



**MEDUSA MINING LIMITED**

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17 May 2006

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

Dear Sir/Madam,

## **ACQUISITION OF APICAL GOLD PROJECT, PHILIPPINES**

**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 Joint Venture Agreement (“JVA”) with MRL Gold Phils., Inc. (“MRL”) and an underlying claim owner over the Apical Gold Project. MRL is the Philippine operating company of Mindoro Resources Limited, a public company listed on the TSX Venture Exchange in Canada.**

The JVA covers Mining Production Sharing Agreement (“MPSA”) application number 0028-XIII situated in the provinces of Agusan del Sur and Surigao del Sur in east Mindanao to the north of the Co-O mine and millsite as shown on Figure 1. The MPSA application comprises approximately 2,084 hectares (20.84 km<sup>2</sup>) and covers extensions of the favourable geology found further south and in the Tambis area.

The key terms of the JVA are as follows:

- Medusa has the right to earn a 70% interest :
  - (i) *in narrow vein deposits*, by commencing narrow vein development and earning its interest by producing the first 500 tonnes of ore, after which MRL has the option to contribute to ongoing expenditure or reduce to a 3% Net Smelter Royalty (“NSR”); and
  - (ii) *in large bulk tonnage deposits*, such as porphyry copper-gold deposits or disseminated gold deposits, by completion of a Bankable Feasibility Study, after which MRL has the right to contribute to ongoing expenditure or dilute to a 3% NSR.
- Medusa is required to spend US\$300,000 within 3 years of grant of the APSA, and spend a minimum of US\$150,000 per year subsequently;
- Medusa will issue to the underlying claim holder fully paid shares in Medusa to the value of US\$50,000 once the project has been assigned to the joint venture company and registered with the Mines and Geosciences Bureau; and
- Medusa will be responsible for all costs incurred to progress the APSA to granting.

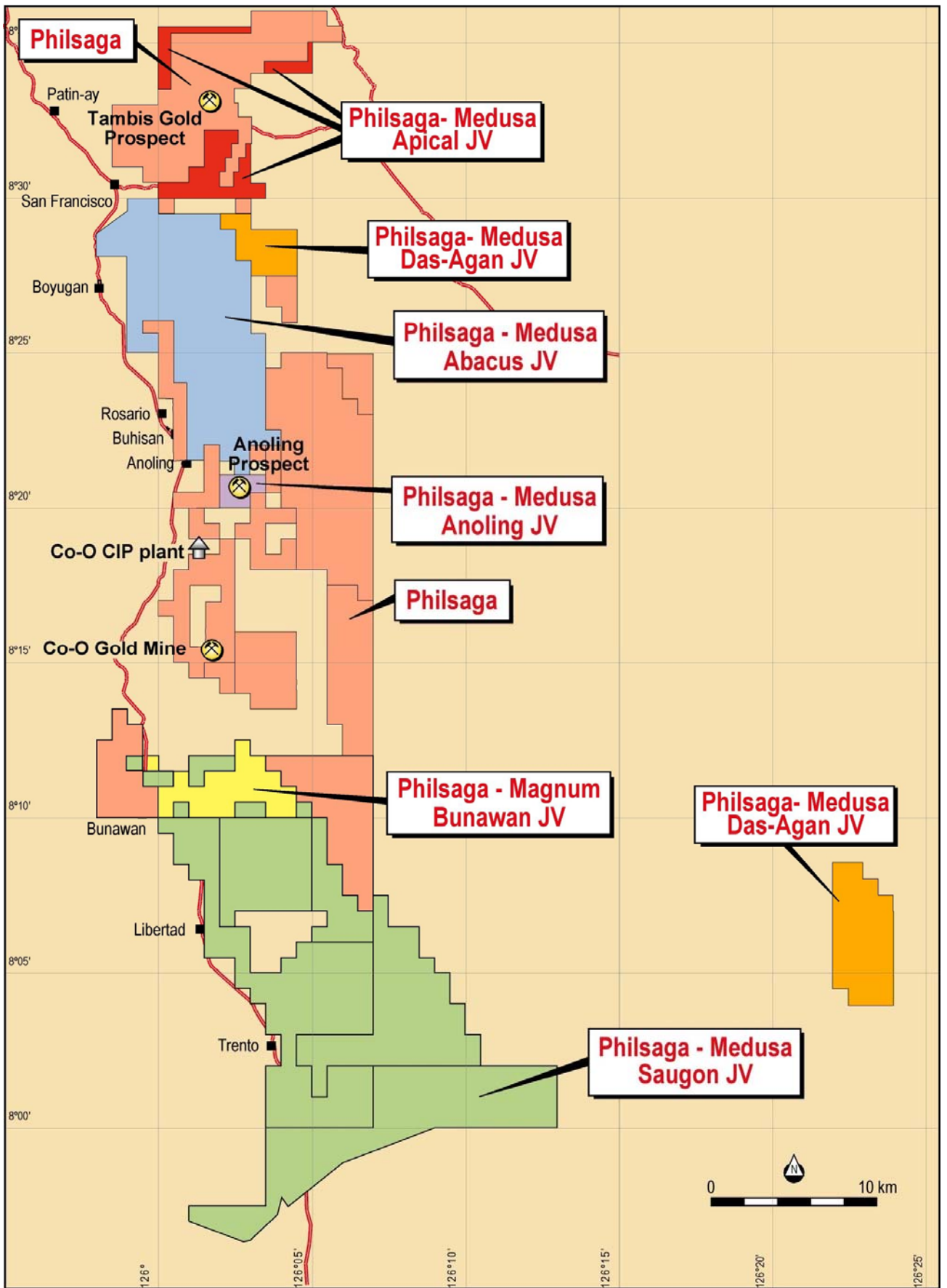
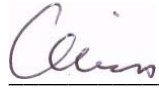


Figure 1. Regional tenement map

**Barlo Project**

Following notification that the Appeal to the Office of the President by claim owner Pyro Copper has been unsuccessful, the Company is withdrawing from the project.

Yours faithfully



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**GEOFF DAVIS**  
Managing Director