



MEDUSA MINING LIMITED

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5 December 2006

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

Dear Sir/Madam

COMPLETION OF PHILSAGA ACQUISITION

Medusa Mining Limited ("Medusa" or the "Company") advises that the acquisition of Philsaga Mining Corporation ("Philsaga") was completed on 4th December 2006.

Terms of Settlement of Philsaga Transaction

At settlement, the Company paid consideration to the vendors of Philsaga of A\$12 million, via a combination of cash and deferred payment terms, together with the issue of 25 million shares in the Company (subject to an escrow arrangement for at least 12 months) and Medusa also paid the contractors to the mining operation a final payment of A\$1 million.

The full terms of settlement of the acquisition of Philsaga from the Philsaga vendors are:

- Final payment of A\$1 million to contractors;
- Yandal Investments Pty Ltd was paid in full, being A\$3.584 million and issued with 6.4 million shares;
- Secdea Philippines Holdings Corporation was paid in full, being A\$80,000 and issued with 4 million shares;
- Advanced Concept Holdings Limited was paid A\$920,000 and issued with 14.6 million shares.

Advanced Concept Holdings Limited has agreed to provide vendor finance for the balance of the cash payment of A\$7.416 million on the following terms:

- A\$2.416 million to be paid on or before 15 February 2007;
- A\$2.5 million to be paid on or before 15 July 2007; and
- A\$2.5 million to be paid on or before 15 January 2008.

The above deferred payments do not include interest which has been set at 7.5% per annum. There will be no penalty for any early repayments. The deferred payments and interest are to be secured by a charge or equivalent security over the Co-O Mine assets.

Benefits of Settlement

Settlement of the Philsaga Transaction consolidates the regional tenement holdings and gives Medusa the following benefits:

- control of profitable high grade gold mining operations;
- an initial production of 40,000 ounces on an annualised basis, and an increasing production profile targeting approximately 100,000 ounces on an annualised basis in late 2007 – early 2008, with anticipated production costs of approximately US\$200 per ounce;
- milling facilities which are centrally located and can be expanded as production increases from multiple mines;
- interests in over >700 km² of prospective tenements which will facilitate modern and systematic exploration for the first time ever; and
- an existing workforce, management and infrastructure that are working effectively and co-operatively with local communities.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Geoff Davis', is written over a light pink rectangular background.

Geoff Davis
Managing Director