



MEDUSA MINING LIMITED

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

Dear Sir/Madam

PHILSAGA GRANTED SPECIAL MINING PERMIT FOR Co-O GOLD MINE

Medusa Mining Limited ("**Medusa**") wish to advise that it has received notification from Philsaga Mining Corporation ("**Philsaga**") that the Mines and Geosciences Bureau has granted Special Mining Permit ("**SMP**") number 05-2006 covering the Co-O Gold Mine while Philsaga awaits the approval of Mineral Production Sharing Agreement ("**MPSA**") application denominated as APSA No. 000084-XIII.

The SMP is **independent and mutually exclusive**, and will be replaced by the MPSA when the MPSA is granted.

The SMP, which has **identical terms and conditions as an MPSA**, enables Philsaga to conduct commercial full scale mining operations at the Co-O Gold Mine for a period of one year, renewable for like period.

Philsaga has advised that it will immediately commence the development required for full scale mining operations at the Co-O Mine to provide the ore feed to the Co-O Treatment Plant that is leased by Medusa and which is currently undergoing its first upgrade to an initial nominal capacity of 400 tpd (approximately 150,000 tpa).

The grant of the SMP is an extremely important and positive development for Philsaga which will enable and allow the mining and milling activities of the Co-O operations to be conducted without any hindrance from third parties.

Yours faithfully

GEOFF DAVIS
Managing Director