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# Junior snakes its way to the Philippines

Medusa Mining is staring at lucrative days ahead if it can turn on its Saugon gold and silver project early next year. **By Rebecca Keenan**

**M**edusa Mining Ltd is a junior gold explorer looking for an early cash flow from its Saugon gold and silver project in the Philippines.

The company, headed up by managing director Geoff Davis, raised \$2.5 million at Christmas time last year and has been trading above its 20c issue price ever since.

Medusa has set itself some very definite goals to achieve, the first and foremost is to be cash flow positive within two years. The company is also very definite on how it will achieve this — by seeking projects with low capital requirements and low operating costs. Sounds like the ideals of every junior floating its wares, but Medusa differs in that it appears to have the capacity to deliver on its objectives. And to achieve this, Medusa has teamed up with a local group in the Philippines which has excellent milling and mining capabilities, both in terms of facilities and manpower.

The Saugon gold and silver project is located in the Trento District of Eastern

Mindanao and is in good company with Anglo-American and Indophil Ltd also undertaking large project developments in the same general region of Mindanao.

Two gold deposits are currently being mined in the local area which is well known for its high-grade vein gold deposits. Both the Co-O and Diwalwal deposits form the basis of Medusa's geological exploration model for Saugon.

"The Philippines is our focus because we are looking for the high-grade deposits," said Davis.

"We are looking for projects that can provide a high profit margin per ounce of gold produced, and projects that, as a small company, for which we don't have to raise a lot of capital."

Medusa will earn a 50% interest in the Saugon project from its joint venture partner on the project, Philsaga Mining Corporation, by spending the first \$1.2 million and then all subsequent expenditure will be jointly funded. The joint venture partners aim to turn the project into a gold mine producing a



Medusa Mining managing director Geoff Davis ...  
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minimum of 150 tonnes of ore per day at an anticipated 20 grams of gold per tonne.

Medusa started its exploration campaign at Saugon in mid-2003 but stepped up its efforts post float in January this year. In February it announced the first diamond drill hole had passed through the target zone, intersecting a new quartz vein, named the First Hit Vein. The vein returned high-grade intersections of 1m at 35.95 grams per tonne gold and 541.2gpt silver from 108.5m.

In order to be in a position to achieve cash flow as early as possible, Medusa has also commenced underground exploration using a full sized, inclined and timbered winze that can also be used for ore production. Results from the exploration winze, named the First Hit Winze, included 1.4m at 60.71gpt and 1.65m at 13.8gpt.

The exploration also located new, narrow "black leader" mineralisation of 0.05m at 354gpt Au and 5,661gpt silver, 0.08m at 202gpt gold and 3,792gpt silver, and 0.04m at 95.52gpt Au and 1,262gpt silver. In an announcement to the market, Medusa said the new occurrence of the narrow, high-grade black leader silica or sulphide veinlets within the main vein is significant as this type of material is found at other local deposits, which have consequently been found to have unusually high-grade gold values.

A recent announcement in early May indicates the First Hit Vein contains exceptional silver values, acting as a "sweetener" and adding to the value of the ore that may be produced.

Davis said the company anticipated, subject to continuing positive exploration results, taking the Saugon project into production near the end of this calendar year or early 2005. Nearby milling facilities at Philsaga's Co-O project will allow Medusa to fast track production



Underground exploration at Saugon included results of 1.4m at 60.71gpt and 1.65m at 13.8gpt.

under an ore treating arrangement. Philsaga is also providing the management and mining contractor for the project.

As Davis has worked in Southeast Asia for more than 20 years, he understands the importance of developing personal relationships and using established networks of professionals to minimise operational problems and the risks of operating offshore, as may be perceived by investors.

During the 1980s and 1990s he was involved in consulting to companies in the Philippines. Medusa's joint venture partner, Philsaga has been operating the Co-O project since 2000. It has already implemented a number of community initiatives including medical outreach and educational assistance programs for the surrounding communities.

director and is a mining engineer with more than 25 years experience. All in all a well-balanced team.

Medusa has also acquired four gold projects in the Eastern Goldfields of Western Australia, focusing on the districts of Kurnalpi with the Anti Dam and Kurnalpi projects, and the Braemore and Mt Stirling projects in Leonora. These projects have drilled resources or resource potential demonstrated by previous drilling and will be subject to work programs in the future.

The Anti Dam project is 95km east of Kalgoorlie and contains the Colour Dam gold deposit. The deposit has an inferred resource of 121,000t of 3.3gpt gold for 12,800oz of contained gold. Intersections at the resource include 3m at 10.87gpt and 6m at 4.82gpt from the shallow, mainly oxide resource. Recent work at the

announced it had a three-month option period in which to perform due diligence investigations to test if the project is economic. There are possibilities that it has the potential to form part of an environmental rehabilitation project. The Queen project covers 10km of the Queen River which drains the adjacent Mt Lyell mine area. Roughly 100 million tonnes of tailings entered the river during mining at Mt Lyell from 1883-1989. River flow over the years has left behind heavy sulphides and precious metals as all the lighter rock fragments were washed away.

Davis said the project potentially has a low capital expenditure as the company, if bulk testing results are positive, would plan to hire or lease as much of the equipment as possible. The project can be acquired by exercising the option for a total of \$50,000.

The company has a tight capital structure with 35 million shares on issue, hence any exploration or development success should see a re-rating of the company's share price. In addition, Davis said it is the desire of the company to generate sufficient profits in the near future to be able to pay dividends to shareholders. He said Medusa was a company for medium to long-term investors with a 1-2 year investment horizon. Many of its current shareholders have cashed out of recent success stories in nickel-oriented companies, and are hoping to see a repeat of these successes by investing in gold with Medusa. Davis is optimistic that they won't be disappointed.



Exploration started at Medusa's Saugon gold and silver project, located in the Trento District of Eastern Mindanao, in mid-2003.

"We understand how important it is to have good relationships with the local communities," said Davis. "These local communities understand that if we can make a profit from this project then they will also benefit, and hence, they in turn support us."

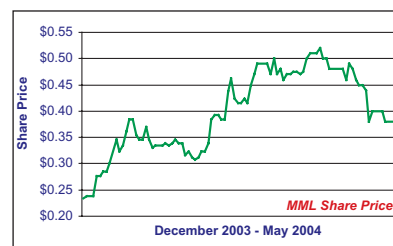
Heading the board of Medusa is non executive chairman Jeffrey Schiller, a geologist with 30 years experience in mining. He was also a founding director of the successful Independence Gold Ltd. Simon Cato is a non executive director and has more than 20 years of experience in both broking and regulatory roles. He has worked with the Australian Stock Exchange and for the past 12 years was the executive director of two stockbroking firms. Ted Mein is the third non executive

project has demonstrated good potential for extensions of the resources.

The Braemore gold project is located 7km northeast of Leonora and has demonstrated mineralisation potential with consistent results returned from RAB drilling and potentially ore grade intersections from RC drilling. Medusa said in its prospectus that the data processing of surface sample data indicated good potential for the discovery of additional resources that could be treated at nearby under-utilised milling facilities.

Medusa also has another project up its sleeve that may enable it to move into cash flow positive territory — its Queen River project, in the Mt Lyell District of Tasmania. In January the company

### medusa mining ... at a glance



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#### DIRECTORS

Jeffrey Schiller, Geoff Davis,  
Simon Cato, Ted Mein

#### MARKET CAPITALISATION

\$5.52 million (at press time)

#### MAJOR SHAREHOLDERS

G Davis (Director) and S Davis - 9.41%  
E S M Mein (Director) - 5.13%  
Platinum Investment Corp. - 4.79%