



**MEDUSA MINING LIMITED**

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14 December 2005

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

Dear Sir/Madam,

**ACQUISITION OF ANOLING GOLD PROJECT, PHILIPPIINES**

**Medusa Mining Limited ("Medusa") is pleased to advise that it has, through its Filipino subsidiaries and in joint venture with Philsaga Mining Corporation, signed a Mines Operating Agreement ("MOA") with Alcorn Gold Resources Corporation ("Alcorn") a public company listed on the Philippines Stock Exchange.**

The MOA covers Mining Production Sharing Agreement ("MPSA") application number 039-XIII situated in the Agusan del Sur province in east Mindanao to the north of the Co-O mine and millsite as shown on Figure 1. The MPSA comprises approximately 405 hectares (4.05 km<sup>2</sup>) and covers mineralised extensions of the favourable geology found further south.

The key terms of the MOA are as follows:

- Medusa will pay Alcorn a 5% gross royalty on all production from the tenement to be shared with other parties to the MOA;
- Medusa will issue Alcorn or its nominee the equivalent of 3 million pesos (approximately A\$75,000) in Medusa shares converted at a discount rate of 10 % to market, to reimburse Alcorn for past expenses;
- In addition, Medusa will pay Alcorn a 10 % Net Profit Interest ("NPI"), capped at 11 million pesos (approximately A\$275,000) as further reimbursement of exploration expenses;
- Medusa will be required to spend a minimum of US\$50,000 in year 1 and US\$100,000 in year 2;
- Medusa will pay the underlying claim owner a gross royalty of 3 % on all production from the tenement; and
- Medusa will be responsible for all costs incurred to progress the MPSA application to granting.

The map shown on Figure 2 summarises the known surface vein expressions and previous grab sampling results. A small underground gold mine was operated in the Loring area pre-WWII and more recently in the Mapote area where ore was mined from an inclined shaft and trucked approximately 100 km for treatment. Once surface work and drilling are undertaken it is expected that good continuity of veins along strike will be demonstrated.

Yours faithfully,

**GEOFF DAVIS**  
Managing Director

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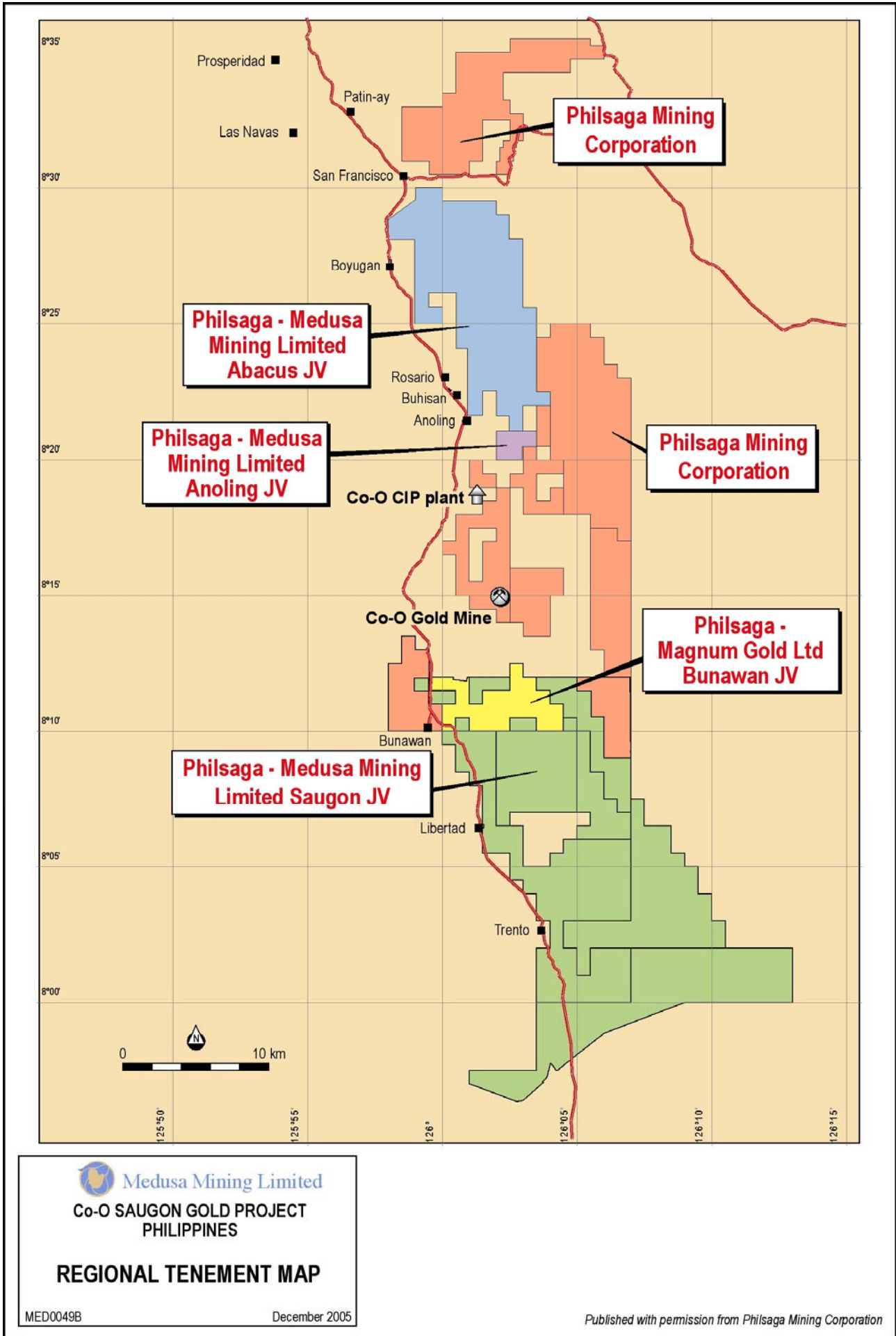


Figure 1. Regional tenement map

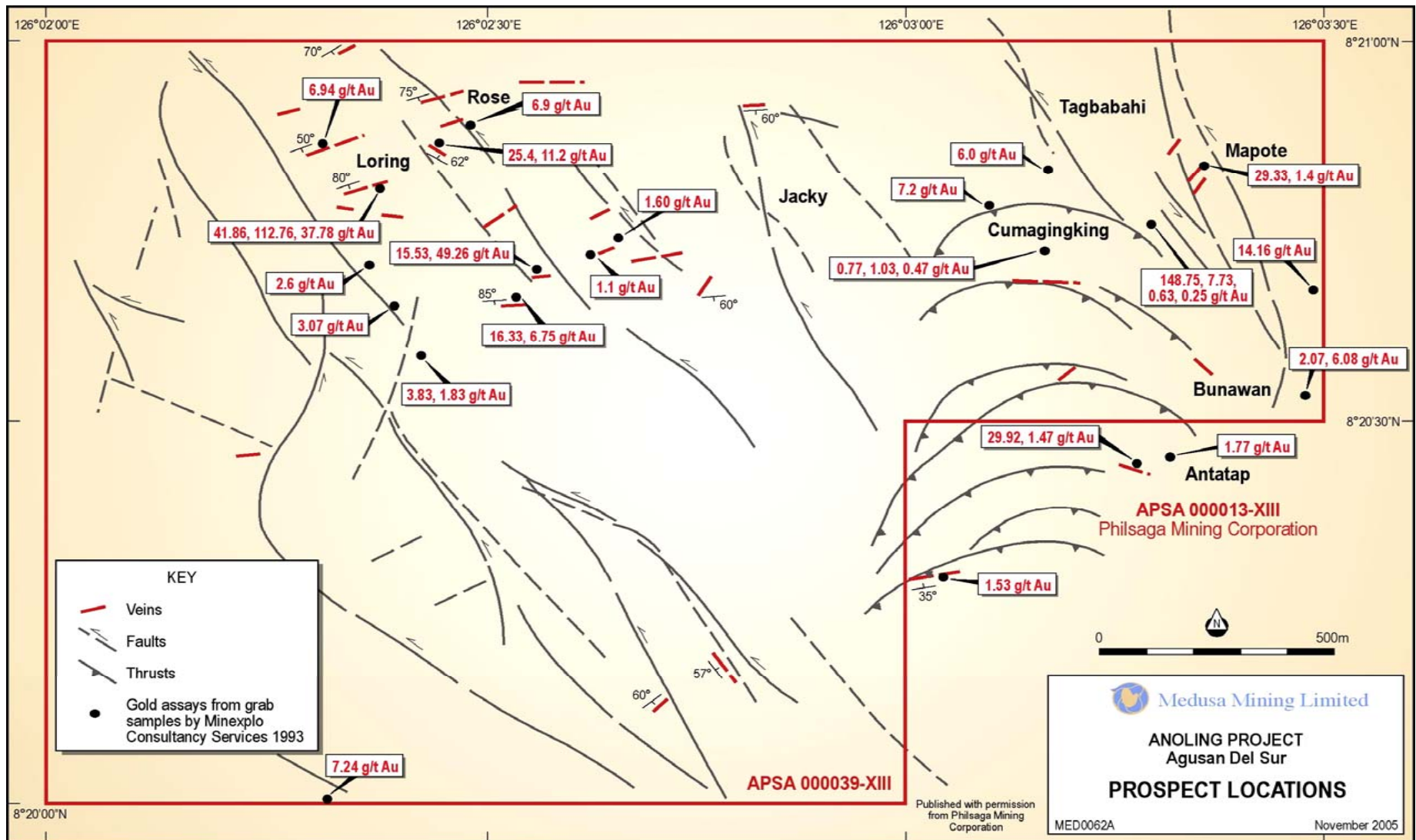


Figure 2. Summary of Anoling Surface Geology and Mineralisation