



**MINING LIMITED**  
ACN: 099 377 849

**QUARTERLY ACTIVITIES REPORT  
PERIOD ENDING 31 MARCH 2004**

<p><b>MEDUSA MINING PROFILE</b></p> <p>Medusa Mining Limited listed on the ASX on 23 December 2003 issuing 12,500,000 shares at \$0.20 each, raising \$2,500,000.</p> <p><b>Medusa's</b> corporate objectives are to:</p> <ul style="list-style-type: none"> <li>• Acquire gold and gold-copper projects with cash flow potential within 2 years.</li> <li>• Achieve production with a low capital exposure and a rapid payback period.</li> <li>• Explore for high grade deposits in areas with good access and infrastructure.</li> </ul> <p>To achieve the objectives, <b>Medusa</b></p> <ul style="list-style-type: none"> <li>• Is earning a 50% interest in the Saugon Gold Project, located in the Philippines;</li> <li>• Acquired an Option over the Queen River alluvial deposits and the King Gold Mine adjacent to the Mt Lyell copper mine, located in Tasmania.</li> </ul> <p>Medusa has a tight capital structure which should reflect project success.</p> <p><b>Shares Issued:</b> 35,075,600 ASX Code: MML <b>Options Issued:</b> 17,212,793 ASX Code: MMLO</p> <p>Further details: Web : <a href="http://www.medusamining.com.au">www.medusamining.com.au</a></p> <p>Geoff Davis Managing Director</p>		<p><b>HIGHLIGHTS</b></p> <p><b>SAUGON GOLD PROJECT (EARNING 50%)</b></p> <ul style="list-style-type: none"> <li>• TWO DIAMOND DRILL RIGS NOW WORKING ON THE FIRST HIT VEIN.</li> <li>• VEIN GEOMETRY KNOWLEDGE IS DEVELOPING. FIRST HIT VEIN APPEARS TO BE THICKENING AND PLUNGING TO THE WEST WITH TYPICAL PINCH AND SWELL CHARACTERISTICS</li> <li>• HOLE SDDH-2B INTERSECTED 1m @ 35.95g/t Au &amp; 541.2g/t Ag.</li> <li>• HOLE SDDH-4 INTERSECTED 1M @ 1.37g/t Au AND 19.8g/t Ag, 0.2m @ 9.74g/t AU AND 143.2g/t Ag.</li> <li>• THE EXPLORATION WINZE HAS REACHED A DEPTH OF 28m DOWN WINZE.</li> <li>• NEW WINZE VEIN CHANNEL SAMPLES INCLUDE 1.90m @ 24.20g/t Au, 2.10m @ 15.66g/t Au, 1.90m @ 10.36g/t Au AND 2.25m @ 11.61g/t Au.</li> <li>• HIGH GRADE, IRREGULAR AND NARROW "BLACK LEADER" VEINLETS INTERSECTED IN WINZE TO 0.08m @ 134.60g/t Au.</li> </ul> <p><b>QUEEN PROJECT (OPTION TO PURCHASE 100%)</b></p> <ul style="list-style-type: none"> <li>• OPTIONS TO PURCHASE KING AND QUEEN PROJECTS EXTENDED TO 19 MAY 2004.</li> <li>• AT THE QUEEN RIVER, BULK SAMPLES FROM 17 TRENCHES COMPLETED, AND</li> <li>• METALLURGICAL TESTING OF 2.5 TONNES OF MINUS 3.5mm SCREENED PRODUCT IS IN PROGRESS.</li> </ul> <p><b>FORTHCOMING WORK PROGRAMS</b></p> <ul style="list-style-type: none"> <li>• CONTINUE DIAMOND DRILLING AT THE FIRST HIT VEIN TO DEFINE THE VEIN.</li> <li>• CONTINUE THE WINZE SINKING TO 50m LEVEL AND COMMENCE FIRST LEVEL DEVELOPMENT.</li> <li>• COMPLETE THE QUEEN RIVER METALLURGICAL TESTWORK AND ASSESS RESULTS WHEN AVAILABLE.</li> <li>• INVESTIGATE NEW OPPORTUNITIES.</li> </ul> <p><b>SUBSEQUENT EVENTS</b></p> <p><b>OPTIONS ISSUE</b> THE COMPANY COMPLETED THE ISSUE OF ENTITLEMENT OPTIONS TO SHAREHOLDERS RAISING \$172,127.93</p>
<p>PO Box 860 Canning Bridge WA 6153 Telephone: 618-9367 0601 Facsimile : 618-9367 0602</p>		

## PROJECT OVERVIEWS

The locations of the Company's projects are shown on Figure 1.

### SAUGON GOLD PROJECT (Medusa earning 50%)

#### Background

The project is located in central eastern Mindanao in the Republic of the Philippines (Figures 1 and 2) and is accessed by the national highway over an approximate 2.5 hour drive north of Davao City. Access from the highway to the project is via 5 kilometres of gravel roads.

The Co-O milling facility owned by the Company's joint venture partner and operator of the joint venture, Philsaga Mining Corporation, is approximately 23 kilometres by road from the project.

Work on the Southern Vein Set commenced in mid 2003. The vein within this set which has demonstrated surface continuity and which is currently being drilled and on which the exploration winze is being sunk has been now named the **First Hit Vein**.

Establishment of a new grid system over the project area and surveyed into the national grid system is nearing completion.

#### Drilling Progress

The drill holes and results to hand are listed in Table I and the collar positions of the holes are shown on Figure 3.

It is now apparent that drill hole intersections in the First Hit Vein are approximately the true width of the vein.

Indications are that the First Hit Vein geometry appears to be thickening and plunging to the west of the winze. It is now apparent that drill hole intersections in the First Hit Vein are approximately the true width of the vein.

Two diamond drilling rigs are now working on the project with the aim of rapidly establishing consistently mineralised vein over +100m of strike length. Drill holes are spaced on approximately 50 metre centres where possible. Achieving this objective is expected to enable the project to proceed to production.

**Hole SDDH-2B** (reported on 10 March 2004) intersected high grade results in massive grey quartz of 1m at 35.95g/t Au and 541.2g/t Ag as shown in cross-section on Plan Figure 4. This vein has a Au:Ag ratio of 1:18.

Subsequent drill hole, SDDH-4, on the same section and above hole SDDH-2B suggests that the vein intersections in both holes correspond to the vein in the exploration winze, and hence the dip of the vein is now established at approximately 60° to the south. Preliminary interpretations are indicating that the vein thickens to the west from near the winze and may have a plunge component in the same direction.

**Hole SDDH-3** intersected the projected First Hit Vein position to the east of the winze where it consists of narrow "blotchy" dominantly grey quartz with minor white quartz and clay gouge. It has the appearance of being affected by later faulting. It has returned low values with 0.20m @ 0.09g/t Au and 4.0g/t Ag.

The second deeper intersection in hole SDDH-3 of 1.42g/t Au and 27.6g/t Ag is indicating an increase in gold and silver values and the possibility of a second vein target in this position.

**Hole SDDH-4** intersected 1.0m @ 1.37g/t Au and 19.8g/t Ag in the First Hit Vein position. The variety of quartz in this intersection is very similar to the grey quartz intersected in hole SDDH-2B, and has similar Au:Ag ratios of approximately 1:14-18. The gold intersection is within a 3m wide vein and intense silicification zone and highlights the erratic nature of gold mineralization

in veins when this intersection is compared to higher grades achieved both below in SDDH-2B and in the winze above hole SDDH-4 on this cross section.

The Company was informed verbally on Friday 24 April that drill holes SDDH-5 and 6 were in progress at 71.8m and 118m respectively as follows:

**Hole SDDH-5** had intersected 0.8m of quartz vein from 71m and was drilling ahead in quartz vein.

**Hole SDDH-6** had intersected 4m of quartz vein from 114m and was drilling ahead in quartz vein.

**TABLE I First Hit Vein: Summary of diamond drill hole results**

Hole	North	East	Dip	Azimuth	From (m)	To (m)	Width (m)	Au g/t	Ag g/t
<b>SDDH-2B</b>	899,267	616,944	55°	316°	108.5	109.5	1.00	35.95	541.2
<b>SDDH-3</b>	899,305	616,977	55°	316°	106.55	106.75	0.20	0.09	4.0
					222.15	222.65	0.50	1.42	27.6
<b>SDDH-4</b>	899,318	616,912	59.6°	290°	64.55	65.55	1.0	1.37	19.8
					89.50	89.70	0.20	9.74	143.2
<b>SDDH-5</b>	899,344	616,964	54.3°	345°	In progress				
<b>SDDH-6</b>	899,233	616,907	51.9°	317°	In progress				

Note: Collar co-ordinates represent the national grid

### Drill Core Analysis

Following geological logging and photographs, all drill core selected for assay was split in half by diamond saw and half core was sent to McPhar Geoservices Phils (Inc) in Manila, a NATA registered laboratory. Medusa personnel were present when the samples from SDDH-3 and 4 were bagged and boxed for despatch. Core for these drill holes was BQ size.

Gold was assayed by fire assay of a 30 gram charge with Atomic Absorption Spectrometry (AAS) finish. Copper, lead, zinc and silver were assayed by AAS following a hot acid leach. Arsenic was assayed by Vapor Generation/AAS from the acid leach.

### Exploration Winze

As of Friday 24 April the exploration winze had reached 28m inclined depth. The winze is being excavated partly in vein and partly in volcanics along the footwall to the vein and has intersected vein material all the way from its collar.

It is proposed to sink the winze to 50m inclined depth before commencing development of the first level to laterally explore the vein with a view to early production.

The samples analyses by Philsaga from the east and west walls of the winze to a depth of 20.35m have continued to return a mix of high and modest grades as summarized in Table II and shown on the cross-section on Figure 4. Analytical results to a depth of 14.9m were reported on 10 March 2004.

Pulps from the winze sampling to date have been submitted to an independent laboratory for check analysis in addition to assaying for Ag, Cu, Pb, Zn and As.

“Blackleader” veinlets within the winze continue to be irregularly intersected and include a recent result of 0.08m @ 134.60g/t Au. These veinlets vary in composition from dominantly black silica to galena-rich vein material.

The quartz in the winze is dominantly vuggy white quartz, in places banded and in places hydrothermally brecciated. This is different to the grey silica varieties intersected in the drill holes, so a change in quartz varieties is expected in the winze before reaching the proposed first level at 50m depth.

**Table II Exploration winze vein channel sample results**

Depth (m)	West wall width (m)	Au g/t	East wall width (m)	Au g/t
7.5	1.50	6.42	1.05	10.00
8.3	1.80	17.35	1.65	13.80
9.3	1.70	3.14	1.4	5.99
11.0	Grab	5.10	Grab	8.50
12.8	0.30	2.67	0.35	21.96
14.9	0.04	92.32	0.04	96.32
16.5	0.35	0.47	1.90	24.20
17.6	0.30	5.00	2.25	11.61
			Incl. 0.08	134.60
18.0	1.90	10.36	0.25	17.96
19.25	0.25	2.43	1.25	5.30
20.35	0.80	8.73	2.10	15.66

Pulps from the winze sampling to date have been submitted to an independent laboratory for assay checking in addition to assaying for Ag, Cu, Pb, Zn and As.

## **QUEEN PROJECT** (Option to Purchase 100% extended to 19 May, 2004)

### **Background**

The project is located adjacent to the Mt Lyell open cut copper mine in southwest Tasmania and the project area is shown on Figure 5.

The project consists of Mining Lease applications 6M/2002 and 8M/2002, and new Exploration Licence application EL2/2004.

The two Mining Lease applications cover 10 kilometres of the Queen River which drains the Mt Lyell Mine Area south to the King River. The new EL application protects potential in the King River and also access to the Queen River.

The Option to Purchase Agreement allows the Company a period in which to undertake due diligence investigations of the economic viability to mine and process the abundant detrital pyrite rich riverine sediments in and along the Queen River watercourse. There exists the business opportunity for such proposed operations to become part of an environmental rehabilitation project funded by the Commonwealth and State governments.

### **Work completed and in progress**

A sampling program was undertaken to test the gold and base metal potential of river sediments that have been contaminated by approximately 100 million tonnes of flotation tailings and smelter slag derived from treating the Mount Lyell copper-gold ore upstream to 1994. The riverine sediments contain gold as free particles and within pyrite grains.

A program of bulk sampling at 17 sites over approximately 6 kilometres of the Queen River channel has been completed using an excavator and a trommel screen to collect the minus 3.5mm size fraction. The sample sites represent different river environments, eg, fast flowing areas, large banks of gravel, and different sediment types, so that grade variations according to the riverine environment and sediment type can be assessed.

At each sample site between 6m<sup>3</sup> and 30m<sup>3</sup> of minus 3.5mm material was collected after screening out all the river gravels and boulders with a trommel screen. The amount of minus 3.5mm material varies between sites but is estimated to comprise 25-50% by volume of the total material that was excavated from the river. The minus 3.5mm fraction collected is observed to contain a very high percentage of the detrital pyrite contained within the river system.

The river gravels were found to be very simple to excavate, wash and screen using an excavator and trommel.

Grab samples taken from 6m<sup>3</sup> of minus 3.5mm material to each sample site have returned assay values of between 0.3 and 4.1g/t gold. Physical examination of the gold particles from panned samples taken from the same batches has shown essentially distinct fine and coarse populations of gold particle sizes, being fine gold at less than 300 microns in size and a possibly significant population at greater than 300 microns in size.

Approximately 2.5 tonnes of minus 3.5mm material has arrived in Perth for metallurgical test work and process design. The minus 3.5mm material excess to current testwork requirements has been stored in bulka bags at site for possible additional testwork.

### **History to the Queen River Project**

The Queen River pyrite rich deposits 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, 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 oxidise 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. 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 bonds 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 Exploration Permit ELA2/2004 to cover the King River system where substantial volumes of pyritic tailings are reported.

### **The King Gold Mine (Option to Purchase 100% extended to 19 May, 2004)**

Mining Lease application 14M/1996 covers the old King River Gold Mine and several other old nearby mining sites. The Option to Purchase Agreement will allow the Company a four month period to undertake due diligence investigations on the project.

The Company has completed compilation of historic data during the period.

### **MONTACUTE COPPER PROJECT (M5889 - 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.

The Company is awaiting transfer of the mining lease from the vendor to Medusa before advancing it's planning for further work.

## **KURNALPI PROJECT**

This project was subject to a plaint as detailed in the Medusa prospectus, with the acquisition being conditional on resolution of the plaint.

The Vendors have advised that the plaint has been resolved in their favour and consequently the Company can now proceed to completing the acquisition.

## **OTHER PROJECTS**

The Company has elected not to exercise an Option to Purchase Prospecting Licences 37/4785 and 4786 to the **Braemore Project**. The licences are situated at the north eastern edge of the Braemore Project. The exercise price was \$50,000. Potential joint venture partners have expressed an interest in the project.

No work was carried out on the **Anti Dam** during the reporting period.

The Company is waiting the granting of the **Mt Stirling** prospecting licences in order to complete the acquisition of the project.

## **CORPORATE**

The Company wishes to advise that from Monday 3 May 2004, the office address will be Unit 7 (previously Unit 4), 11 Preston Street, Como, Western Australia. All other contact details remain the same.

## **FURTHER INFORMATION**

For further information contact the undersigned on 618-93670601 or by email to [admin@medusamining.com.au](mailto: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](http://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.*



**MEDUSA MINING LIMITED**  
 ABN 099 377 849  
**Consolidated Statement of Cash Flows**  
**For Quarter Ended 31 March 2004**

Note: Medusa listed on the ASX on 23 December 2003. The Cash Flow Statement is for the six months ended 31 March 2004.

	Current Quarter \$A'000	Year to Date (6 months) \$A'000
<b>CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>		
1.1		
1.2		
	(409)	(545)
	-	-
	-	-
	(88)	(110)
1.3	-	-
1.4	20	23
1.5	-	-
1.6	16	(18)
1.7	-	-
<b>Net Operating Cash Flows</b>	<b>(461)</b>	<b>(650)</b>
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>		
1.8		
	-	(56)
	-	-
	(3)	(6)
1.9		
	-	-
	-	-
	-	-
1.10	-	-
1.11	-	-
1.12	-	-
<b>Net investing cash flows</b>	<b>(3)</b>	<b>(62)</b>
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		
1.13	141	2709
1.14	-	-
1.15	-	-
1.16	(25)	(292)
<b>Net financing cash flows</b>	<b>116</b>	<b>2417</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>	<b>(348)</b>	<b>1705</b>
1.17	2,493	440
1.18	-	-
1.19	<b>2,145</b>	<b>2,145</b>

**PAYMENTS TO DIRECTORS OF THE ENTITY AND ASSOCIATES OF THE DIRECTORS**

**PAYMENTS TO RELATED ENTITIES OF THE ENTITY AND ASSOCIATES OF THE RELATED ENTITIES**

		<b>Current Quarter \$A'000</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	50
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 Directors' 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**

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

**ESTIMATED CASH OUTFLOWS FOR NEXT QUARTER**

		<b>\$A'000</b>
4.1	Exploration and evaluation	720
4.2	Development	-
	<b>Total</b>	<b>720</b>

**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.		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Cash on hand and at bank	636	493
5.2	Deposits at call	1,509	2,000
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	<b>Total: cash at end of quarter (item 1.19)</b>	<b>2,145</b>	<b>2,493</b>

**CHANGES IN INTERESTS IN MINING TENEMENTS**

		<b>Tenement reference</b>	<b>Nature of interest (note (2))</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2	Interests in mining tenements acquired or increased	ELA2/2004	APPLICATION		

**ISSUED AND QUOTED SECURITIES AT END OF CURRENT QUARTER**

		<b>Total Number</b>	<b>Number Quoted</b>	<b>Issue Price Per Security (Cents)</b>	<b>Amount Paid Up Per Security (Cents)</b>
7.1	<b>Ordinary securities</b>	34,425,600	34,425,600	Various	20
7.2	Issued during quarter	-	-	Various	20
7.3	<b>Options</b>	1,600,000	-	Exercise price	Expiry date
7.4	Issued during quarter	-	-	20 cents	31/01/07
7.5	Exercised during quarter	-	-	-	-
7.6	Expired during quarter	-	-	-	-

**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: .....  
(Company Secretary)

Print name: **B ACUTT**.....