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The Manager
Australian Stock Exchange Limited
Level 4
20 Bridge St
Sydney, NSW.

Dear Sir/Madam,

JOINT VENTURE WITH BACTECH MINING CORPORATION FOR THE TREATMENT OF REFRACTORY ORES IN THE PHILIPPINES

- **The Company advises that it has signed a 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-copper ores or gold-copper ores with high penalty element components.**
- **The Joint Venture Agreement is for an initial 3 year period and will commence with testwork on the samples currently being obtained from the Dizon mill tailings project by drilling.**
- **The equity interests of Medusa and BacTech in the Joint Venture are 50% each.**

TERMS OF THE AGREEMENT

Medusa has signed a Memorandum of Understanding (MOU) with BacTech Mining Corporation (BacTech) whereby Medusa and BacTech have agreed to form a joint venture to undertake investigation of gold, silver and copper sulphide mineralisation projects in the Philippines that would be suitable for application of the BacTech bio-leaching technology. This technology is particularly successful at economically recovering gold, silver and copper metal from refractory sulphide mineralisation or mineralisation containing high concentrations of penalty elements

The MOU is for an initial 3 year period with the right to extend. During this period, BacTech will provide its technology to the joint venture exclusively for the Philippines. It is the intention of the JV to vend economically viable projects into a newly created corporate entity to be owned equally by Medusa and BacTech.

Medusa's Dizon mill tailings project will be the first project to be evaluated by the parties, where Medusa is currently undertaking a drill sampling program to obtain metallurgical samples on which BacTech will undertake metallurgical testwork.

Medusa will commence to source other projects within the Philippines suitable for the application of the Bactech technology.

BACTECH CORPORATE PROFILE AND TECHNOLOGY

BacTech has developed and patented bioleach technology for the treatment of refractory ores and concentrates to enhance the recovery of gold, silver and base metals. BacTech has successfully commissioned three bioleach plants for gold and, in 2000, successfully demonstrated its technology in the selective recovery of base metals from complex sulphide concentrates in a joint project with Industrias Penoles de C.V. of Mexico.

BacTech acquired a 55% stake in Tonkin Springs LLC, the owner of the Tonkin Springs gold project in north central Nevada, in July 2003. BacTech has also acquired an option on 100% of the McKinnon Creek polymetallic deposit near Revelstoke, British Columbia. Finally, BacTech entered into a series of agreements that will see the Company participating in the Chinese gold industry through equity and project participation.

THE DIZON PROJECT

On 27 May 2004 Medusa signed an option agreement with Dizon Copper and Silver Mines Incorporated of Manila ("DCSMI"), the owner of the Dizon tailings. Medusa's agreement with DCSMI calls for Medusa to conduct a study evaluating the economic potential of the project. If the project is deemed to be feasible, Medusa will exercise its option to acquire a 60% stake in a newly formed JV with DCSMI owning 40%. In the event DCMSI contributes less than 10% of the necessary capital to put the project into production, their interest will be converted to a 3% NSR.

The Dizon Project is located approximately 200 kilometres northwest of Manila and approximately 28 kilometres by all weather gravel road from Olongapo City at Subic Bay (Figure 1).

The Dizon Porphyry Copper-Gold Mine operated as 50:50 joint venture between Dizon Copper and Silver Mines (DCSMI) and Benguet Consolidated Inc (Benguet) between late 1979 and 1997 with Benguet as the operator.

The open pit mine finally closed in 1997 after mining 110,032,754 tonnes of ore and recovering 749,755,457 pounds (341,388 tonnes) of copper and 1,906,754 ounces of gold (Benguet Consolidated Inc website). Benguet subsequently withdrew from the joint venture.

It should be noted that this porphyry copper-gold mine was the richest in gold that has been mined in the Philippines to date.

DIZON MILL TAILINGS

The Dizon mill tailings are impounded behind a large earthwall dam approximately 1 kilometre from the closed open pit. The tailings are estimated to be approximately 126 metres deep at their deepest point.

Current sample drilling of the tailings is designed to test the grade and particle size distribution and provide samples for metallurgical testwork

Discussions with former metallurgists who worked at the mine have highlighted the fact that Benguet conducted preliminary work on the tailings to investigate the recovery of additional gold. Using gravity methods, Benguet produced refractory pyritic concentrates that contained approximately 15-25g/t gold, 15-25g/t silver and 2-3% copper, along with magnetite. Successful production of a similar concentrate would be a potential source of feed for the BacTech Technology to produce gold and copper metal product.

FURTHER INFORMATION

For further information contact the undersigned on 618-93670601 or by email to admin@medusamining.com.au Detailed descriptions of the Company's projects can be viewed in Medusa's Prospectus and subsequent releases on www.medusamining.com.au

Yours faithfully

Geoff Davis
Managing Director

The information in the above announcement was compiled by G J Davis who is a member of the AIG with not less than 5 years experience in the relevant fields, and who consents to the report appearing in the form and context in which it appears.

Figure 1

