



MEDUSA

MEDUSA MINING LIMITED

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

Dear Sir/Madam

ANNUAL GENERAL MEETING - CHAIRMAN'S ADDRESS

This year has been one of tremendous development and achievement for the Company and a year in which we have achieved many milestones: the court case regarding mineral rights has been resolved; the resource has been increased significantly; and funding has been put in place to allow us to accelerate development.

We are particularly pleased to have increased the Co-O Mine resources by 266% to 713,000 ounces at 10.9 g/t gold, and the reserves by 272% to 256,000 ounces at 11.1 g/t gold. The drill programme is continuing to define additional ounces and I have just returned from a site visit and am pleased to report that the first two holes west of the Oriental Fault have intersected veins on the south side of the Central Vein. These veins are in a similar position to the high-grade New Catto Veins on the east side of the Oriental Fault and a comprehensive new batch of drill results from the western side are expected early next year.

On 21 November 2006 we listed on AIM and so completed the acquisition of Philsaga Mining Corporation, the owner of the Co-O Mine, on 4 December 2006. With the listing, several large institutional and European investors were introduced to the register and these new investors, along with our long-standing shareholders, continue to be very supportive of the Company's efforts.

In March 2007, there was a positive and final decision from the Supreme Court of the Philippines on the Picop case that finally resolved the issue of tenure and confirmed our mineral rights in a forestry licence. Even though the delay was painful at times, it allowed us to increase our tenement holdings adjacent to the Co-O project, and we now have a total landholding of over 820 km². We are now in the process of progressing mining licences over our substantial tenement holdings.

In order to accelerate our exploration and growth, we raised gross proceeds of A\$20m in June 2007. This money is to facilitate repayment of the Philsaga Transaction acquisition costs, to expand our efforts in the Co-O mine area and, in particular, to accelerate exploration of our substantial porphyry targets.

The Co-O Mine is located in a region that in my opinion is now being demonstrated to have superb potential for the discovery of more gold deposits, as well as a number of porphyry and related copper-gold deposits. In all my experience reviewing mines around the globe, this has to be one of the best mineralised 820 km² that I have seen. With the Tambis area, the Barobo Corridor, the Lingig porphyry discovery and a number of other gold and porphyry targets, the main issue the Company now faces is how to prioritise and manage so many targets.

Last week, when on site, I was able to observe a newly discovered prospect where the limestones have been replaced by gold bearing fluids. I also went through the Lingig data and believe that it is possible that we have discovered a very large porphyry system. We are planning to drill the area in early 2008 to confirm the prospectivity.

It is my opinion that the Co-O Mine will develop into one of the premier high-grade mines in the world, exemplified by drill intersections such as 5.20 metres at 107.50 g/t gold and many other plus one ounce intersections. During the final quarter of the last financial year, the mine became productive. Whilst not meeting the target ounces that we set, it was extremely pleasing to see the cash costs reducing to circa US\$200 per ounce in the June 2007 quarter. This puts the Company near the bottom of the cash cost curve, in comparison with other gold producers, and maintaining cashflow that we will use to progress our expansion plans.

The Board also took the difficult decision to focus on forward mine development at the expense of short-term gold production so that the mine could be set up for future production at an increased rate and with reduced costs. With small scale mines, it is a common mistake to try to maintain or increase immediate production levels at the expense of developing access to future production areas. In the long term, this can result in reduced production as the forward development is not in place. Therefore, the decision to put development ahead of production was made in the best interests of the mine.

The planned expansion will consist of two new inclined shafts, one internal and one external, a new sub-level development and connection of grid power from the Co-O Mill to the Co-O Mine. This expansion is being undertaken as a matter of priority and will require that miners be diverted from production operations to the expansion.

Philsaga, Medusa's Philippine subsidiary, has an enviable social responsibility record, which we support and encourage. The Company owns two schools, supports another seven, provides educational scholarships and supports various other community initiatives. Through these and the employment that the Company provides, we enjoy excellent community relationships at all levels, which will help as we come to expand our activities in the region.

My recent site visit to the Co-O Mine and my review of the exploration data and prospects has confirmed my earlier enthusiasm: I am very excited by the prospects that we have ahead of us. I expect that the next year will lead to the discovering of more high-grade resources at both the Co-O Mine and elsewhere. The Co-O Mine will be expanded into areas with some very high-grades and the drilling of some of the large porphyry systems could see the Company re-rated on a global scale. I believe that we are at the start of a very exciting year for Medusa.

Lastly, I would like to thank my fellow directors for patiently putting the foundations in place that will allow us to become a world class company. I would also like to thank the management team on the ground and the employees of the Company who have made this possible.