



MEDUSA MINING LIMITED

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22 September 2005

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

Dear Sir/Madam

PLACEMENT

Following the successful outcome of the Company's recent Rights Issue ("Issue") that raised gross proceeds of \$6,113,606 (being the maximum allowed under the Issue), the Board has placed a further 2,342,440 ordinary shares (on the same terms and conditions as the Issue) at 60 cents per share to clients of State One Stockbroking (the "Placees") to raise approximately \$1,400,000 (before costs).

In addition, the Placees who are neither related parties nor associates of the Company will receive at no cost, 585,610 listed 20 cent options expiring 31 January 2007.

The funds raised from the placement will be used to supplement the Company's cash reserve that has been earmarked to fund working capital for Medusa's exploration projects in the Philippines and general overhead expenditures.

The securities of the Company which are currently under voluntary suspension are expected to be re-instated to quotation on 28 September 2005.

Yours faithfully

GEOFF DAVIS
Managing Director