



MEDUSA MINING LIMITED

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

Dear Sir/Madam

Philsaga Transaction – Not to Proceed in its Present Form

Medusa Mining Limited (“Medusa”) wish to advise that the Philsaga Transaction will not proceed in its present format due to the Condition Precedent (“CP”) relating to title issues not being satisfied. As a result, the equity raising via the Prospectus dated 26 April 2005 will not proceed and the debt raising will terminate.

Although Medusa is disappointed that the CP was not satisfied due to circumstances beyond its control, the Company is currently in discussions with the vendors, Philsaga Mining Corporation (“Philsaga”), to vary the original transaction terms whereby the majority of the acquisition payments previously payable at settlement will now be deferred by way of vendor finance.

It is also envisaged that Medusa will obtain the benefit of any cashflows derived from the operation upon the completion of any re-negotiated deal. Furthermore, Medusa is confident that the CP will shortly be resolved to its satisfaction

As advised previously, the delay encountered by Medusa and Philsaga in the Philippines whilst unfortunate, is not unique and should be viewed in the context of the mining industry world wide. As a comparison, Australia for example, is not immune to similar difficulties to those encountered in the Philippines with the issue of Native Titles posing a major concern for tenement access.

The Company’s securities will remain suspended from trading pending the agreement of amended terms with Philsaga and an update of the status of the title issues.

Yours faithfully

GEOFF DAVIS
Managing Director
