



MEDUSA

MEDUSA MINING LIMITED

ABN: 60 099 377 849

Unit 7, 11 Preston Street
Como WA 6152

PO Box 860
Canning Bridge WA 6153

Telephone: +618-9367 0601
Facsimile: +618-9367 0602

Email: admin@medusamining.com.au
Internet: www.medusamining.com.au

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

Dear Sir/Madam

CORNERSTONE INVESTOR JOINS MEDUSA TO FUND EXPANDING EXPLORATION PROGRAMME

Medusa Mining Limited ("Medusa" or the "Company") is pleased to advise that Gallagher Holdings Limited ("Gallagher") has become a cornerstone investor in Medusa via the placement of 17,500,000 fully paid shares at A\$1.15 per share to raise A\$20,125,000 before costs. Gallagher will own approximately 12.32 per cent of the issued share capital of the Company following the placement. In addition 7,000,000 unlisted options exercisable by 1 February 2009 at a price of A\$1.60 will also be issued to Gallagher subject to shareholder approval at a meeting in August 2007.

Gallagher, the investment company of Mr Alisher Usmanov, holds strategic investments worldwide, including being a substantial shareholder in Mount Gibson Iron Limited. Mr Usmanov is also the principal shareholder in the unlisted Metalloinvest Group, which is Russia's largest iron ore producer with 39% of total concentrate, pellet and hot briquette production and the country's fifth largest steel producer, with two integrated steel operations.

The funds raised will be utilised as follows:

- Early repayment of the deferred vendor debt of A\$5 million which resulted from the completion of the Philsaga Transaction in December 2006;
- Fund the future porphyry copper drilling programme focusing initially on the Lingig discovery; and
- Fund expanding exploration activities which are expected to be proposed on completion of the Regional Exploration Initiative.

Lingig Porphyry Copper Discovery

The project is located to the east of the Company's main tenement block as shown on Figure 1. It was delineated as a result of an aid program between Filipino and Japanese geologists and technicians in 1972 to 1974 over eastern Mindanao. An initial 3000 km² prospective area was located by geological and geochemical surveys and this was subjected to additional geological mapping and geochemistry. A smaller 170 km² area was selected and subjected to detailed geological mapping and geochemistry followed by Induced Polarisation ("IP") geophysical surveys. Subsequently a programme of five holes was completed on five different targets with hole DDH1 intersecting quartz diorite porphyry containing:

0 - 100 metres	Altered rocks
100 - 200 metres	100 metres @ 0.40 % Cu
200 - 248 metres	48 metres @ 0.50 % Cu, 0.1g/t Au
248 - 250 metres [End of Hole]	2 metres @ 4.93 % Cu, 0.5g/t Au

Finalisation of tenements over the Lingig prospect is being prioritised by the Company to enable drilling to commence as soon as possible.

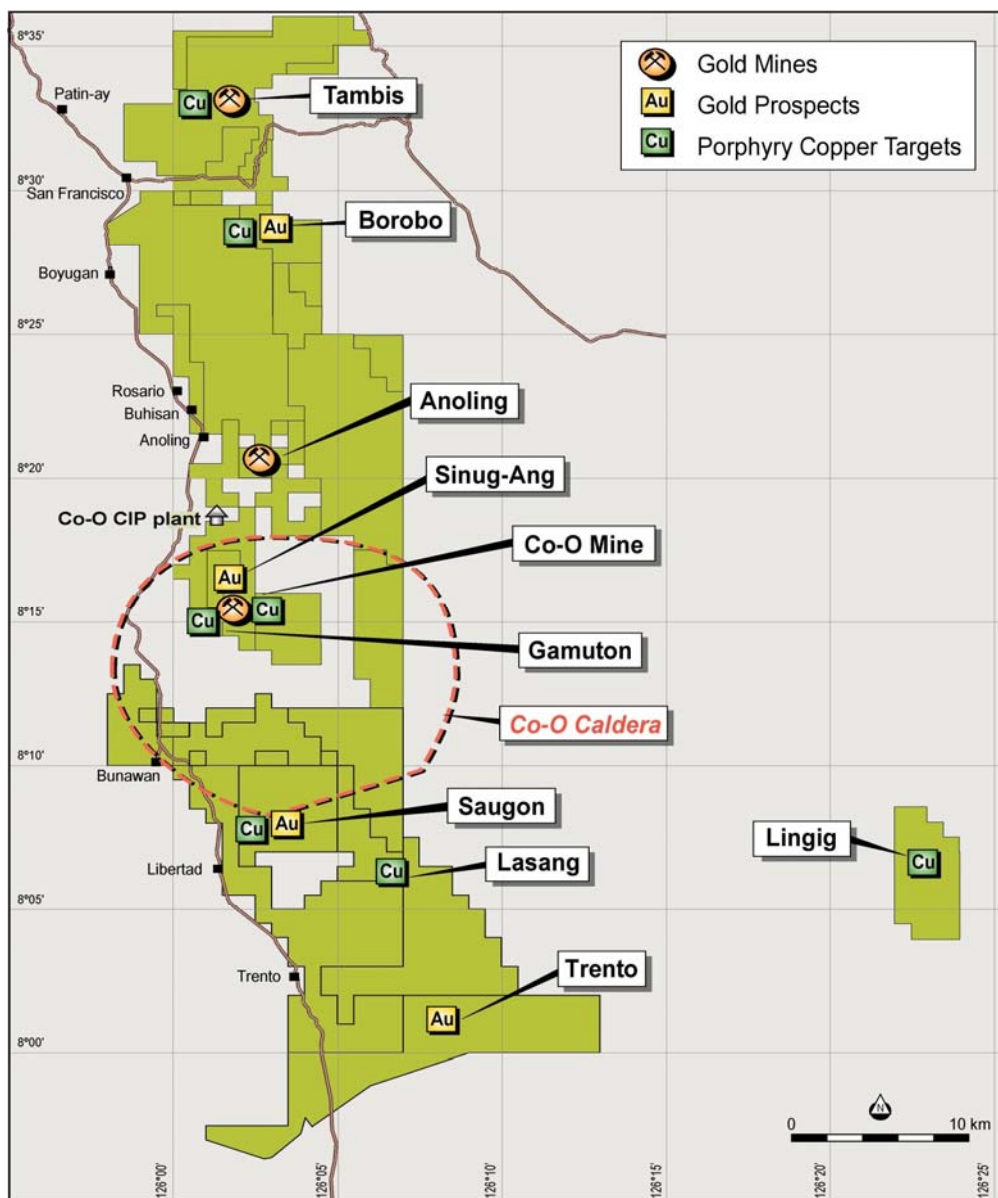


Figure 1: Tenement map showing the location of the main prospect areas.

Regional Exploration Initiative

For several months the Company has been undertaking an assessment of the northern section of its tenement portfolio. The assessment is utilising remote sensing techniques including satellite imagery, aerial photography and aeromagnetics, compilation of information from surveys conducted by previous explorers as well as field checking involving regional mapping and surface sampling where appropriate. Results from a large number of samples are expected in the coming weeks and results will be reported when available.

Yours faithfully,

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

Geoff Davis.
Managing Director

The information in the above announcement was compiled by Geoff Davis, who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Geoff Davis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.