



MEDUSA MINING LIMITED

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The Manager
Australian Stock Exchange Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Medusa secures funding commitments to complete Philsaga Transaction

Medusa Mining Limited ("Medusa" or the "Company") is pleased to advise that it 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 expected to be held on or around 13 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 will be lodged with ASIC, 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
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
Working capital	4

The Company will shortly despatch to shareholders a Notice of Meeting and Explanatory Statement for the Philsaga Transaction and associated debt/equity

funding. The draft Explanatory Statement has been submitted to the ASX and ASIC for approval.

The prospectus for the equity raising of up to \$8.0 million is expected to be lodged with ASIC on or around 15 April 2005.

The General Meeting of shareholders is expected to be held on or around 13 May 2005.

Yours faithfully

Geoff Davis
Managing Director