



QUARTERLY ACTIVITIES REPORT

PERIOD ENDING 31 MARCH 2005

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 the 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 its objectives, Medusa

- Has negotiated terms with its joint venture partner, Philsaga Mining Corp, to acquire Philsaga's Co-O gold mine with resources of 252,000t @ 29.7g/t Au containing 241,000oz of gold, associated plant & 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; and
- is continuing metallurgical testwork on the Dizon tailings project.

Shares Issued: 39,901,792

Options Issued: 21,208,843

Further details: www.medusamining.com.au

Geoff Davis
Managing Director

PO Box 860
Canning Bridge WA 6153
Telephone : 618-9367 0601
Facsimile : 618-9367 0602

HIGHLIGHTS

PHILSAGA MINING CORPORATION ACQUISITION

- FORMAL SHARE PURCHASE AGREEMENT SIGNED
- CAPITAL RAISING REQUIREMENTS COMMITTED OF EQUITY \$6M, DEBT \$6M & DEFERRED VENDOR TERMS TOTALLING \$7M (WHICH INCLUDES \$5M ANNOUNCED ON 1 FEBRUARY 2005).

Co-O DRILLING RESULTS

- HIGH GRADE INTERSECTIONS EAST OF ORIENTAL FAULT EXTEND VEINS APPROX 120M (STILL OPEN)
- RESULTS INCLUDE 1.65m @ 28.54g/t Au, 2.60m @ 45.19g/t Au, 11.70m @ 21.30g/t Au, 3.9m @ 12.35g/t Au.

SAUGON GOLD-SILVER PROJECT (50%)

- DRILLING SUSPENDED TO ASSESS NEW RESULTS INCLUDING 0.90m @ 10.14g/t Au, 1.75m @ 19.05g/t Au & 0.90m @ 15.32g/t Au
- STREAM SEDIMENT SAMPLING NEARING COMPLETION

DIZON TAILINGS

- RECOVERY OF 68% OF THE GOLD BY CONVENTIONAL TECHNIQUES CONFIRMED.
- TESTWORK CONTINUING.

FORTHCOMING EVENTS & PROGRAMS

- **PHILSAGA ACQUISITION:** COMPLETION EXPECTED TO BE MID MAY 2005
- CONTINUE DRILLING FOR EXTENSIONS OF THE Co-O VEIN BY PHILSAGA
- **DIZON TAILINGS:** COMPLETE METALLURGICAL TESTWORK PROGRAM.

CAPITAL RAISING FOR PHILSAGA TRANSACTION

- EQUITY \$6M COMMITTED
- MEZZANINE FINANCE \$6M APPROVED
- DEFERRED VENDOR TERMS TOTALLING \$7M
- 25M VENDOR SHARES WITH 18 MONTH VOLUNTARY ESCROW
- PROSPECTUS LODGED WITH ASIC ON 26 APRIL 2005
- SHAREHOLDERS MEETING SCHEDULED FOR 16 MAY 2005



PHILSAGA TRANSACTION

Medusa Mining Limited ("Medusa" or the "Company") has arranged its capital raising requirements to:

- **complete the acquisition** of the assets of Philsaga Mining Corporation ("Philsaga Transaction"), Central Eastern Mindanao, Philippines; and
- **accelerate regional exploration and development** of Philsaga's Co-O mine following acquisition.

The capital raising managed by Intersuisse Corporate Pty Ltd ("Intersuisse") comprises a mixture of equity and debt.

1. Equity

The Company has received commitments for \$6 million for an equity raising, subject to settlement, the Philsaga Transaction proceeding and shareholder approval at a General Meeting to be held on 16 May 2005. It comprises 8.6 million shares at an issue price of \$0.70 per share, to participating Australian, Asian and London based institutions and sophisticated clients of Intersuisse.

The equity raising will be pursuant to a prospectus that was lodged with ASIC on 26 April 2005, that provides for the Company to issue an additional 3 million shares, for a maximum equity raising of \$8 million.

2. Mezzanine Finance

Medusa has executed an agreement with LinQ Capital Limited as the responsible entity of the LinQ Resources Fund ("LinQ") for LinQ to provide Medusa with a loan facility of \$6 million with respect to the Philsaga Transaction.

Key financial terms and conditions of LinQ's loan facility include:

Loan amount	:	\$6 million;
Security provided	:	Unsecured but with negative pledge; however LinQ will be provided with security over any proceeds from the conversion of approximately 20 million options (ASX: MMLO) exercisable at \$0.20 on or by 31 January 2007;
Coupon	:	3 month bank bill rate plus 4.05% pa;
Facility fee	:	3%;
Issue of options to LinQ	:	7.5 million options, exercise price \$0.77 expiring 30 Apr 2008;
Facility term	:	expiry 30 Apr 2007;
	:	an option to repay all or part of the facility after twelve months without penalty;
	:	In the event of early repayment or refinancing by the Company, LinQ can elect to be repaid either in cash or, subject to shareholder approval, if required, in Medusa shares at the lower of \$0.77 per Medusa share and the volume weighted average price of Medusa shares over the 10 day period prior to repayment date.

Other terms and conditions precedent of the facility include:

- (a) Medusa obtaining appropriate shareholder, statutory and regulatory approvals by no later than 26 May 2005; and
- (b) Execution of all documentation relating to the Facility in a format acceptable to LinQ and Medusa.

3. Deferred Vendor Finance

One of the Vendors has agreed to defer a further amount of \$2 million, in addition to an existing deferred vendor finance agreement for \$5 million previously announced to the market on 01 February 2005.

Key financial terms and conditions of the \$2 million deferred vendor finance include:

Loan amount	:	\$2 million repayable 1 year from completion of the Philsaga Transaction;
Interest rate on loan	:	Fixed rate of 10%;
Repayment terms	:	The vendor at the time of repayment can elect to be repaid either in cash or be issued with 2.6 million ordinary shares in Medusa at an issue price of A\$0.77 per share.

The amount of deferred vendor finance now totals \$7 million.

4. Voluntary Escrow of Vendor Shares

The vendors have agreed for 25,000,000 shares to be escrowed for a period of 18 months from the date of completion of the Philsaga Transaction.

The pro-forma capital structure of the Company on completion (*assuming an equity raising of \$6 million*), will be as follows:

Description	Current	Adjustment	Pro-forma
<u>Ordinary shares</u>			
Listed	25,701,192		25,701,192
Issued (restricted to 23 Dec 2005)	14,200,600		14,200,600
Vendor shares (18 mths escrow)		25,000,000	25,000,000
Equity raising		8,571,429	8,571,429
Sub-total ordinary shares	39,901,792	33,571,429	73,473,221
<u>Options</u>			
Listed	20,383,843		20,383,843
Unlisted (Employees)	825,000	3,000,000	3,825,000
LinQ (exercise price \$0.77)		7,500,000	7,500,000
Intersuisse (exercise price \$0.77)		500,000	500,000
Sub-total options	21,208,843	11,000,000	32,208,843
Total	61,110,635	44,571,429	105,682,064

5. Condition Precedent

The Company has made good progress with settling outstanding terms of the Philsaga Transaction.

There remains only one condition precedent to be satisfied by Philsaga relating to the use of one of the tenements. Philsaga are confident of an imminent positive resolution.

6. Summary of Capital Raising

The funding of \$14 million, consists of an equity raising, LinQ loan facility and an additional \$2 million of deferred vendor consideration. With current cash on hand of approximately \$1 million it will provide Medusa with working capital of \$4 million at settlement, which it plans to use to accelerate regional exploration and development of Philsaga's Co-O mine.

Funding	\$ (millions)
Equity raising	6
LinQ loan	6
Additional deferred vendor consideration	2
<hr/>	
Total funds raised	14
less -	
Vendor consideration at completion (including existing deferred vendor consideration)	(10)
Transaction costs	(1)
plus -	
Cash on hand at 31 March 2005	1
<hr/>	
Working capital	4

The Company, on 14 April 2005, despatched to shareholders a Notice of Meeting and Explanatory Statement for the Philsaga Transaction and associated debt/equity funding.

The prospectus for the equity raising of up to \$8.0 million was lodged with ASIC on 26 April 2005, with the General Meeting of shareholders scheduled for 16 May 2005.

PROJECT OVERVIEWS

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

PURCHASE OF PHILSAGA MINING CORPORATION - SUMMARY

The formal Share Purchase Agreement with the Philsaga Mining Corporation ("Philsaga") Vendors was signed on 19 February 2005. The terms and conditions for the acquisition were summarised in the Company's December 2004 quarterly report to the ASX.

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 ASX announcements of 26 October and 22 December, 2004 and the December 2004 quarterly report.

2. The Philsaga Assets

The assets of Philsaga and the Co-O mine are described in detail in the December 2004 quarterly report.

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 to 3 metres in width and contain an average grade of +20 g/t Au. Current resources in the mine are listed in Table I based on an 8 g/t Au lower cut and a 200 g/t Au upper cut.

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

Philsaga has provided to Medusa the results of diamond drilling conducted to the east of the major fault at the east end of the Co-O Mine, the Oriental Fault, which was previously thought to truncate the mineralisation to the east.

The drilling shows that high grade extensions to the vein system extend for at least 120 metres past the fault and are still open to the east. In each case the drill holes intersected 2 veins which have been designated as below. In the mine, the Central Vein mined by Philsaga achieves its highest grades and widths below the junction of the two veins, and in the area of the new drilling this vein junction is expected at a depth of approximately + 200 metres below the depth where it occurs in the mine area due to downward fault displacement.

Table II Summary of Co-O Vein Eastern Extensions Diamond Drilling Results

Hole	East	North	Azimuth	Dip	From	Intersection g/t Au
MD 1	613,862	912,907	75	46	164.60	VEIN 1: 1.20 m @ 13.46
					178.00	VEIN 2: 1.65m @ 28.54
MD 2	613,948	912,850	23	53	199.40	VEIN 1: 2.60m @ 45.19
					221.60	VEIN 2: 11.70m @ 21.30
MD3	614,000	912,847	23	60	242.90	VEIN 1: 1.00m @ 0.64
					260.50	VEIN 2: 1.70m @ 5.85
MD4	614,000	912,847	23	50	141.20	VEIN 1: 3.90m @ 12.35
					181.50	VEIN 2: 2.10m @ 1.70

SAUGON GOLD-SILVER PROJECT (Medusa 50%)

1. Diamond drilling

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

Diamond drilling has been suspended while recent high grade intersections are evaluated.

Table III Summary of First Hit Vein new diamond drilling results

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

2. Regional stream sediment sampling

A program of regional stream sediment sampling is nearing completion over the Saugon Exploration Permit.

DIZON PROJECT (Option to Acquire 30%)

1. 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 twelve 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.

2. Key observations and results

Twenty four sub-samples from a total of 800 kilograms of drill samples of the tailings from the top 50 metres of the tailings dam is being subjected to test work to determine the percentage of gold extractable by conventional methods.

The various phases of test work so far have achieved the following:

- An average of 68% of the gold is extractable by conventional methods confirming the previously indicated high percentage of free gold.
- The bulk of the remaining gold is anticipated to be associated with the copper sulphide, chalcopyrite, and pyrite and therefore potentially extractable using other techniques on a sulphide-rich concentrate.
- It is anticipated that a small percentage of the gold is encapsulated in silicate minerals.
- Test work has been completed on sizing analysis with the main observation being that the greater proportion of the contained gold is found within the fine fraction to the tailings. Between 38% and 45% of the sample mass reported to the minus 38 micron size fraction and this fraction contained 36% to 42% of the contained gold.
- Sighter testwork has been undertaken to establish the parameters for Knelson concentrator tests. This testwork was hampered by a larger percentage of magnetite than anticipated resulting in some pre-concentration work using a Whifley table being completed.
- The Whifley table pre-concentration process indicated that gravity concentration of gold and magnetite can be achieved.
- Sighter testwork is continuing with a view to identifying a conceptual process that would be suitable for conducting on large samples as a bench scale test.

BARLO COPPER-GOLD-ZINC PROJECT (Option to acquire 33.33%)

1. Background

Barlo Mine is located approximately 320 km by road northwest of Manila (Fig. 1) and approximately 170 km north of Subic Bay and Olongapo (and Medusa's Dizon tailings project), a 5 to 6 hour drive on bitumenised highways.

The prospect is located approximately 44 km north of Candalaria, and then approximately 10 km inland in a northeasterly direction from Dasol which is 27 km north from Santa Cruz. The mine site is located approximately 6 kms inland such that the China Sea is visible from the former treatment plant site. All weather access to the mine area from Dasol is initially on concreted and then gravelled roads.

The topography of the area is gently undulating to almost flat with the occasional remnant hill to 50 to 60m above the general topography. Creek systems are incised into the topography and are generally fairly steep sided, but all appear to be minor drainages.

The Luzon power grid transmission line is located approximately 8 to 9km west of the project.

2. Mine History

The project was operated by Acoje Mining Company (Acoje) from 1974 to 31 October 1984. Acoje also mined chromite and laterite nickel at that time from mines situated further east.

The Barlo deposit was discovered as a result of high grade supergene copper outcrops which were mined by tunnels and adits to produce shipping grade ore totalling approximately 55,000 tonnes at 3 to 7% Cu.

The 1976 resources at the Barlo deposit before development were considered by Acoje to be sufficient to construct a 1,000 tonnes per day mill for a 10 year mine life resulting in total production of approximately 3,000,000 tonnes of ore. Previous senior mine management interviewed by Medusa have advised that during the life of the mine when a mine cut-off grade of 0.3% Cu was applied, a head grade of approximately 1.5% Cu was achieved as well as containing approximately 1% zinc (not recovered), 5 to 10 g/t Ag and an unknown amount of gold. The mill is reputed to have had an average recovery of 88% of the copper, producing concentrates with 29 to 32% Cu content. The concentrate was trucked from the mill to concrete storage bins at the coast, a distance of approximately 48 km and then loaded by conveyors into ships at offshore moorings. A pyrite concentrate was also produced and sold to fertilizer manufacturers.

The previous mine management has also advised that no systematic gold assaying was ever undertaken during exploration or mining, even though significant gold was reported and paid for in concentrates. The Barlo deposit was the first deposit discovered and mined in the area with only minimal surface exploration undertaken on other prospects and negligible drilling.

The mine closed prematurely due to a combination of low copper prices and management issues. It is understood that significant amounts of ore remain in the walls of the pit and in the pit floor.

3. Geology and Mineralisation

The deposits are described in the literature as Kuroko style massive sulphide deposits which characteristically form on the sea floor around submarine hot spring vents and commonly exhibit strong metal zoning.

At Barlo the sulphide deposits occur at an essentially sub-horizontal interface between an underlying andesite/basaltic volcanic sequence and overlying basaltic pillowed flows, breccia and fragmental sequence with minor interbedded limestone bands. The overlying rocks commonly attain thicknesses of 20 to 40m and are commonly altered. The upper pillowed sequence is overlain, mainly to the west, by >20m of bedded limestones, which are in turn overlain by modern unconsolidated deposits.

It appears that the sulphides mined at Barlo were in a series of large bulbous pods, with an outer halo of clay alteration, then grading inwards to intense silica - pyrite, then massive pyrite (commonly crystalline and vuggy) followed by the base metal-rich core. There is also red jasper and epithermal quartz veining in the upper parts of some of the alteration haloes. It is also understood that some drill holes show copper-rich sulphides extending to depth below

the mined sections of the deposits indicating that there may be extensive mineralised root zones to the deposits. All previous holes were drilled vertically hence no geometry was assigned to these root zones. The total number of holes that were drilled is low, and very few are outside the known mineralisation.

The deposits found to date all occur in low or valley-like areas where the overlying rocks were possibly more intensely altered and hence more easily eroded. A large number of low areas remain to be explored.

As mentioned above, no systematic gold assaying has ever been undertaken on the Barlo deposit. Subsequent samples of silica rich fragments from a pyrite stock pile at the northern end of the pits have been previously assayed up to 5 g/t Au, indicative of the gold potential of these deposits.

It is understood that previous geochemical sampling outlined high order stream sediment coincident Cu-Zn anomalies with coincident soil Cu-Zn anomalies away from the mined area and reflecting mineralization most likely at least partly exposed through erosion but indicative of additional readily identifiable targets.

4. Exploration Potential

Medusa has been advised that an IP survey undertaken after the Barlo pit was well advanced has shown up a large number of conductive anomalies. One of the weaker anomalies outside the pit area and to the west of the mill site been drilled intersecting 40m of sulphides with significant copper values, but it is understood that no other anomalies were drilled as the mine closed. This demonstrates that the IP has successfully located copper mineralised sulphides.

The project has excellent potential for the discovery of significant additional tonnages in new deposits, and as extensions at depth and laterally to the known deposits,

A program of data entry, collation and interpretation will be undertaken prior to the commencement of field work.

5. Memorandum of Understanding

Medusa has signed an MOU with Pyro Copper over MPSA 153-2000-1 with an area of 4,360 hectares whereby Medusa has an Option to undertake work until 31 December 2006.

The tenement is the subject of a pending case at the Mines Adjudication Board (MAB) due to an overlapping Exploration Permit applied for after the MPSA was signed. It is expected that this will take approximately 3 months to be processed, and if successful the MPSA would be re-instated immediately.

The key terms of the MOU are:

- Pyro Copper will receive a payment of US\$10,000. Pyro Copper has authorised Medusa to pursue the MAB case on its behalf;
- Medusa will be required to complete up to 1000m of drilling during the Option period, as well as comply with tenement expenditure obligations;
- On resolution of the MAB case, the parties will negotiate a further payment to Pyro Copper to be paid on signing of the MOA below;
- On decision to exercise the Option, the parties will negotiate and execute an MOA.

Key terms of the MOA are:

- Pyro Copper will receive the payment to be determined as described above;
- Pyro Copper will be entitled to a 3% Net Smelter returns royalty on all minerals produced;
- The parties then intend to vend the project into a new corporation for a consideration to be determined by an independent valuation. The consideration received by the three parties will be divided equally.

PANAON GOLD PROJECT (Divesting 50%)

1. Background:

The Panaon Island Gold Project is located on Panaon Island (Fig.1) in Southern Leyte, immediately north of Surigao City which is reached by domestic flights from Manila. Access from Surigao City is by passenger boat for 1 to 2 hours or by drive-on drive-off inter-island ferry.

The Panaon Project consists of Exploration Permit EP-2005-000004-VIII which was granted on 5 March 2005 totalling 1,646 hectares. Geologically the project is part of the northern Surigao district mineralisation.

The gold mineralisation on Panaon Island was discovered during Spanish times and subsequently mined by the Americans pre-World War II and by several Filipino groups since World War II.

Most past mining activities appear to have used crude mining and processing techniques which required grades generally well in excess of 20 g/t Au to be profitable. An attempt to modernise the mining in the 1980s to 100 tonnes per day production appears to have failed due to a lack of management control and expertise. However, as a result of this activity, plant foundations and several cyanide leach tanks in good condition are still on site and usable.

The main veins discovered are located at Pinut-an, Bituon and Habay. The Pinut-an veins are the main veins mined to date. Detailed production records are yet to be located.

2. Project Geology

The project consists of high grade epithermal veins hosted by andesitic porphyries intercalated with volcanic pyroclastics. The island is confined east and west by branches of the Philippine Rift Fault which have sculptured the elongated nature of the island.

At Pinut-an, the epithermal veins are confined to the eastern side of the island where the vein system consists of five major zones with strike lengths up to 1 km. Records indicate that the most productive veins have an E-W orientation. Several adits of up to 300 metres in length, cross-cuts and other drives are indicated on old plans which have to be verified through re-opening, mapping and sampling.

The Pinut-an veins are associated with an alteration area of approximately 5 km². Stream sediment sampling carried out over an area of 200 km² in early 2003 by the a government to government Korean-Filipino joint venture team detected anomalous values in the Pinut-an, Bituon and Habay Fault areas. No further follow-up work appears to have been undertaken.

At Bituon, five E-W veins were sporadically mined but the mining was not developed to the same level as at Pinut-an. However the potential of these veins at this stage is thought to be similar to those at Pinut-an.

3. The Mines Operating Agreement

Vulcan is listed on the Philippines Stock Exchange. Medusa has signed a Mines Operating Agreement ("MOA") with Vulcan which has the following key points:

- The Medusa group will operate the project and provide Vulcan with a 3% Net Refinery Return royalty on gold and silver if the resource is less than 2 million ounces and 4% if the resource is greater than 2 million ounces;
- The Medusa group will pay Vulcan a signing fee of US\$10,000 and an advance against future production of US\$10,000;
- Vulcan has the right to buy back 20% of the project when it has achieved production of 100 tonnes per day for a period of 3 months. To acquire the equity, Vulcan will pay a 100% premium on the pro-rata project expenditure to that date.

4. Advanced Negotiations

Medusa is in advanced negotiations with a third party who have agreed to fund the first US\$1 million of expenditure for exploration and development of the Panaon Project. It is anticipated that this should be sufficient for underground re-habilitation, exploration and

development, and provided exploration results are satisfactory, the construction of a plant of approximately 100 tonnes per day capacity utilising tankage and foundations already in place. All costs of acquiring the project are to the account of the third party.

BRAEMORE PROJECT (Optioned)

As advised to the ASX in an announcement dated 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.

Due to delays in gaining access to some of the tenements, the Option has been extended for a period of 12 months until February 2006 by Teck paying an extension fee of \$10,000 to Medusa.

No new information has been received during the quarter.

KURNALPI and ANTI DAM PROJECTS (Newcrest earning 70%)

On 27 October the Company announced (together with its wholly owned subsidiary Newcoast Nominees Pty Ltd) that it had entered into a joint venture ("JV") with Newcrest Operations Limited ("Newcrest") 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 \$1 million within 4 years, with a minimum expenditure commitment of \$100,000 within 12 months before Newcrest is entitled to withdraw from the JV.

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.

Newcrest has advised that the following work was completed during the quarter. "Four RC holes (KNRC 004-007 totalling 1000m and comprising 267 composite samples) were completed to test the downplunge potential to the north and downdip potential of the mineralised zones at the Halfway Hill prospect. Significant results are listed below:

**Table I Halfway Hill Prospect
RC Drilling Significant Intercepts > 0.1g/t**

Hole_ID	MGA_N	MGA_E	Dip	Azi	EOH	Results (>0.1g/t Au)
KNRC005	6623000	423567	-57	270	250	4m @ 0.12 g/t Au from 84m
						4m @ 0.12 g/t Au from 120m
KNRC006	6623150	423568	-55	270	256	12m @ 0.19 g/t Au from 36m
						16m @ 0.17 g/t Au from 212m
KNRC007	6622956	423300	-60	090	264	16m @ 0.13 g/t Au from 16m
						24m @ 0.88 g/t Au from 52m
						Incl. 8m @ 1.79 g/t Au from 56 m
						4m @ 0.47 g/t Au from 84m
						4m @ 0.48 g/t Au from 104m

Holes KNRC004-006 failed to intersect any significant mineralization down dip or down plunge from the Halfway Hill oxide mineralization. This has downgraded the main part of the Halfway Hill Prospect, however the source and controls of the veining and associated mineralisation are still unclear. The drilling confirmed that the source of the veining is not directly below the main oxide anomaly nor down plunge to the north.

The mineralization and veining, including the veining in KNRC007, is restricted to the oxide zone. Hence further drilling is required to determine the controls on the mineralization and veining.

The next phase of drilling will follow up the mineralization within KNRC007. The drilling is designed to test the mineralization down dip and along strike and to test a small aeromagnetic high located immediately west of the anomalous mineralization. This drilling is planned for the June quarter 2005."

OTHER PROJECTS

The Company has terminated the Purchase Agreement with the vendors of the **Mt Stirling** prospect by agreeing to issue the Vendors a total of 60,000 shares which will be held in escrow for 12 months.

As advised to the ASX on 7 April 2005, the Company has withdrawn from the **Marian Gold Project** after comprehensive data entry, compilation and assessment.

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 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.

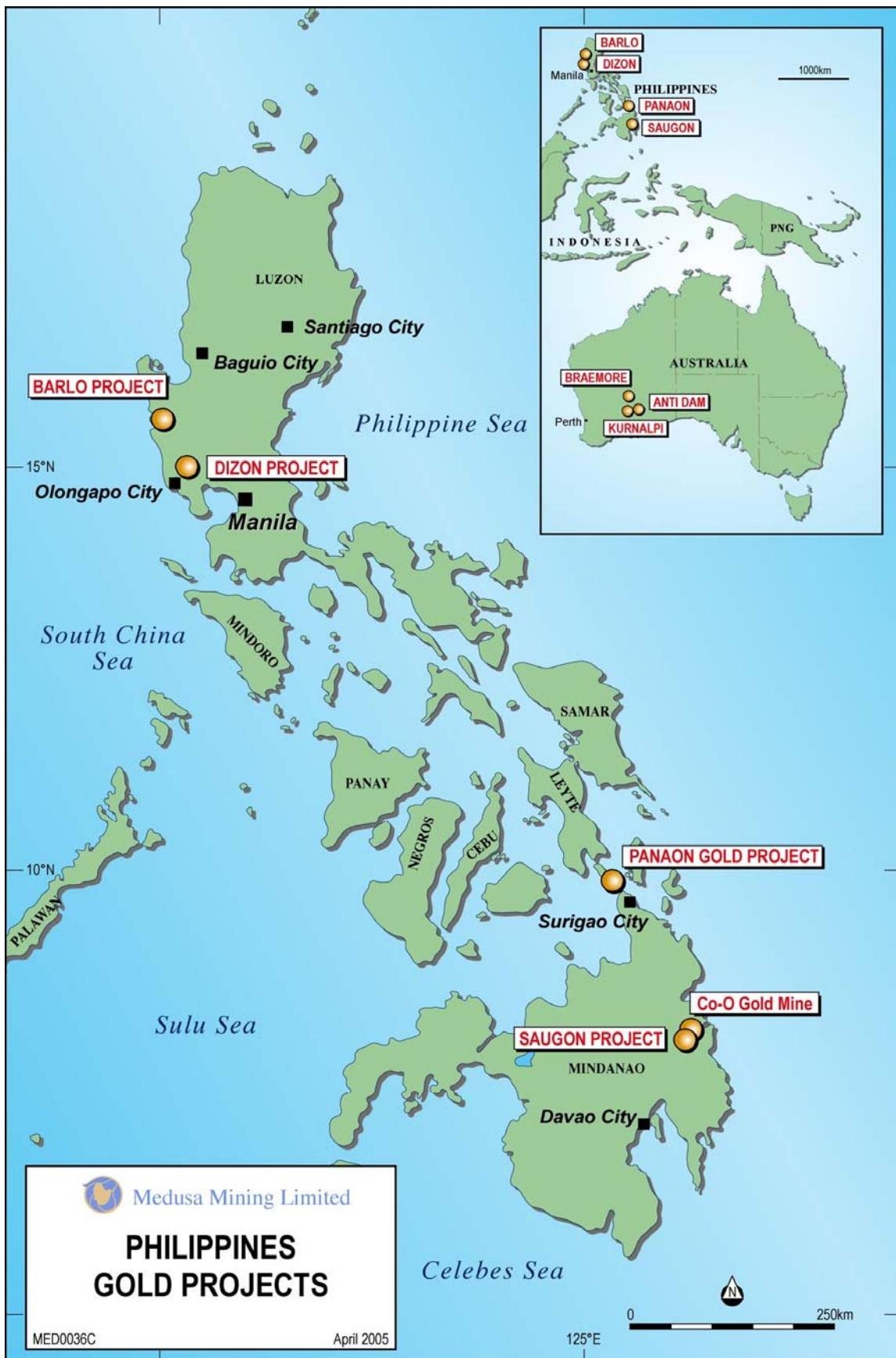


FIGURE 1

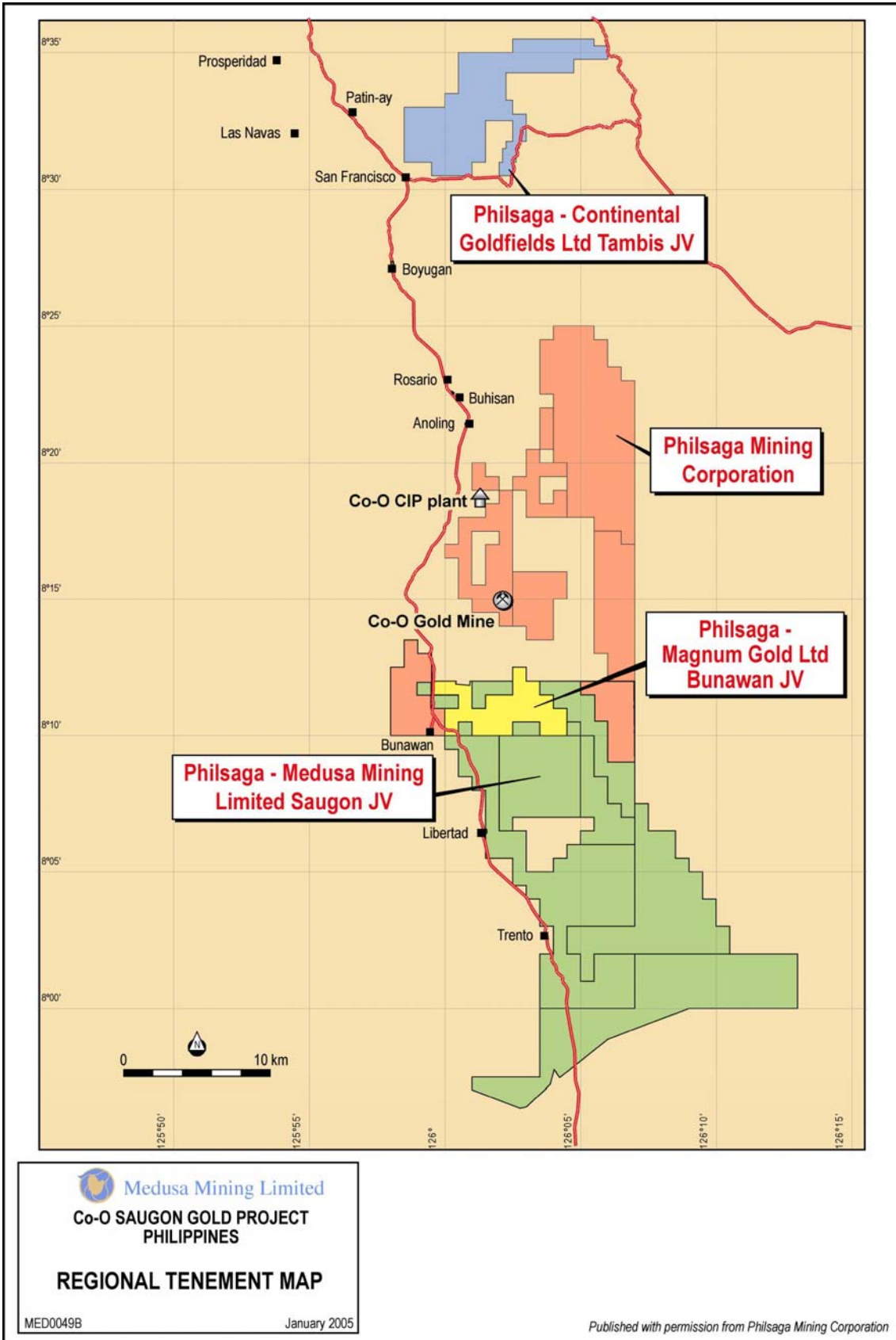


FIGURE 2

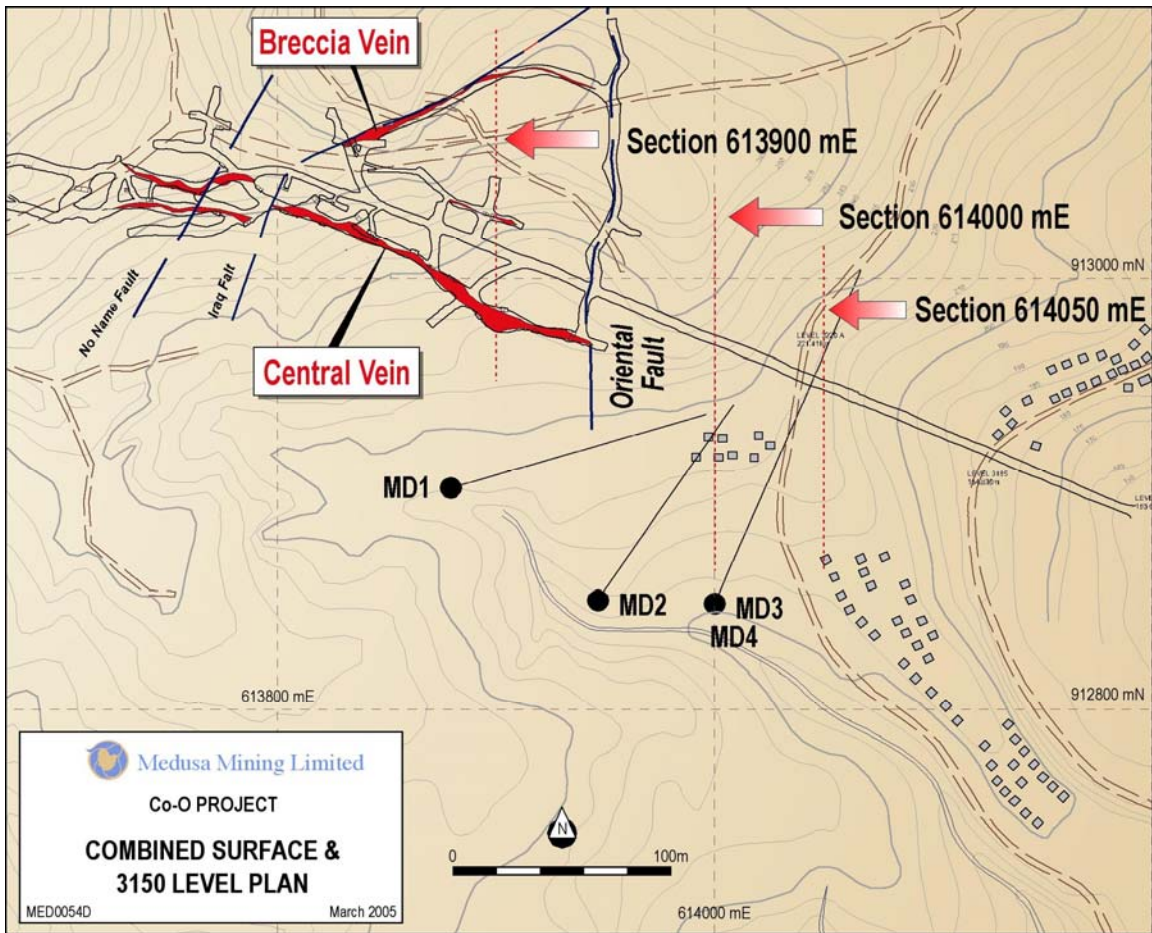


FIGURE 3

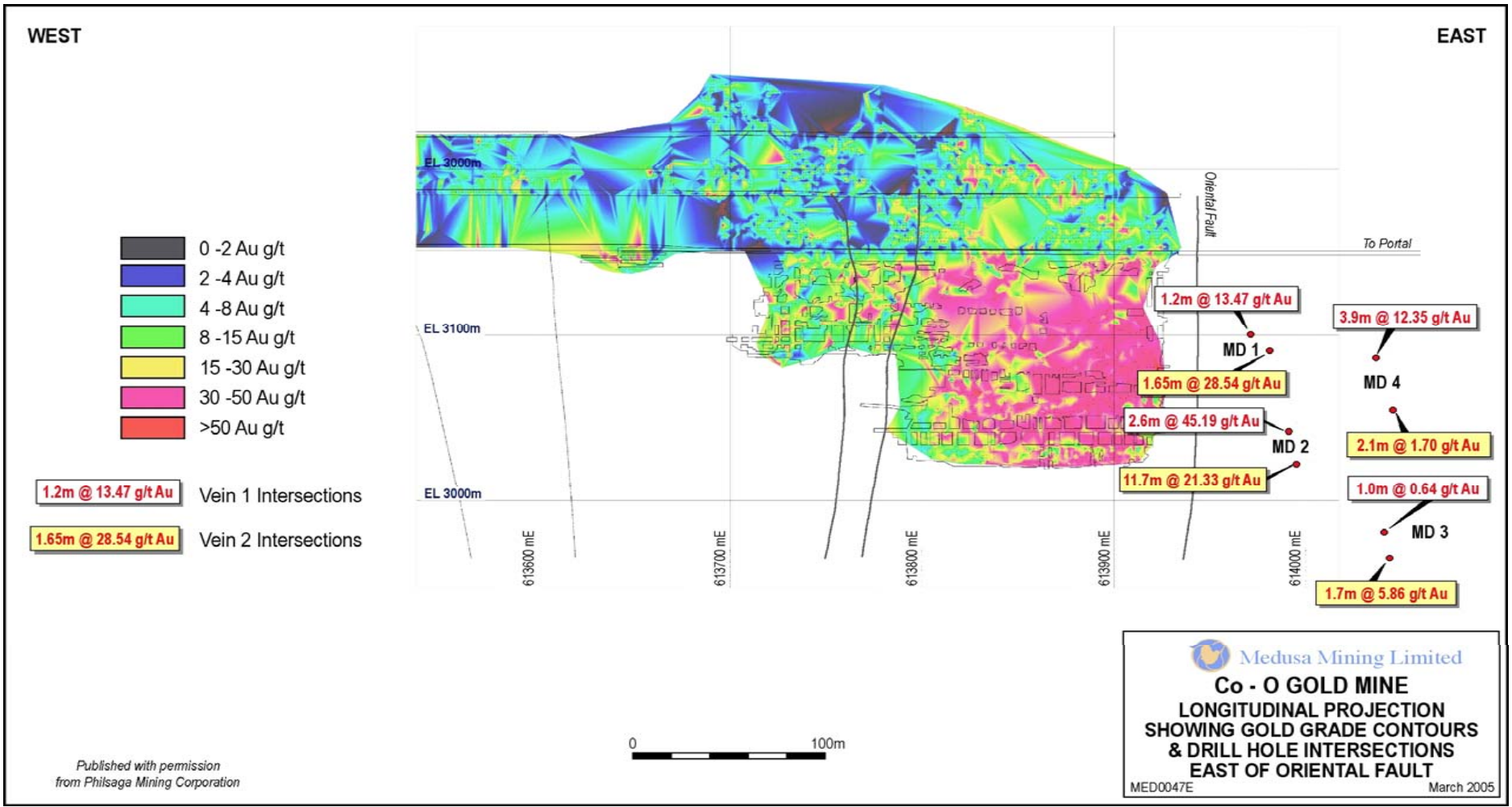


FIGURE 4

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")

March 2005

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 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	(408)	(1,328)
(b) Philsaga transaction	(312)	(560)
(c) production	-	-
(d) administration	(86)	(214)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	53
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	(793)	(2,049)
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
1.8 Payment for purchases of: (a) prospects	-	(50)
(b) equity investments	-	-
(c) other fixed assets	-	(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	-	(68)
1.13 Total operating and investing cash flows (carried forward)	(793)	(2,117)

1.13	Total operating and investing cash flows (brought forward)	(793)	(2,117)
CASH FLOWS RELATING TO FINANCING ACTIVITIES			
1.14	Proceeds from issues of shares, options, etc.	59	1,371
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)	(17)	(106)
Net financing cash flows		42	1,265
Net increase (decrease) in cash held		(751)	(852)
1.20	Cash at beginning of quarter/year to date	1,713	1,842
1.21	Exchange rate adjustments to item 1.20	7	(21)
1.22	Cash at end of quarter	969	(969)

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	70
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	169	25
5.2 Deposits at call	800	1,688
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	969	1,713

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	39,901,792	25,701,192		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	336,950	336,950	\$0.20	\$0.20
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>	21,208,843	20,383,843	<i>Exercise price</i> (see note 6)	<i>Expiry date</i> (see note 6)
7.8 Issued during quarter				
7.9 Exercised during quarter	276,950	-	\$0.20	
7.10 Expired during quarter	-	-	-	
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.
30/9/2001

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: 28 April 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 March 2005</i>		
20,383,843	\$0.20	31 Jan 2007
<i>(b) Options issued but not quoted as at 31 March 2005</i>		
225,000	\$0.6072	31 Jan 2007
600,000	\$0.4334	26 Jun 2010