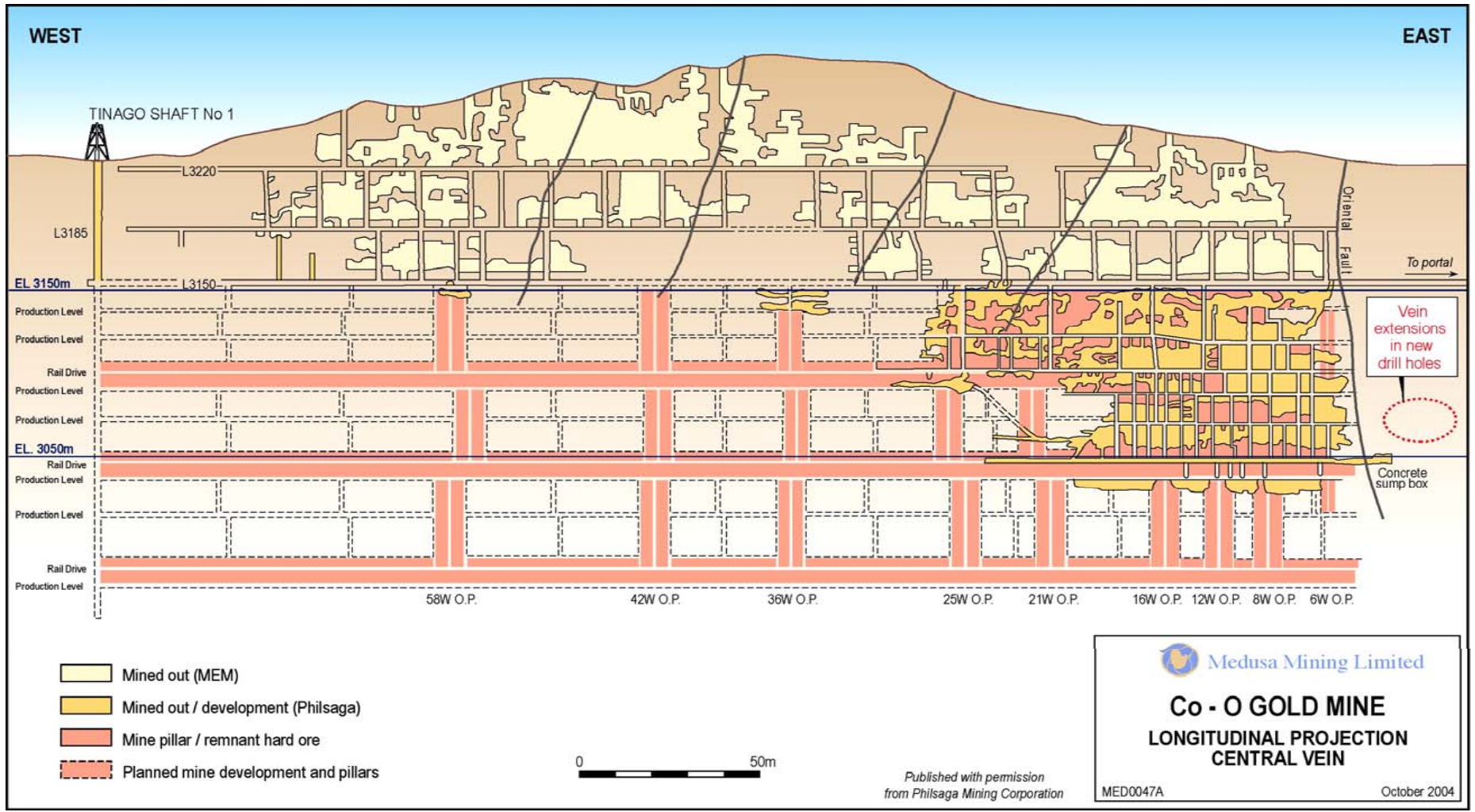


FIGURE 3

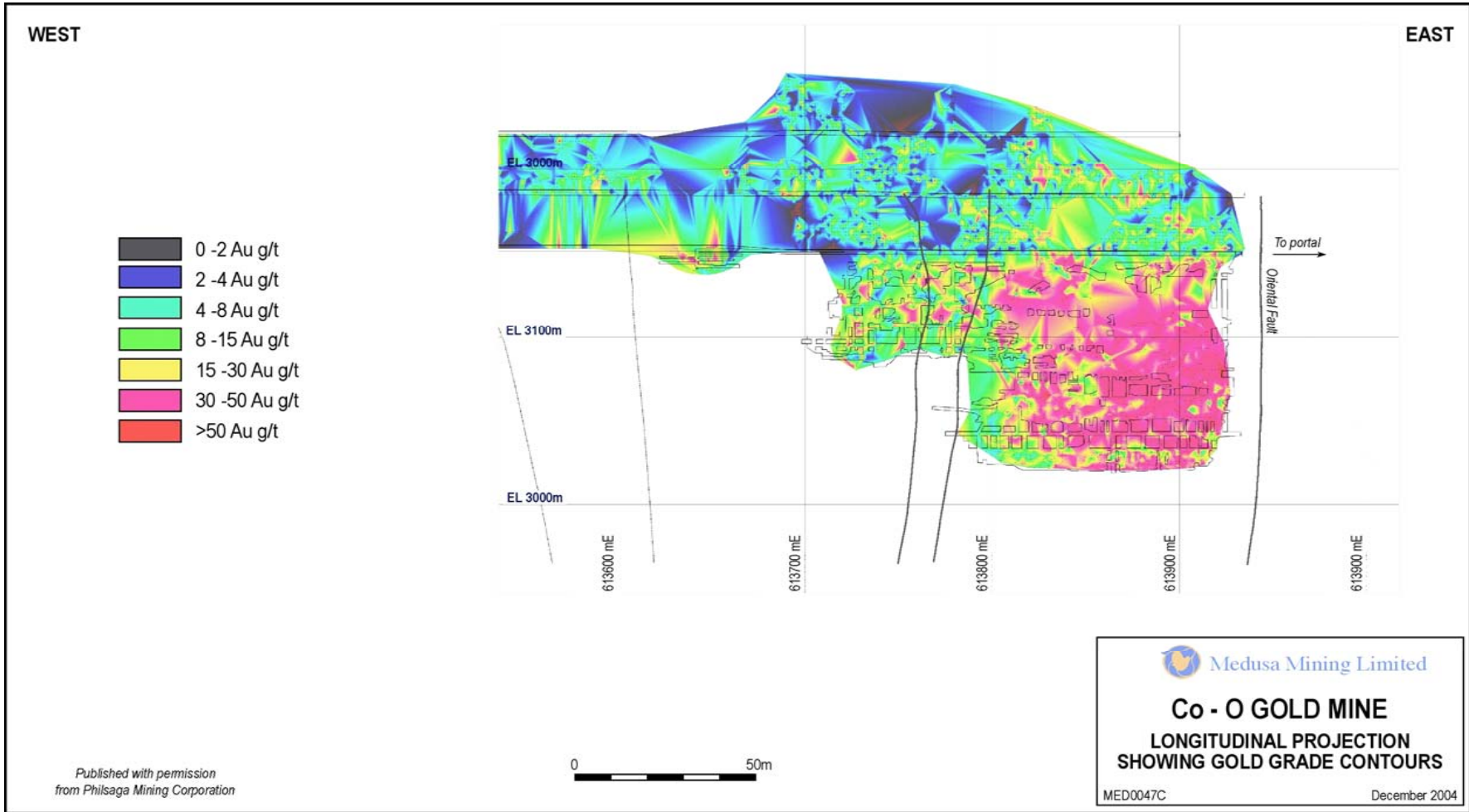


FIGURE 4

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98. 30/9/2001.

Name of entity

MEDUSA MINING LIMITED

ACN or ARBN

099 377 849

Quarter ended ("current quarter")

December 2004

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(546)	(1,168)
(b) development	-	-
(c) production	-	-
(d) administration	(54)	(128)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	40
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(583)	(1,256)
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
1.8 Payment for purchases of: (a) prospects	-	(50)
(b) equity investments	-	-
(c) other fixed assets	(25)	(18)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(25)	(68)
1.13 Total operating and investing cash flows (carried forward)	(608)	(1,324)

1.13	Total operating and investing cash flows (brought forward)	(608)	(1,324)
CASH FLOWS RELATING TO FINANCING ACTIVITIES			
1.14	Proceeds from issues of shares, options, etc.	404	1,312
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (issue expenses)	(20)	(89)
Net financing cash flows		384	839
Net increase (decrease) in cash held		(224)	(101)
1.20	Cash at beginning of quarter/year to date	1,965	1,842
1.21	Exchange rate adjustments to item 1.20	(28)	(28)
1.22	Cash at end of quarter	1,713	1,713

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	63
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
Salaries, management and consulting fees paid to Directors of the Company		

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	750
4.2 Development	-
Total	750

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	25	495
5.2 Deposits at call	1,688	1,470
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,713	1,965

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note 2)	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 *Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	39,564,842	25,364,242		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	824,742 736,500	824,742 736,500	\$0.485 \$0.200	\$0.485 \$0.200
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	21,485,793	20,660,793	<i>Exercise price</i> (see note 6)	<i>Expiry date</i> (see note 6)
7.8 Issued during quarter	225,000 700,000	- 700,000	\$0.6072 \$0.200	31 Jan 2007 31 Jan 2007
7.9 Exercised during quarter	36,500	-	\$0.200	
7.10 Expired during quarter	-	-	-	
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.

Sign here: _____ Date: 27 January 2005
 Company Secretary

Print name: Roy Daniel

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

6. Options:

<u>Number issued</u>	<u>Exercise price</u>	<u>Expiry date</u>
<i>(a) Options issued and quoted as at 31 Dec 2004</i>		
20,660,793	\$0.20	31 Jan 2007
<i>(b) Options issued but not quoted as at 31 Dec 2004</i>		
225,000	\$0.6072	31 Jan 2007
600,000	\$0.4334	26 Jun 2010