

**MEDUSA MINING LIMITED**

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27 November 2006

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

Dear Sir/Madam,

**Co-O MINE SHAFT SINKING**

Philsaga Mining Corporation ("Philsaga") has advised Medusa on 24 November that the Co-O Mine 3W shaft had reached 118.6 metre depth of its final 120 metre inclined depth (from the 3150m level down to the 3050m level). Following completion Philsaga will immediately proceed to cut the plat (shaft access chamber), install rail, air, water and power, as well as the sump, tipping bay and tipping chute. This work should be completed in approximately three weeks time. Note that the mine adit level is at 150 metre above sea level and that a nominal 3000 metre is added (hence 3150m level) to avoid negative levels as the mine depth increases.

In addition Philsaga is well advanced with the development of a new sublevel at the 3010m level which is 40 metres below the current bottom of the mine. This new sublevel will be accessed through two newly completed 40 metre deep shafts which provide ore haulage and ventilation.

New electric winders will be installed in the second week of December. These have been under development during the last six months specifically for the Co-O and associated operations.

On completion of the 3W shaft, a new 2 compartment shaft will commence from the 3150m level adjacent to the bottom of the 3W shaft to access the 2950m level and deeper sections of the mine.

**Co-O MINE DEEPS DRILLING**

Philsaga has advised that a new drilling rig has arrived on site at the Co-O Mine and is currently being commissioned ready to commence drilling the Co-O Mine deeps, initially on the east side of the Oriental Fault. Drilling will be systematically undertaken westwards towards the Tinago Shaft area at the western end of the mine and will aim to intersect where possible (subject to topographic and other constraints) the vein system at approximately the 2950m level which is 100 metres below the current bottom of the mine (or 200 metres below adit level).

Yours faithfully

Geoff Davis  
Managing Director