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Mining Limited
ACN: 099 377 849

1 February 2005

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

Dear Sir/Madam,

1. CO-O MINE - HIGH GRADE INTERSECTIONS EAST OF ORIENTAL FAULT

Philsaga Mining Corporation have advised that they have successfully located the top of the Co-O vein extensions in their first 2 diamond drill holes on the east side of the Oriental Fault at the Co-O Mine with the following downhole intersections:

- **MD 1 164.60-165.80m 1.2m @ 13.46g/t Au**
  178.00-179.65m, 1.65m @ 28.54g/t Au

- **MD 2 199.4-202m, 2.6m @ 45.19g/t Au**
  221.6-226.4m, 4.8m @ 7.31g/t Au
  228-233.3m, 5.30m @ 39.58g/t Au

True widths are currently estimated to be approximately 25-30% of the down hole widths and will be confirmed with additional drilling.

Vein outcrops, boulders and alluvial gold workings indicate vein extensions for at least 1.4km east of the Oriental Fault. The vein in the Co-O mine is approximately 600m long.

2. PHILSAGA SHAREHOLDERS AGREE TO A DEFERRED PAYMENT OF A$5,000,000

Medusa and the Philsaga shareholders have executed a Variation Agreement in which A$5,000,000 of the A$15,000,000 cash component of the purchase price will be paid in 2 instalments of A$2,500,000 at the end of each of the next 2 years, thereby reducing to A$10,000,000 the immediate capital raising requirements of Medusa to achieve settlement.

3. SAUGON FIRST HIT VEIN – NEW HIGH GRADE INTERSECTIONS

Drilling below the winze level is defining an irregular shoot with several new high grade intersections in the structurally complex First Hit Vein, as follows:

- **SDDH 27 0.90m @ 10.14g/t Au and 146.8g/t Ag**
- **SDDH 28 1.75m @ 19.05g/t Au (preliminary)**
- **SDDH 29 0.90m @ 15.32g/t Au (preliminary)**

1. CO-O MINE – HIGH GRADE INTERSECTIONS EAST OF THE ORIENTAL FAULT

The locations of the Company's projects are shown on Figures 1 and 2.

Philsaga Mining Corporation have advised that they have successfully located the Co-O Central Vein on the eastern side of the Oriental Fault in the first 2 holes drilled. The surface topography and layout of the mine and adit level workings are shown on Figure 3 as well as the locations of the first two drill holes MD1 and 2 and the positions of the cross-sections shown on Figure 4.

The MD 1 and 2 intersections are high grade and indicate that the eastern side of the fault has been down faulted by at least 200m and moved slightly to the south as shown on Figure 4 when cross-sections on both sides of the Oriental Fault are compared. Earlier drilling by Mussellbrook Mines and Energy Ltd has now been shown to be too shallow as shown on Figure 4 for 40m either side of the section.

The Central Vein on the western side of the Oriental Fault has a distinct lithology being white high grade epithermal quartz on both walls and a common black silica band with low 1-5g/t Au grades in the centre up to 1.0m wide. On the east side of the Oriental Fault, this same vein lithology and grade distribution has been intersected in the northern most of the new veins and consequently the veins are correlated with a high degree of confidence across the Oriental Fault.

Figure 5 shows a longitudinal projection of the contoured gold grades and the positions of the MD 1 and 2 intersections.

Section 613900E on Figure 4 (and Fig. 5) shows clearly that the high grade section at depth of the Central Vein immediately adjacent to the western side of the Oriental Fault has formed where two upper veins have joined at the 3150m level. It is anticipated that this same feature, ie, the joining of the 2 veins intersected in the MD1 and 2 drill holes, will be encountered at depth below the intersections in MD 1 and 2. This evidence indicates that the complete vein system is fully preserved immediately on the east side of the Oriental Fault, and hence is expected to continue to considerable depth.

Figure 3 shows the location of the drill holes and also shows surface indications that the vein system continues for at least 1.4km to the east of the Oriental Fault.

Table 1 Summary of diamond drill hole intercepts east of Oriental fault

Hole	East	North	Azimuth	Dip	From	Intersection g/t Au
MD 1	613862	912782	75º	46º	164.60	1.20m @ 13.46
					178.00	1.65m @ 28.54
MD 2	613948	912372	23º	53º	199.40	2.60m @ 45.19
					221.60	4.80m @ 7.31 }
					226.40	1.60m @ 1.47 }11.7m @ 21.33
					228.00	5.30m @ 39.58}

Note: Assaying was carried out by the Co-O laboratory using a 25 gram fire assay charge and Atomic Absorption Spectrometry finish.

2. CO-O MINE RESOURCES

The Co-O Mine Central Vein resources have been calculated by Cube Consulting Pty Ltd as below using an 8g/t Au lower cut off grade and an upper cut off grade of 200g/t Au:

Table 2 Central Vein Resources, Co-O Mine

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**

Additional information regarding the Co-O Mine, associated assets and benefits to Medusa are contained in the Quarterly Report for December 2004.

3. NEGOTIATION OF DEFERRED SETTLEMENT WITH PHILSAGA SHAREHOLDERS

The Company has executed a Variation Agreement with the Philsaga shareholders whereby the shareholders have agreed to a deferred settlement of A$5,000,000 over a two year period with the outstanding funds attracting a 10% per year interest rate and with A$2,500,000 being repaid at the end of year 1 and A$2,500,000 at the end of year 2.

4. SAUGON FIRST HIT VEIN

Subsequent to the Quarterly Report for December 2004, the Company has compiled assays for a number of holes which have been completed below the 40m level drive at the First Hit Vein. A close spaced drilling program to follow the irregular high grade shoot below the level and to link up with the earlier high grade intersection in SDDH-2.

The drilling as shown on Figure 5 is defining a high grade zone with irregular boundaries below the 40m level. The mineralization is generally base metal-rich with galena-sphalerite and chalcopyrite, minor pyrite. Whilst this shoot occurs within the extensive Saugon Fault Breccia zone, its structural controls are not yet clear, and is itself commonly brecciated.

In sections where likely mineralization is logged, the core is split in ½ of which ¼ is sent to the Co-O laboratory for rapid determination to facilitate positioning of the following drill holes. If +1g/t Au assays are returned by the Co-O laboratory then ½ core is sent to the laboratory of McPhar Geoservices Phils (Inc) in Manila (McPhar).

Table 3 Summary of First Hit Vein new diamond drilling

Hole	East	North	Azimuth	Dip	From	Intersection g/t Au, g/t Ag
SSDH 25	616921	899335	300º	60º		<1
SDDH 26	616938	899342	310º	60º		<1
SDDH 27	616921	899334	300º	73º	75.50	0.9 @ 10.14, 146.8 *
SDDH 28	616922	899307	300º	70º	89.95	1.75 @ 19.05
SDDH 29	616961	899315	300º	72º	112.25	0.90 @ 15.32
SDDH 30	616978	899386	330º	60º		<1
SDDH 31	616922	899254	315º	75º	146.8	2.20 @ 3.88
SDDH 32	616998	899266	308º	65º		<1

Note: * All drill core selected for assay was split in half by diamond saw and half core was sent to McPhar, a NATA registered laboratory. 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.

The other assays were carried out by the Co-O assay laboratory on ¼ core using 25 gram fire assay charge and AAS finish.

As shown on Figure 5, drilling is continuing with 2 rigs to define further the high grade shoot.

Yours faithfully

Geoff Davis
Managing Director

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.


MARIAN GOLD MINE
DIZON PROJECT
Manila
PHILIPPINES
1000km
SAUGON PROJECT
INDONESIA
PAPUA NEW GUINEA
AUSTRALIA
Perth
LUZON
MARIAN GOLD MINE
Santiago City
Baguio City
DIZON PROJECT
Philippine Sea
15°N
Olongapo City
Manila
South China Sea
MINDORO
SAMAR
PANAY
LEYTE
NEGROS
CEBU
10°N
PALAWAN
Surigao City
Co-O Gold Mine
Sulu Sea
SAUGON PROJECT
MINDANAO
Davao City
SULU ARCHIPELAGO
Celebes Sea
5°N
120°E
125°E
N
0
250km

FIGURE 1

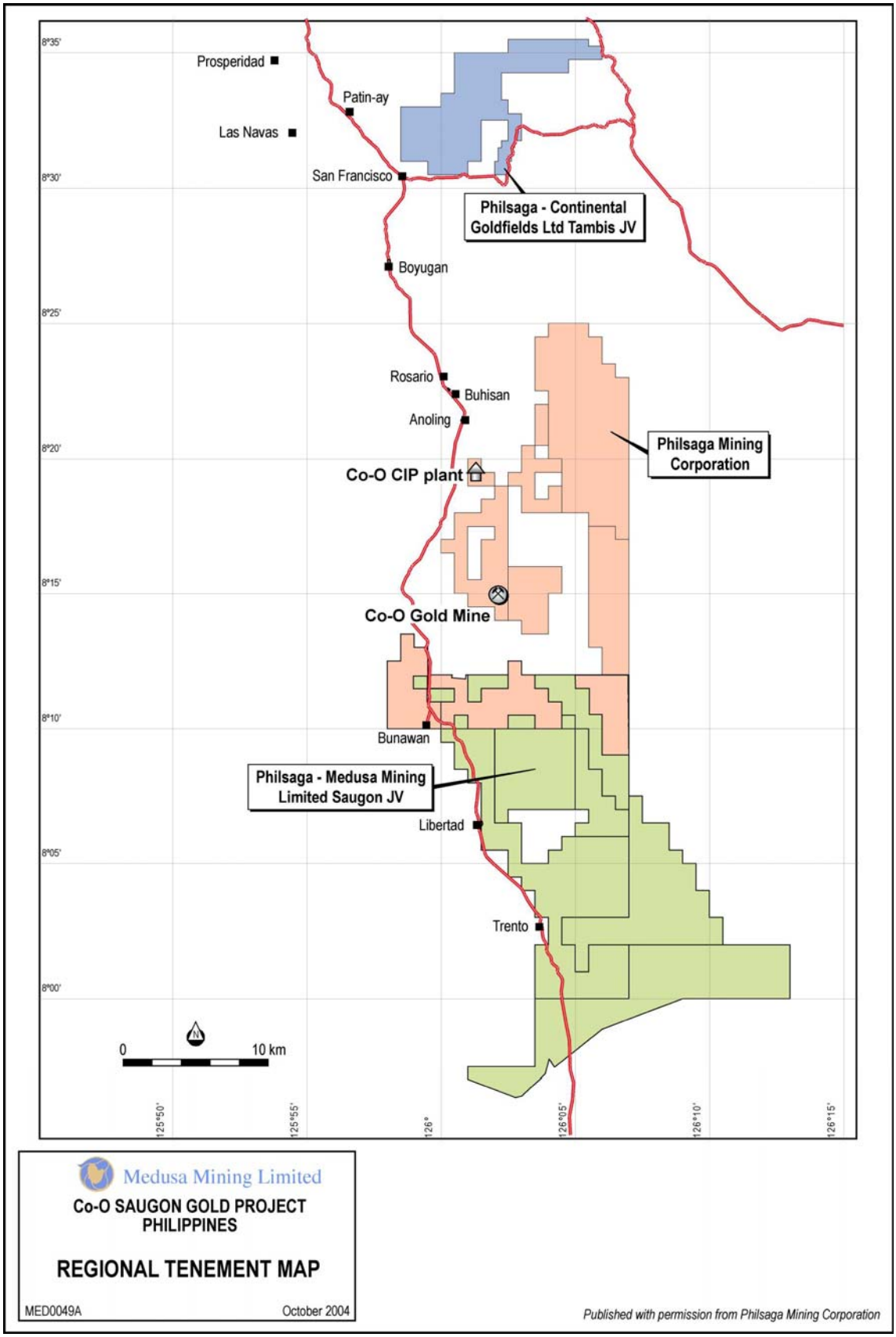
8°35'
Prosperidad
Patin-ay
Las Navas
8°30'
San Francisco
Philsaga - Continental Goldfields Ltd Tambis JV
Boyugan
8°25'
Rosario
Buhisan
Anoling
8°20'
Philsaga Mining Corporation
Co-O CIP plant
8°15'
Co-O Gold Mine
8°10'
Bunawan
Philsaga - Medusa Mining Limited Saugon JV
Libertad
8°05'
Trento
8°00'
0
10 km
125°50'
125°55'
126°
126°05'
126°10'
126°15'
Medusa Mining Limited
Co-O SAUGON GOLD PROJECT
PHILIPPINES
REGIONAL TENEMENT MAP
MED0049A
October 2004
Published with permission from Philsaga Mining Corporation

FIGURE 2

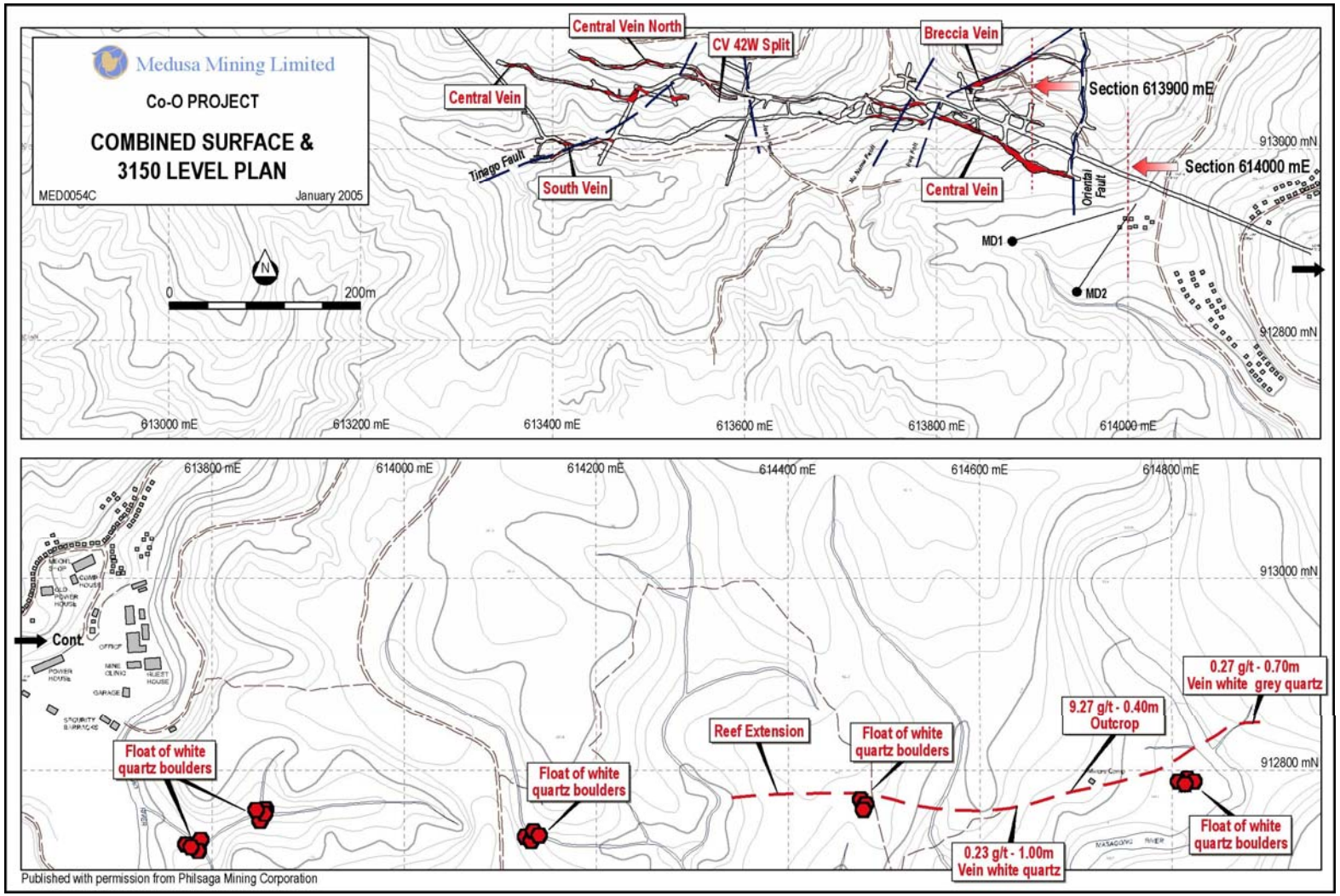
Medusa Mining Limited
Co-O PROJECT
COMBINED SURFACE &
3150 LEVEL PLAN
MED0054C
January 2005
Central Vein North
CV 42W Split
Breccia Vein
Central Vein
Section 613900 mE
Section 614000 mE
Tinago Fault
South Vein
Central Vein
Oriental Fault
MD1
MD2
913000 mN
912800 mN
0
200m
613000 mE
613200 mE
613400 mE
613600 mE
613800 mE
614000 mE
613800 mE
614000 mE
614200 mE
614400 mE
614600 mE
614800 mE
913000 mN
912800 mN
Cont
Float of white quartz boulders
Float of white quartz boulders
Reef Extension
Float of white quartz boulders
9.27 g/t - 0.40m Outcrop
0.27 g/t - 0.70m Vein white grey quartz
Float of white quartz boulders
0.23 g/t - 1.00m Vein white quartz
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FIGURE 3

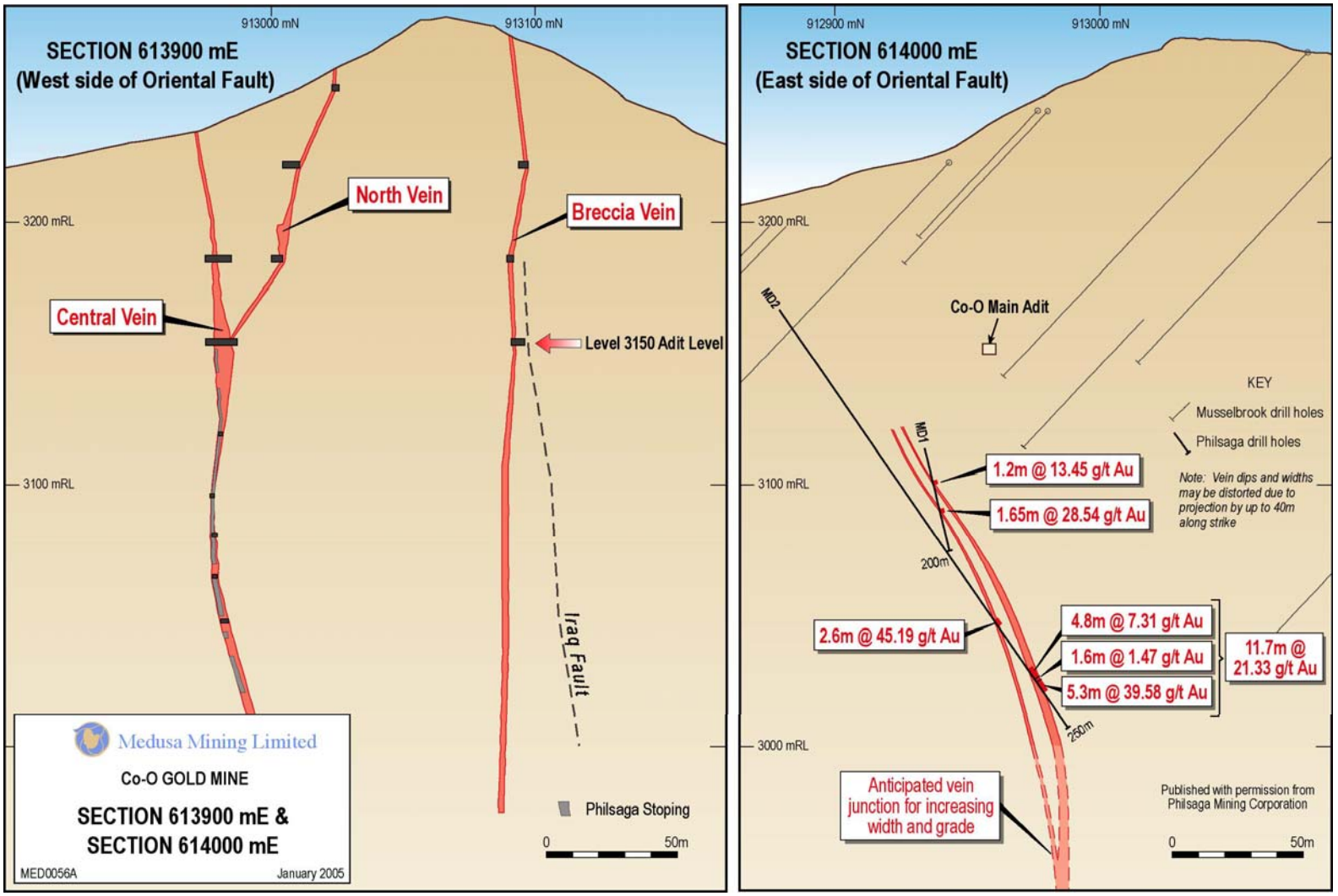
913000 mN
913100 mN
SECTION 613900 mE
(West side of Oriental Fault)
North Vein
Breccia Vein
3200 mRL
Central Vein
Level 3150 Adit Level
3100 mRL
Iraq Fault
Medusa Mining Limited
Co-O GOLD MINE
SECTION 613900 mE &
SECTION 614000 mE
MED0056A
January 2005
Philsaga Stoping
0
50m
912900 mN
913000 mN
SECTION 614000 mE
(East side of Oriental Fault)
3200 mRL
MD2
Co-O Main Adit
KEY
Musselbrook drill holes
Philsaga drill holes
Note: Vein dips and widths may be distorted due to projection by up to 40m along strike
MD1
1.2m @ 13.45 g/t Au
1.65m @ 28.54 g/t Au
3100 mRL
200m
2.6m @ 45.19 g/t Au
4.8m @ 7.31 g/t Au
1.6m @ 1.47 g/t Au
5.3m @ 39.58 g/t Au
11.7m @ 21.33 g/t Au
250m
3000 mRL
Anticipated vein junction for increasing width and grade
Published with permission from Philsaga Mining Corporation
0
50m

FIGURE 4

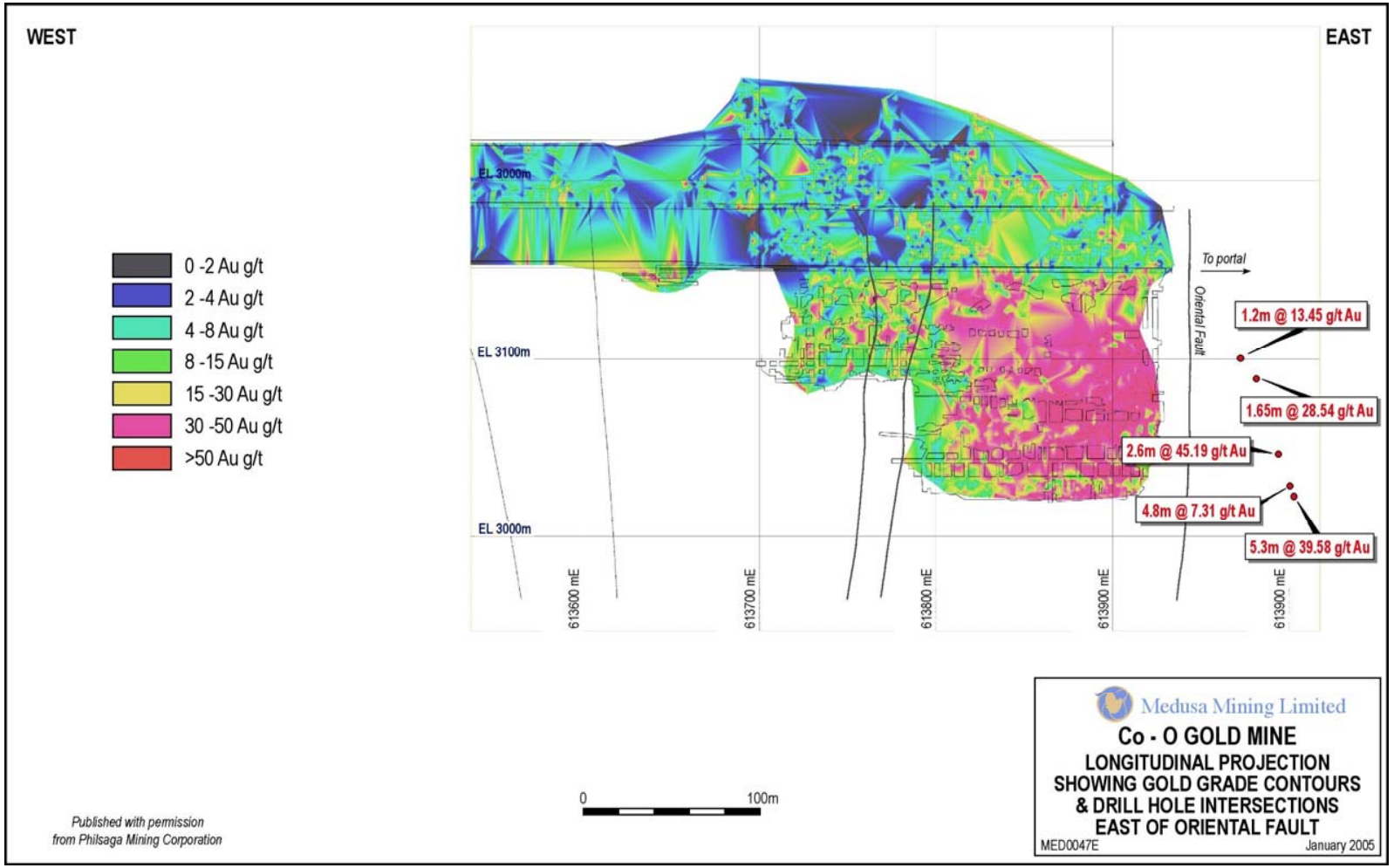
WEST
EAST
0 -2 Au g/t
2 -4 Au g/t
4 -8 Au g/t
8 -15 Au g/t
15 -30 Au g/t
30 -50 Au g/t
>50 Au g/t
EL 3000m
EL 3100m
EL 3000m
To portal
Oriental Fault
1.2m @ 13.45 g/t Au
1.65m @ 28.54 g/t Au
2.6m @ 45.19 g/t Au
4.8m @ 7.31 g/t Au
5.3m @ 39.58 g/t Au
613600 mE
613700 mE
613800 mE
613900 mE
613900 mE
0
100m
Published with permission
from Philsaga Mining Corporation
Medusa Mining Limited
Co - O GOLD MINE
LONGITUDINAL PROJECTION
SHOWING GOLD GRADE CONTOURS
& DRILL HOLE INTERSECTIONS
EAST OF ORIENTAL FAULT
MED0047E
January 2005

FIGURE 5

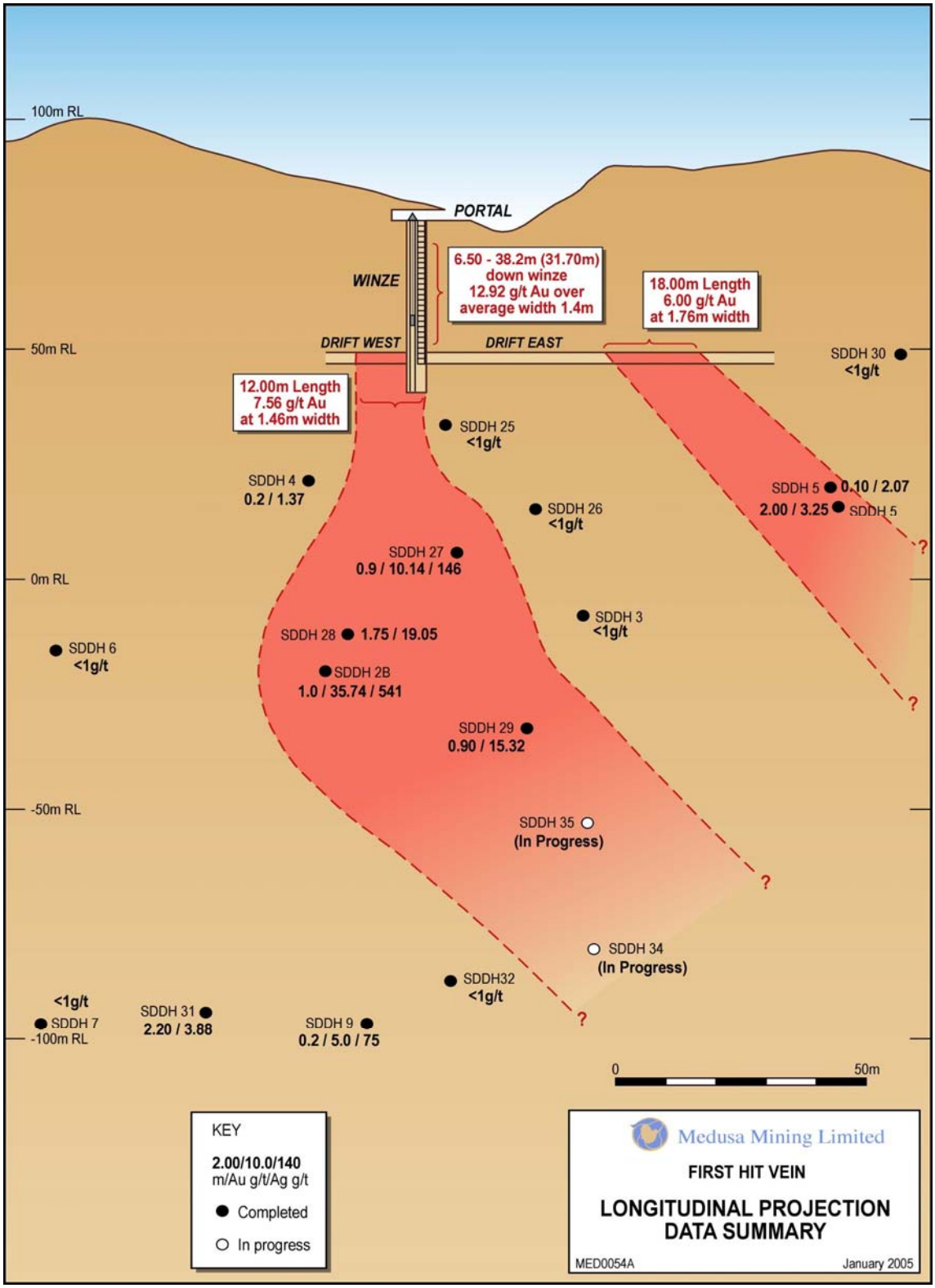
100m RL
PORTAL
WINZE
6.50 - 38.2m (31.70m)
down winze
12.92 g/t Au over
average width 1.4m
18.00m Length
6.00 g/t Au
at 1.76m width
50m RL
DRIFT WEST
DRIFT EAST
SDDH 30
<1g/t
12.00m Length
7.56 g/t Au
at 1.46m width
SDDH 25
<1g/t
SDDH 4
0.2 / 1.37
SDDH 5
0.10 / 2.07
2.00 / 3.25
SDDH 5
SDDH 26
<1g/t
SDDH 27
0.9 / 10.14 / 146
0m RL
SDDH 3
<1g/t
SDDH 28
1.75 / 19.05
SDDH 6
<1g/t
SDDH 2B
1.0 / 35.74 / 541
SDDH 29
0.90 / 15.32
-50m RL
SDDH 35
(In Progress)
SDDH 34
(In Progress)
SDDH32
<1g/t
<1g/t
SDDH 7
-100m RL
SDDH 31
2.20 / 3.88
SDDH 9
0.2 / 5.0 / 75
0
50m
KEY
2.00/10.0/140
m/Au g/t/Ag g/t
Completed
In progress
Medusa Mining Limited
FIRST HIT VEIN
LONGITUDINAL PROJECTION
DATA SUMMARY
MED0054A
January 2005

FIGURE 6