



MEDUSA MINING LIMITED

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13 December 2006

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

Dear Sir/Madam

POSITIVE OUTCOME ON Co-O MINE MPSA APPLICATION

Medusa Mining Limited ("Medusa" or the "Company"), advises that the Supreme Court of the Republic of the Philippines has unanimously confirmed that the Department of Environment and Natural Resources ("DENR") can now proceed, subject to regulatory compliance, with the issuance to Philsaga Mining Corporation ("Philsaga") of Mineral Production Sharing Agreement ("MPSA") application 084-XIII covering the Co-O Mine.

Philsaga can now also advance other applications within its portfolio which were affected by the 'Picop case'.

Background

The unanimous decision of the Supreme Court of the Philippines on the case lodged by Picop Resources Inc ("Picop"), a timber license holder, arose when Philsaga's predecessor was required under the new mining code introduced in 1995 to convert old style tenements to new tenements compliant with the new mining law.

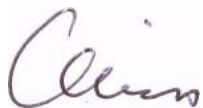
Picop lodged an adverse claim against the MPSA applications in 1997 on the grounds that mining could not be undertaken in timber licenses. Philsaga acquired these tenements in 2000 and proceeded to challenge the adverse claim. Philsaga won the case against Picop in two lower courts and subsequently Picop lodged a case in the Supreme Court against the claim owner and a division of the DENR. The final Supreme Court decision is enumerated above.

Geoff Davis, Managing Director of Medusa commented:

"This decision caps a very busy year for the Company and couldn't have come at a better time. We have always been confident that the Supreme Court would find in favour of the Constitution under which all minerals are owned by the State. Philsaga can now proceed to have its key application over the Co-O Mine granted and we can progress other tenements in our portfolio which have been previously affected by the Picop case.

Prior to completing the merger with Philsaga on 4 December 2006, a substantial capital raising was undertaken, the refurbishment of the milling facility was completed and re-development of the mine is nearing completion. Medusa is now focused on steadily increasing its production to the targeted level of 100,000 ounces per year by late 2007-early 2008, from multiple mines."

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'Geoff Davis', is positioned above the typed name.

Geoff Davis
Managing Director