

Regulatory Announcement

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Company Medusa Mining Ltd
TIDM MML
Headline Offer by Crosby Capital
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Offer by Crosby Capital

Medusa Mining Limited
('Medusa' or the 'Company')

The board of Medusa notes the release of the following announcement by Crosby Capital Limited (reproduced below).

The board recommends that shareholders take no action at this time. A further announcement will be made in due course.

Contacts:

Medusa Mining Limited Geoffrey Davis, Managing Director Roy Daniel, Finance Director	+61 8 9367 0601
Fairfax I.S. PLC Nominated Adviser/Joint Broker Ewan Leggat	+44 (0)20 7598 5368
Mirabaud Securities Limited Joint Broker Peter Krens / Rory Scott	+44 (0)20 7321 2508
Lothbury Financial Michael Padley / Louise Davis	+44 (0)20 7011 9411

ASX & Media Announcement

19 September 2008
CROSBY CAPITAL ANNOUNCES TAKEOVER BID FOR
MEDUSA MINING (ASX: MML, AIM: MML)

21% PREMIUM TO MARKET PRICE

Crosby Capital Limited, a Hong Kong based merchant banking and asset management group (Crosby or the Crosby Group), announced today its intention to make an off-market takeover offer for 100% of the shares in Medusa Mining Limited (Medusa or the Company).

Crosby, through a special purpose vehicle (the Bidder), will offer to purchase all the ordinary shares of Medusa (including ordinary shares to be issued on the exercise of outstanding options), for A\$1.15 cash per share (the Offer).

The Offer values Medusa at approximately A\$182 million on a fully diluted basis.

Benefits of the Offer to Medusa Shareholders

Crosby believes that the Offer for Medusa provides significant benefits to the shareholders of Medusa, including:

* a premium of 21.1% to yesterday's closing price of

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Medusa shares, and a premium of 23.3% to the 1 month VWAP of Medusa shares;

* provides shareholders with the opportunity to dispose of a large number of shares to realise the value of their investments in Medusa in cash at a substantial premium to the current market price;

* removes uncertainty and avoids the risks over the Company's capability to develop and fund its operations going forward; and

* there is no certainty that Medusa's shares would trade at or above the Offer price if Crosby's Offer lapses and no competing bidder emerges, and there is a risk that in this circumstance Medusa's share price would fall significantly.

Subject to satisfaction or waiver of the conditions, the Offer allows Medusa shareholders to effectively transfer such risks to the Crosby Group and realise a substantial premium in cash for their investments.

Conditions to the Offer

The Offer is subject to a condition that an Independent Expert confirms certain matters concerning Medusa's assets, Medusa's resource and reserve estimates and other Medusa statements concerning prospective performance. The Offer is subject to a separate condition that Medusa gives Crosby an opportunity to undertake reasonable due diligence. These conditions are important to Crosby so that it can affirm the terms of its Offer including the offer price. If the Independent Expert condition is fully satisfied, Crosby will waive the due diligence condition.

These conditions and other conditions to the Offer are set out in the annexure to this announcement.

Existing interests in Medusa

The Bidder currently owns 400,000 Medusa shares, representing approximately 0.28% of the total issued shares in Medusa.

Separately, Crosby Active Opportunities Fund (CAOF), an investment fund independently managed by a subsidiary of Crosby Asset Management Inc. (an 82% owned subsidiary of Crosby), owns 6,693,925 (or approximately 4.6%) of the total issued shares in Medusa. The asset management activities of the Crosby Group are distinct from the Crosby Group's merchant banking activities. The merchant banking group, which is making the Offer, has no control or influence over CAOF's investment in Medusa and there is no arrangement, agreement or understanding in relation to the continued holding or sale of such investment.

Next steps and timetable

The Crosby Group's bidder's statement is expected to be lodged in October 2008 and will subsequently be dispatched to Medusa shareholders.

Media enquiries

For further details on this announcement, please contact:

Michael Mullane, Savage & Partners (Public Relations Adviser to Crosby): +61 2 8281 3257

Joey Borromeo, Managing Director, Crosby Capital Limited: +852 2169 2823

About Crosby Capital Limited

Crosby Capital Limited (formerly Techpacific Capital Limited) is an independent merchant banking and asset management group listed on the Hong Kong Stock Exchange's GEM board (HK GEM 8088), with offices in China, Singapore, the United Kingdom and representation in other parts of Asia. The Group is engaged in the businesses of merchant banking, asset management, venture capital fund management and direct investment. Its subsidiary, Crosby Asset Management Inc. (formerly Crosby Capital Partners Inc.), which carries out the Group's asset management business, is quoted on London's Alternative Investment Market (CSB LN).

Further information on Crosby can be found on www.crosby.com

ANNEXURE

Conditions of the Offer

The Offer to be made for all ordinary shares in Medusa will be subject to conditions substantially as set out below:

(a) Regulatory actions

Between the Announcement Date and the end of the Offer Period:

- (1) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (2) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by Bidder) or commenced by a Public Authority, in consequence of or in connection with the Offer (other than application, decision or order made under, or relating to a breach of, Chapters 6, 6A, 6B or 6C of the Corporations Act or unacceptable circumstances for the purposes of the Corporations Act), which:

(A) restrains or prohibits, or otherwise materially adversely impacts upon, the making of the Offer or the completion of any transaction contemplated by the Offer; or

(B) seeks to require the divestiture by Bidder of any Medusa Shares, or the divestiture of any material assets of Medusa or a subsidiary of Medusa (Medusa and its subsidiaries being defined as the Medusa Group) or of Bidder or a related body corporate of the Bidder (Bidder and its related bodies corporate being defined as the Bidder Group).

(b) Other regulatory approvals

During the Offer Period, all regulatory approvals, consents or waivers (Approvals) (other than Approvals the absence of which would not have a material adverse effect on the assets or operations of the Medusa Group, or the Bidder Group) which are required by law or by any Public Authority as are necessary to permit the Offer to be made to and accepted by Medusa shareholders and to permit any transaction contemplated by the Offer to be completed are granted, given, made or obtained on an unconditional basis and remain in full force and effect in all respects and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

(c) FIRB

One of the following occurs before the end of the Offer Period:

- (1) Bidder receives a notice from the Treasurer of the Commonwealth of Australia (Treasurer) or his agent to the effect that there is no objection to the Offer under the Commonwealth Government's foreign investment policy, such notice being unconditional;
- (2) the period provided under the Foreign Acquisitions and Takeovers Act 1975 (Cth) (as amended) (the Act) during which the Treasurer may make an order or an interim order under the Act prohibiting the acquisition of Medusa Shares under the Offer expires, without such an order being made; or
- (3) if an interim order prohibiting such acquisition is made, the subsequent period for making a final order has elapsed, without such final order being made.

(d) Options

- (1) Before the end of the Offer Period, Medusa does not amend or vary the terms of any options granted by Medusa (other than to cancel those options in accordance with paragraph (2) below); and
- (2) Before the end of the Offer Period:
 - (A) all of the options granted by Medusa have been exercised, or cancelled by Medusa (for an amount per option not exceeding the cash offered under the Offer for each Medusa Share minus the exercise price of the option); or
 - (B) the Bidder has agreed to acquire or is entitled to compulsorily acquire all outstanding Medusa options; and

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(3) At the end of the Offer Period there are no outstanding agreements to issue Medusa shares or any other Medusa securities (and there are no Medusa securities on issue other than the Medusa Shares and options).

(e) No hedging

(1) As at the Announcement Date, no member of the Medusa Group has entered into, offered to enter into or announced that it proposes to enter into any gold price hedge, derivative or similar arrangement; and

(2) Between the Announcement Date and the end of the Offer Period, no member of the Medusa Group enters into, offers to enter into or announces that it proposes to enter into any gold price hedge, derivative or similar arrangement.

(f) Independent Expert

Within 4 weeks of the Announcement Date either:

(1) an independent expert nominated by Crosby and acceptable to Medusa; or

(2) if the person nominated is not acceptable to Medusa, an independent expert nominated by Medusa and acceptable to Crosby (acting reasonably),

(in either case, the Independent Expert) is provided by Medusa with access to information (including, but not limited to relevant operational sites, operating information and management personnel) for the purposes of enabling the Independent Expert to conduct an investigation into the resource estimates, and the past and prospective performance, of the Co-O Mine so that the Independent Expert may complete the investigation and report to Crosby, on or before the date 8 weeks after the Announcement Date, that in the opinion of the Independent Expert:

(A) the Company's 25 year mining licence over the Co-O Mine and surrounds is:

(1) valid and enforceable and free from any Encumbrances; and

(2) not subject to termination or modification, sale, transfer or required to be offered for sale or transfer as a result of the Crosby Group acquiring some or all of the Medusa Shares (or for any other reason),

and the Company has all regulatory approvals, consents, waivers and permits necessary to operate the mine (and will continue to do so should the Bidder acquire 100% of the Company);

(B) the Company is expected to be able to meet its stated:

(1) target annualised production rate of 60,000 ounces gold in July 2009; and

(2) target annualised production rate of 100,000 ounces gold in 2010;

(C) the Company's estimate that, on completion of phase II of expansion of the Co-O Mine, its long term cash costs will be around US\$200 per ounce is reasonable; and

(D) all resource and reserve estimates set out in the Company's 2008 annual report (including, for the avoidance of doubt, and without limitation, on page 8 of the annual report which refers to total indicated and inferred resources of 862,000 ounces of gold at an average grade of 10.72 g/t gold and probable reserve estimates of 249,000 ounces of gold at an average grade of 10.77 g/t gold) are reasonable and in compliance with the JORC Code.

The matters in paragraph (f) (A) may be confirmed by the Independent Expert or alternatively by an independent legal adviser appointed by the Independent Expert or agreed between Medusa and Crosby. For the avoidance of doubt if the matters in (f) (A) are confirmed in a report to Crosby (or to the Independent Expert) by an agreed legal adviser and the matters in (f) (A) are satisfied by the Independent Expert as set out above, this condition will be satisfied.

(g) Gold price

Between the Announcement Date and the end of the Offer Period (each inclusive), the price of gold (as determined by the London pm fix) does not fall below US\$750/oz for a period of 3 or more consecutive trading days.

(h) Cooperation and access to information

In addition and as a separate condition to paragraph (f) above, at

all times during the period from the Announcement Date to the end of the Offer Period, Medusa promptly (and in any event within three business days) provides Crosby with all access and information which Crosby may from time to time reasonably request, whether or not such information is generally available (within the meaning of the Corporations Act), relating to Medusa or any of its subsidiaries, or its or their respective assets or business operations (including without limitation access to all of Medusa's mining assets and operations, including site visits by Crosby Group personnel and advisors appointed by Crosby). For the purposes of this condition, a request by Crosby will be deemed to be reasonable if it is for:

- (1) information which a bidder in the position of Crosby would reasonably require in order to make an informed assessment of the business, financial or trading position, assets or liabilities, profitability or prospects of Medusa or any of its subsidiaries; or
- (2) information which has been provided by Medusa or its associates to any other bidder or potential bidder for Medusa (whether by takeover, scheme of arrangement or any other proposal or proposals likely to lead to a change of control of Medusa or Medusa's, or its subsidiaries', assets).

(i) No inaccurate public information

Crosby does not become aware, during the period from the Announcement Date to the end of the Offer Period (each inclusive) that any document filed by or announcement (including, for the avoidance of doubt, the Company's 2008 annual report) made by or on behalf of Medusa, or by or on behalf of any person in relation to Medusa, with the ASX, ASIC or anywhere in the public domain, contains a statement which is incorrect or misleading in any material way or from which there is a material omission.

(j) No material adverse change

Save as publicly announced to ASX prior to the Announcement Date (provided such announcement is full and fair, including, without limitation, in relation to the extent and magnitude of the event, change, condition, matter or thing, as the case may be), none of the following events has happened since 31 December 2007, and none of the following events happens or is disclosed between the Announcement Date and the end of the Offer Period:

(1) any change in the business, assets, liabilities, financial or trading position, profitability or prospects, the status or terms of arrangements entered into with Medusa or any of its subsidiaries or the status or terms of any Approvals which are directly or indirectly applicable to Medusa or any of its subsidiaries (whether or not wholly or partly attributable to the making of the Offer, and/or the acquisition of Medusa Shares under the Offer), which has a material adverse effect on the assets, liabilities, financial or trading position, profitability, prospects or manner of conduct of any of the Medusa Group's businesses;

(2) any event, actions, proceeding, circumstance or change in circumstance which is reasonably likely to result in a material adverse effect of the kind mentioned in paragraph (1) above; or

(3) the introduction into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia or of the Philippines (whether at a national or provincial level) of any law, the making of any regulation under any law, the adoption of a policy, or any official announcement on behalf of the government of the Commonwealth of Australia or any State or Territory of Australia or the government of the Philippines (whether at a national or provincial level) or a Public Authority that such law or regulation will be introduced or policy adopted (as the case may be) which will or is reasonably likely to have a material adverse effect on the assets, liabilities, financial or trading position, profitability, prospects or manner of conduct of any of the Medusa Group's businesses or which will or is reasonably likely to result in the incurring of a material liability to the Bidder Group or the Medusa Group in implementing the transactions contemplated by the Offer.

(k) Capital expenditure

Between the Announcement Date and the end of the Offer Period (each inclusive), Medusa does not incur or commit to incur an amount of

capital expenditure in excess of A\$10 million other than:

- (1) capital expenditure that has been announced by Medusa before the Announcement Date as intended to be incurred or committed; and
- (2) capital expenditure in the day to day operating activities of the business of Medusa and its subsidiaries conducted in the same manner as before the Announcement Date.

(1) No persons entitled to exercise or exercising rights under certain agreements or instruments

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person entitled to exercise, exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which any member of the Medusa Group is a party, or by or to which any member of the Medusa Group or any of its assets or businesses may be bound or be subject, which results, or could result, to an extent to which is material in the context of Medusa Group taken as a whole, in:

- (1) any moneys borrowed by any member of the Medusa Group being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (2) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
- (3) the interest of any member of the Medusa Group in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified;
- (4) the assets of any member of the Medusa Group being sold transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions; or
- (5) the business of any member of the Medusa Group with any other person being adversely affected.

(m) No material acquisitions, disposals or changes in the conduct of business

Between the Announcement Date and the end of the Offer Period, each of the Medusa Group's businesses are carried on in the usual and ordinary course, and neither Medusa nor any subsidiary of Medusa:

- (1) enters into or announces an intention or proposal to enter into;
- (2) discloses (without having disclosed to ASX prior to the Announcement Date) the existence of; or
- (3) incurs, becomes subject to, or brings forward the time for performance of (or is reasonably likely to incur, become subject to or bring forward the time for performance of), any obligation or arrangement:
- (4) to acquire, dispose of or create an Encumbrance in respect of or terminate or surrender any interest in any asset or business or any interest therein;
- (5) to perform or acquire the benefit of any services in relation to any asset or business or interest therein; or
- (6) to enter into, terminate, amend or waive any of the terms applicable to a joint venture, asset or profit sharing, partnership or joint selling agreement, merger of businesses or of corporate entities, lease, licence or grant of any right, which will result or is reasonably likely to result in a material adverse change, following the Announcement Date (as compared with the position immediately prior to the Announcement Date), in the assets, liabilities, financial or trading position, profitability, prospects or manner of conduct of any of Medusa Group's businesses, other than obligations or arrangements which have been publicly announced to ASX prior to the Announcement Date. Without limiting the operation of this clause, any action described in (1) to (3) above in relation to the following transactions will be in breach of this clause:
- (7) the acquisition or disposal of one or more companies or assets (or any interest in companies or assets) for an amount greater than A\$5 million;

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(8) the disposal of any legal or beneficial, direct or indirect, interest in any of the Medusa Group's exploration and production asset; or

(9) any transaction referred to in (4) above involving a commitment or a group of commitments of greater than A\$5 million.

(n) No litigation on foot or pending

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against Medusa which may reasonably result in a judgement of A\$5 million or more is commenced, is threatened to be commenced, is announced, or is made known to the Bidder (whether or not becoming public) or Medusa, other than that which is in the public domain as at the Announcement Date.

(o) Financial markets

Between the Announcement Date and the end of the Offer Period (each inclusive), the S&P ASX 200 does not close below 4000 for 3 or more consecutive trading days.

(p) Equal access

Between the Announcement Date and the end of the Offer Period, Medusa promptly, and in any event within 2 Business Days, provides to the Bidder a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to Medusa or any of its subsidiaries, or their respective assets, liabilities or operations, that has been provided by any member of the Medusa Group or any of their directors, officers, advisors, agents or representatives to any person other than the Bidder, other than in the ordinary course of ordinary business, including (without limitation) for the purposes of soliciting, encouraging or facilitating any proposal with respect to:

(1) a takeover bid for, or scheme of arrangement proposed by, Medusa, under the Corporations Act;

(2) the acquisition by that person or an associate of substantially all the assets and operations of Medusa; or

(3) any transaction having a similar economic effect.

(q) Dividends and distributions

Between the Announcement Date and the end of the Offer Period, no member of the Medusa Group makes, determines as payable or declares any distribution (whether by way of dividend, capital reduction or otherwise and whether cash or in specie).

(r) Prescribed occurrences

None of the occurrences specified in s 652C of the Corporations Act happens between the Announcement Date and the end of the Offer Period other than the issue of Medusa Shares as a result of exercise of the options to be issued Medusa Shares described in paragraph (d) above.

(s) No hostilities

Between the Announcement Date and the end of the Offer Period, no hostilities commence and there is no major escalation in any hostilities in existence as at the Announcement Date (whether war is declared or not) involving any one or more of Philippines, Australia, Canada, the United Kingdom, USA, any member state of the European Union, Japan, Russia or the People's Republic of China (other than peace keeping functions undertaken at the request of the United Nations, the North Atlantic Treaty Organisation or the European Union) and no terrorist act is perpetrated on any of those countries or any diplomatic or political establishment of any of those countries elsewhere in the world, and no national emergency is declared in any of those countries.

(t) No break fees

Between the Announcement Date and the end of the Offer Period, Medusa does not agree (whether conditionally or unconditionally) to make any payment by way of break fee, inducement fee, cost reimbursement or otherwise, to any person other than Bidder or an associate, or forgo any amount to which it would otherwise be entitled, in connection with that a proposal by that person for:

(1) a takeover bid for, or scheme of arrangement proposed by, Medusa, under the Corporations Act;

(2) the acquisition by that person or an associate of substantially all the assets and operations of Medusa; or

(3) any transaction having a similar economic effect.

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This section does not apply to a payment by way of remuneration for professional services or to directors of Medusa for the discharge of their duties in connection with the Offer.

(u) 90% minimum acceptance

Before the end of the Offer Period Bidder and its associates have a relevant interest in at least 90% of Medusa shares.

Definitions

(a) In this annexure:

Announcement Date means 19 September 2008.

Encumbrance means an interest or power (whether existing or agreed to be granted or created):

(1) reserved in or over any interest in any property, including any retention of title; or

(2) created or otherwise arising in or over any interest in any property under a bill of sale, mortgage, charge, lien, pledge, hypothecation, trust or power, and any other restriction on the use of or exercise of a right over property, or on the registration of an interest in or dealing with (including a transfer of) property.

Medusa Shares means fully paid ordinary shares of Medusa.

Offer Period means the period during which offers made under the Offer remain open for acceptance.

Public Authority means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia, the Philippines or elsewhere. It also includes any self-regulatory organisation established under any statute and any stock exchange.

(b) Capitalised terms appearing in this annexure, if not defined in this annexure, have the meaning given to them by section 9 of the Corporations Act.

The above is an outline only. The full terms of the conditions will be set out in the Bidder's Statement.

- ---END OF MESSAGE---

Close

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