



MEDUSA MINING LIMITED

ABN: 60 099 377 849

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Como WA 6152

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Internet: www.medusamining.com.au

24 October 2006

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

Dear Sir/Madam

**20 Day Notice of the Intention to Seek Admission to the
Alternative Investment Market of the London Stock Exchange**

The Directors of Medusa Mining Limited ("Medusa" or "the Company") advise that formal application has now been made for the admission of the Company's securities ("Admission") to the Alternative Investment Market ("AIM") of the London Stock Exchange.

This notice follows Medusa's announcement to the Australian Stock Exchange ("ASX") on 10 April 2006 that Medusa was seeking a secondary listing of its securities on AIM.

The Company's fully paid ordinary shares (ASX code:MML) and listed options (ASX code:MMLO) will continue to be listed on the ASX and, following Admission, all Medusa's issued ordinary shares will also be listed on AIM. It is anticipated that the Admission will take place on or about 21 November 2006.

Further information can be found in the attached Pre Admission Announcement and Appendix that have been submitted in connection with the Company's proposed Admission to AIM.

For further information, please visit Medusa's website www.medusamining.com.au

Yours faithfully

Geoff Davis
Managing Director

AIM SCHEDULE 1 – PRE-ADMISSION ANNOUNCEMENT

Please forward this form to aimregulation@londonstockexchange.com
In the case of queries please contact AIM on +44 (0) 20 7797 4154

ANNOUNCEMENT TO BE MADE BY THE AIM APPLICANT PRIOR TO ADMISSION IN ACCORDANCE WITH AIM RULE 2
ALL APPLICANTS MUST COMPLETE THE FOLLOWING:
COMPANY NAME: Medusa Mining Limited
COMPANY ADDRESS: Unit 7 11 Preston Street Como Western Australia Australia
COMPANY POSTCODE: WA 6152
COUNTRY OF INCORPORATION: Australia
COMPANY BUSINESS OR, IN THE CASE OF AN INVESTING COMPANY, DETAILS OF ITS INVESTMENT STRATEGY TO BE DISCLOSED IN ACCORDANCE WITH SCHEDULE 2, PARAGRAPH (J) OF THE AIM RULES: Medusa Mining Limited is a Philippines based gold producer and explorer.
DETAILS OF SECURITIES TO BE ADMITTED (i.e. where known, number of shares, nominal value and issue price to which it seeks admission and the number and type to be held as treasury shares): 59,758,211 existing Ordinary Shares of no par value. TBC
CAPITAL TO BE RAISED ON ADMISSION: TBC
FULL NAMES AND FUNCTIONS OF DIRECTORS AND PROPOSED DIRECTORS: Kevin Michael Tomlinson Non-Executive Chairman Geoffrey John Davis Managing Director Roy Philip Daniel Finance Director Dr. Robert Weinberg Non-Executive Director
PERSON(S) INTERESTED IN 3% OR MORE OF THE ISSUER'S CAPITAL, EXPRESSED AS A PERCENTAGE OF THE ISSUED SHARE CAPITAL BEFORE AND AFTER ADMISSION:

Before admission:

Forty Traders Limited	9.48%
National Nominees Limited	6.83%
Geoffrey & Susan Davis	5.45%
Yarandi Investments Pty Limited	3.97%
Skiptan Pty Limited	3.74%
Platinum Investment Corporation Pty Limited	3.10%
Edward Stuart Mackey Mein	3.04%

Post admission:

Forty Traders Limited	9.48%
National Nominees Limited	6.83%
Geoffrey & Susan Davis	5.45%
Yarandi Investments Pty Limited	3.97%
Skiptan Pty Limited	3.74%
Platinum Investment Corporation Pty Limited	3.10%
Edward Stuart Mackey Mein	3.04%

TBC

NAMES AND ADDRESSES OF ALL PERSONS TO BE DISCLOSED IN ACCORDANCE WITH SCHEDULE 2, PARAGRAPH (H) OF THE AIM RULES:

N/A

ANTICIPATED ACCOUNTING REFERENCE DATE: 30 June

EXPECTED ADMISSION DATE: 21 November 2006

NAME AND ADDRESS OF NOMINATED ADVISER:

Ambrian Partners Limited
8 Angel Court
London
EC2R 7 HP

NAME AND ADDRESS OF BROKER:

Ambrian Partners Limited
8 Angel Court
London
EC2R 7 HP

DETAILS OF WHERE (POSTAL OR INTERNET ADDRESS) THE ADMISSION DOCUMENT WILL BE AVAILABLE FROM, WITH A STATEMENT THAT THIS WILL CONTAIN FULL DETAILS ABOUT THE APPLICANT AND THE ADMISSION OF ITS SECURITIES:

www.medusamining.com.au – the pre admission announcement together with information previously released by the Company to the Australian Stock Exchange Limited (which is also available at the same web site and www.asx.com.au) will contain full details about the applicant and the admission of its securities to AIM.

DATE OF NOTIFICATION: 24 October 2006

NEW/ UPDATE (see note): NEW

QUOTED APPLICANTS MUST ALSO COMPLETE THE FOLLOWING:

THE NAME OF THE AIM DESIGNATED MARKET UPON WHICH THE APPLICANT'S SECURITIES HAVE BEEN TRADED:

Australian Stock Exchange Limited

THE DATE FROM WHICH THE APPLICANT'S SECURITIES HAVE BEEN SO TRADED:

23 December 2003

CONFIRMATION THAT, FOLLOWING DUE AND CAREFUL ENQUIRY, THE APPLICANT HAS ADHERED TO ANY LEGAL AND REGULATORY REQUIREMENTS INVOLVED IN HAVING ITS SECURITIES TRADED UPON SUCH A MARKET:

The Directors of Medusa Mining Limited confirm that following due and careful enquiry, Medusa Mining Limited has adhered to all legal and regulatory requirements involved in having its securities traded on the Australian Stock Exchange.

AN ADDRESS OR WEB-SITE ADDRESS WHERE ANY DOCUMENTS OR ANNOUNCEMENTS WHICH THE APPLICANT HAS MADE PUBLIC OVER THE LAST TWO YEARS (IN CONSEQUENCE OF HAVING ITS SECURITIES SO TRADED) ARE AVAILABLE:

www.medusamining.com.au and www.asx.com.au

DETAILS OF THE APPLICANT'S STRATEGY FOLLOWING ADMISSION INCLUDING, IN THE CASE OF AN INVESTING COMPANY, DETAILS OF ITS INVESTMENT STRATEGY:

The AIM admission is to be used to improve Medusa Mining's profile in the UK markets ahead of a fundraising to support the cash element of consideration in the agreed merger with Philsaga Mining Corporation, the joint venture partner of Medusa Mining Limited in the Philippines. Following admission Medusa Mining Limited will continue to develop its gold production and exploration mining projects in the Philippines.

A DESCRIPTION OF ANY SIGNIFICANT CHANGE IN FINANCIAL OR TRADING POSITION OF THE APPLICANT, WHICH HAS OCCURRED SINCE THE END OF THE LAST FINANCIAL PERIOD FOR WHICH AUDITED STATEMENTS HAVE BEEN PUBLISHED:

Since 30 June 2006 the date to which the last audited accounts were prepared, the following events have taken place:

- The Company has (i) continued with the development of the Co-O Mine with one shaft producing ore and a second shaft nearing completion, (ii) continued with the development of the Tambis project in preparation for production, (iii) commenced assessment of the Anoling project, (iv) completed refurbishment of the large ball mill and associated plant upgrade, and is (v) completing re-equipping of the assay laboratory to international standards.

- On 14 September 2006 the securities of the Company were admitted to trading on Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange).

- As at 30 June 2006, the Company's three Australian projects were the Braemore project, Kurnalpi project and Anti-Dam project. The tenement interests the subject of the Braemore project were relinquished by the Company and its Australian subsidiary, Montrose Minerals Pty Ltd in September 2006. On 30 August 2006 Medusa and its Australian subsidiary, Newcastle Nominees Pty Ltd granted an option to Fairstar Resources Limited to purchase all of the tenement interests comprising the Kurnalpi and Anti-Dam projects. Fairstar Resources Limited has until 30 January 2007 to exercise the option. The consideration payable by Fairstar Resources Limited to the Company within 10 business days of the exercise of the option is \$50,000 cash and 1,000,000 shares. Fairstar Resources Limited is seeking a listing on the ASX at an issue price of 25 cents per share.

A STATEMENT THAT THE DIRECTORS OF THE APPLICANT HAVE NO REASON TO BELIEVE THAT THE WORKING CAPITAL AVAILABLE TO IT OR ITS GROUP WILL BE INSUFFICIENT FOR AT LEAST TWELVE MONTHS FROM THE DATE OF ITS ADMISSION:

The Directors believe (having made due and careful enquiry) that the working capital available to the Group is sufficient for its present requirements, that is for at least twelve months from the date of Admission.

DETAILS OF ANY LOCK-IN ARRANGEMENTS PURSUANT TO RULE 7 OF THE AIM RULES:

The Directors who on Admission will be holders of 3,503,700 Ordinary Shares, representing, in aggregate, 5.86 per cent. of the share capital of the Company, have undertaken not to dispose of any interests in Ordinary Shares (except in certain limited circumstances) prior to the first anniversary of Admission and for a further 6 months thereafter to deal in their Ordinary Shares only with the consent of Ambrian Partners subject to certain orderly market restrictions.

A BRIEF DESCRIPTION OF THE ARRANGEMENTS FOR SETTLING THE APPLICANT'S SECURITIES:

To settle the securities listed on AIM, the Directors of Medusa Mining Limited will apply for Depository Interests, representing the Shares of Medusa Mining Limited, to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions

in the Depository Interests following Admission will take place within the CREST system. Settlement on the Australian Stock Exchange will continue to be conducted under the Australian Stock Exchange's electronic CHES system.

A WEBSITE ADDRESS DETAILING THE RIGHTS ATTACHING TO THE APPLICANT'S SECURITIES:

Refer appendix on www.medusamining.com.au

INFORMATION EQUIVALENT TO THAT REQUIRED FOR AN ADMISSION DOCUMENT WHICH IS NOT CURRENTLY PUBLIC:

Refer appendix and other information as displayed on www.medusamining.com.au

A WEBSITE ADDRESS OF A PAGE CONTAINING THE APPLICANT'S LATEST ANNUAL REPORT AND ACCOUNTS WHICH MUST HAVE A FINANCIAL YEAR END NOT MORE THEN NINE MONTHS PRIOR TO ADMISSION AND INTERIM RESULTS WHERE APPLICABLE. THE ACCOUNTS MUST BE PREPARED IN ACCPRDANCE WITH ACCOUNTING STANDARDS PERMISSIBLE UNDER AIM RULE 19:

The annual report for the year ended 30 June 2006 is available at www.medusamining.com.au

THE NUMBER OF EACH CLASS OF SECURITIES HELD IN TREASURY:

Nil

Note: THIS FIELD SHOULD INDICATE THAT THE ANNOUNCEMENT IS 'NEW' AND ALL RELEVANT FIELDS SHOULD BE COMPLETED. OTHERWISE WHERE THE FORM IS REQUIRED TO BE COMPLETED IN RESPECT OF AN 'UPDATE' ANNOUNCEMENT, THIS SHOULD BE INDICATED. IN SUCH CASES, ALL THE ORIGINAL INFORMATION SHOULD BE INCLUDED WITH ANY AMENDED FIELDS **EMBOLDENED**.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult your broker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors, whose names appear on page 6 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for the Company's compliance with the AIM Rules. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and, when read in conjunction with the Public Record (as defined below), makes no omission likely to affect the import of such information.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

London Stock Exchange plc has not itself examined or approved the contents of this document. Prospective investors should read the whole text and contents of this document and the Public Record and should be aware that an investment in the Company is speculative and involves a degree of risk. In particular, the attention of investors is drawn to the risk factors set out in paragraph 10 of this document.

Medusa Mining Limited

(incorporated in Australia under the Corporations Act 2001 with ACN 099 377 849)

APPENDIX TO AIM ANNOUNCEMENT

FURTHER INFORMATION ON MEDUSA MINING LIMITED IN CONNECTION WITH ITS ADMISSION TO AIM

NOMINATED ADVISER AND BROKER

AMBRIAN

This document refers to certain events as having occurred which may not have occurred on the date it is published but which are expected to occur prior to Admission.

Appendix

This Appendix has been prepared in accordance with the Supplement to Schedule One of the AIM Rules published by London Stock Exchange plc. It includes, *inter alia*, all information that would otherwise have had to be included in an AIM admission document prepared by the Company and which is not found in the current public disclosure record, or in current public disclosure filed by the Company to the Australian Stock Exchange details of which can be accessed at www.asx.com.au and the Company's website at www.medusamining.com.au (collectively, the "Public Record"). This Appendix should be read in conjunction with the Form of Announcement made by the Company and the Public Record. This Appendix and the Announcement Form together constitute the "Announcement".

A copy of this Appendix, which is dated 24 October 2006, will be available via the Company's website at www.medusamining.com.au from 24 October 2006 until the date which is one month from Admission.

Ambrian Partners Limited, which is authorised and regulated by the Financial Services Authority and which is a member of the London Stock Exchange, is the Company's nominated adviser and broker for the purposes of the AIM Rules and Ambrian Partners Limited will not be responsible to anyone other than the Company for providing the protection afforded to clients of Ambrian Partners Limited or for advising any other person in relation to the contents of the Announcement. No liability is accepted by Ambrian Partners Limited for the accuracy of any information or opinions contained in, or for the omission of any material information from, the Announcement for which the Directors are solely responsible.

The Announcement does not constitute an offer to sell, or a solicitation to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Announcement is not for distribution in, or into the United States of America, Canada, the Republic of South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been nor will they be registered under the

United States Securities Act of 1933 (as amended) nor under the securities legislation of any state of the United States or any province or territory of Canada, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States of America, Canada, the Republic of South Africa, the Republic of Ireland or Japan.

The distribution of the Announcement in certain jurisdictions may be restricted by law. No action has been taken by the Company, by the holders of the Ordinary Shares or by Ambrian Partners Limited that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. Persons into whose possession the Announcement comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Copies of this document will be available free of charge during normal business hours on weekdays (excluding public holidays) from the date hereof until one month after Admission from the office of Ambrian Partners Limited, 8 Angel Court, London EC2R 7HP.

DEFINITIONS

“A\$”	Australian Dollars;
“Admission”	admission of the Ordinary Shares to trading on AIM in accordance with the AIM Rules;
“AIM”	AIM, a market for emerging or smaller companies operated by London Stock Exchange plc;
“AIM Rules”	the rules of the AIM market as published by London Stock Exchange plc from time to time;
“Ambrian Partners”	Ambrian Partners Limited;
“Amended Deed”	the amended Philsaga Share Sale Deed dated 29 July 2006;
“Announcement Form”	the form of announcement made by the Company on 24 October 2006 at least 20 business days prior to Admission of which this document forms an appendix;
“Announcement”	the Appendix and the Announcement Form together;
“Appendix”	this document;
“ASIC”	the Australian Securities and Investments Commission;
“ASX”	Australian Stock Exchange Limited;
“ASX Listing Rules”	the listing rules of ASX and any other rules of ASX which are applicable to the Company for as long as it is admitted to the official list of ASX;
“Board” or “Directors”	the directors of the Company whose names are set out on page 6 of this Appendix;
“CHESS”	the Clearing House Electronic Subregister System, the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument and administered by the ASX Settlement and Transfer Corporation, a wholly owned subsidiary of the ASX;
“Company” or “Medusa”	Medusa Mining Limited, a company incorporated in Australia (with the Australian Company Number 099 377 849) which includes, where appropriate, its subsidiaries;
“Competent Person”	Golder & Associates;
“Competent Person’s Report”	the report dated 24 October 2006 prepared by the Competent Person on the mineral assets of the Company available from the Company’s website at www.medusamining.com.au ;
“Constitution”	the constitution of the Company at the date of this document;
“Corporations Act”	the Corporations Act 2001 of the Commonwealth of Australia;
“CREST”	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument administered by CRESTCo Limited;

“Depository Interests”	the depository interests representing Ordinary Shares to be electronically listed for trading on AIM and issued through the Company’s UK Registrar which will hold legal title to the underlying Ordinary Shares;
“GST”	Australian Goods and Services Tax;
“Group”	the Company and its Subsidiaries;
“JORC Code”	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves;
“MMPRC”	Mindanao Mineral Processing and Refining Corporation, a company incorporated in the Philippines and a subsidiary of the Company;
“MOHC”	Medusa Overseas Holding Corporation, a company incorporated in the Philippines and a subsidiary of the Company;
“Options”	options to acquire Ordinary Shares;
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	fully paid ordinary shares of the Company;
“Original Deed”	the original Philsaga Share Sale Deed dated 19 February 2005;
“Philsaga”	Philsaga Mining Corporation, a company incorporated in the Philippines;
“Philsaga Share Sale Deed”	the deed dated 19 February 2005, as amended by a deed dated 29 July 2006, between the Philsaga Vendors, Samuel G Afdal, Bill Phillips, the Company, MOHC, SBF Drilling Services, Inc, Vibrant Earthmovers, Inc and Mindanao Philcard Mining Corporation pursuant to which the Company and MOHC have agreed to acquire a 100 per cent. downstream interest in Philsaga;
“Philsaga Transaction”	a transaction by which the Company and a Subsidiary acquire shares in two companies so that the Company and its Subsidiary hold an indirect downstream interest in all the share capital of Philsaga Mining Corporation and thereby control its assets and interests;
“Philsaga Vendors”	Secdea Philippines Holding Corporation, Advanced Concept Holdings Limited and Yandal Investments Pty Ltd;
“Plant Lease, Option and Ore Supply Agreement”	an agreement dated 5 August 2005 as amended by a deed dated 29 July 2006 between the Company and Philsaga whereby the Company obtained the benefit of a 3 year lease of the Co-O gold treatment plant with the option to buy that plant, for a total payment of A\$3,000,000 and further secured a guaranteed 3 year supply of gold ore, at cost price plus a management fee of 15 per cent.;
“Public Record”	all information that would otherwise have had to be included in the Company’s Admission Document and which is not found in the current public disclosure record, or in current public disclosure filed by the Company to the ASX, details of which can be accessed at www.asx.com.au and the company’s website at www.medusamining.com.au ;
“Report”	the audited financial report for the Company for the Report Date, prepared in accordance with Australian Equivalent International Accounting Standards;
“Report Date”	30 June 2006;

“Shareholders”	holders of Ordinary Shares;
“Subsidiaries”	the subsidiaries of the Company at the date of this document;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the United Kingdom Listing Authority being the competent authority for listing in the UK, which is part of the Financial Services Authority;
“UK Registrar”	Computershare Investor Services plc in the UK;
“uncertificated” or “in uncertificated form”	a share or security recorded on the relevant register as being held in uncertificated form in CREST and entitlement to which, by virtue of the Uncertificated Securities Regulations 2001, may be transferred by means of CREST;
“£” or “pounds”	British pounds sterling;
“US\$”	United States dollars.

ASX REPORTING DATES

2nd Quarter Activities Report and Appendix 5B	31 January
Half Yearly reports, Audited Accounts, Auditors Report and Directors Statement	16 March
3rd Quarter Activities Report and Appendix 5B	30 April
4th Quarter Activities Report and Appendix 5B	31 July
Preliminary Final Reports	13 September
Audited Accounts, Auditors Report and Directors Statement	30 September
1st Quarter Activities Report and Appendix 5B	31 October
Annual Reports to Shareholders	31 October

KEY STATISTICS AND EXPECTED TIMETABLE

Admission and dealings commence in Ordinary Shares on AIM	7 am on 21 November 2006
Number of Ordinary Shares in issue immediately following Admission	59,758,211
ISIN	AU000000MML0
ASX code and AIM TIDM	MML – Ordinary Shares MMLO – Listed Options (ASX only)

In this document an exchange rate of £1: A\$2.47, prevailing on 23 October 2006, has been used unless otherwise stated.

DIRECTORS, SECRETARY AND ADVISERS

Directors

Kevin Michael Tomlinson (aged 46)

Non-executive Chairman

Montague House
1 Montague Road
Richmond upon Thames
Surrey TW10 6QW
United Kingdom

Geoffrey John Davis (aged 55)

Managing Director

3/18 Macleod Road
Applecross WA 6153
Australia

Roy Philip Daniel (aged 51)

Finance Director

37 Westbury Crescent
Bicton WA 6157
Australia

Dr. Robert Weinberg (aged 59)

Non-Executive Director

41 Cranley Gardens
Muswell Hill
London N10 3AB
United Kingdom

Company Secretary

Roy Philip Daniel

Registered Office and Principal Place of Business

Unit 7
11 Preston Street
Como WA 6152
Australia
Telephone: +61 (08) 9367 0601
Facsimile: +61 (08) 9367 0602

Nominated Adviser and Broker

Ambrian Partners Limited

8 Angel Court
London EC2R 7HP
United Kingdom

Australian Solicitors

Fairweather & Lemonis

Level 9
172 St Georges Terrace
Perth WA 6000
Australia

English Solicitors

Hunton & Williams

30 St Mary Axe
London EC3A 8EP
United Kingdom

Philippines Lawyers

Carag, Caballes, Jamora & Somera

2nd Floor, The Plaza Royale
120 L.P.Leviste Street
Salcedo Village
Makati City, Metro Manila
Philippines

Solicitors to the Admission

Maclay Murray & Spens LLP

One London Wall
London EC2Y 5 AB
United Kingdom

Auditors

Bentleys MRI Perth Partnership

Level 1
10 Kings Park Road
West Perth WA 6005
Australia

Reporting Accountants

MRI Moores Rowland LLP

3 Sheldon Square
London W2 6PS
United Kingdom

Australian Share Registrars

Computershare Investor Services Pty Ltd

Level 2, 45 St Georges Terrace
Perth WA 6000
Australia

UK Share Registrars

Computershare Investor Services Plc

P O Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
United Kingdom

Financial Public Relations

Bankside Consultants

1 Frederick's Place
London EC2R 8AE
United Kingdom

1. BACKGROUND

- 1.1 Medusa Mining Limited is an Australian registered mining company listed on the ASX with a focus on operations in the Philippines. The Group has a number of existing significant exploration and mining interests in the Philippines and, in particular, on the island of Mindanao. These interests include the Plant Lease, Option and Ore Supply Agreement with Philsaga (described in more detail below) which allows the Company to process ore from the Co-O Mine and produce gold. Additionally, the Company and its subsidiaries have interests in various projects and joint ventures including the Abacus, Anoling, Apical, Das-Agan, Panaon, Masapelid and Saugon projects. The Company refers you to ASX announcements as displayed on its website (www.medusamining.com.au) for information as to these existing projects.

2. PHILSAGA ACQUISITION

On 29 September 2006 the Company obtained shareholder approval to complete the acquisition of Philsaga within 3 months or such later date as permitted by an ASX waiver.

(a) Introduction and history

The Company has worked with Philsaga in the Philippines since late 2003 through an initial joint venture exploration project.

Through the Original Deed, the Company and its Philippines subsidiary were to acquire control of all the share capital in Philsaga. The purchase price comprised A\$14,000,000 in cash, the issue of 25,000,000 Ordinary Shares, the payment of A\$2,000,000 to fund the purchase of mining equipment to service the mine area and a royalty of US\$20 per ounce of recovered gold obtained from defined extensions of the Co-O Mine system up to a limit of US\$10,000,000. In April 2005 a prospectus was issued by the Company in Australia in respect of the proposed transaction and related share issue.

One of the conditions of the Original Deed was that the Picop legal case was either discontinued or withdrawn by the applicant or dismissed by the Supreme Court of the Philippines. The Picop legal case is a legal case that is still currently before the Supreme Court of the Philippines by which the applicant is seeking to prevent the Department of Environment and Natural Resources in the Philippines from issuing a mineral production sharing agreement to Philsaga. A mineral production sharing agreement when granted provides a 25 year period for mining and is renewable for a period of 25 years.

The Picop legal case is summarised in paragraph 10.1 of this appendix. An adverse ruling in the Picop legal case could restrict or prevent mining operations in respect of the Co-O Mine area.

As the Picop legal case was not resolved within the time proposed, the Company withdrew the April 2005 prospectus. Although completion could not occur under the Original Deed, the parties agreed to extend the time for completion.

On 5 August 2005 the Company entered into the Plant Lease, Option and Ore Supply Agreement with Philsaga (in addition to the Original Deed). Through this agreement the Company obtained the benefit of a 3 year lease of the Co-O gold treatment plant with the option to buy that plant, for a total payment of A\$3,000,000 and further secured a guaranteed 3 year supply of gold ore, at cost price plus a management fee of 15 per cent..

The requirement upon Philsaga was to deliver gold bearing ore to a minimum quantity of 2,000 tonnes per calendar month from any source. It is the obligation of the Company to pay for and fund the mining and milling operations of the Co-O gold treatment plant and associated facilities for the relevant 3 year term.

The Plant Lease, Option and Ore Supply Agreement was conditional upon the Company completing a capital raising for a minimum of A\$4,500,000. The Company issued a prospectus in Australia in August 2005 and successfully closed that offer in September 2005 raising approximately A\$6,000,000. Settlement occurred under the agreement in September 2005 using part of the funds raised under the prospectus offer.

In January 2006 Philsaga was granted a special mining permit (“SMP”) covering the Co-O Mine area. The SMP has the same terms and conditions as a mineral production sharing agreement to the extent that full scale commercial mining operations are able to be conducted. However, a SMP is granted for a 1 year period and is renewable for like period while awaiting the grant of the Mineral Production Sharing Agreement (“MPSA”). Currently, commercial mining operations are being conducted at the Co-O Mine under the terms of the SMP.

In July 2006 the Company and its Philippines subsidiary entered into the Amended Deed with the Philsaga Vendors to seek to achieve completion of the Philsaga acquisition. The purchase price under the Amended Deed comprised A\$12,000,000 in cash, the issue of 25,000,000 Ordinary Shares, payment of A\$1,000,000 to fund the purchase of mining equipment to service the Co-O Mine area and a royalty of US\$20 per ounce of recovered gold obtained from defined extensions of the Co-O Mine system up to a limit of US\$10,000,000.

In view of the grant in January 2006 of the special mining permit, the resolution of the Picop legal case (although still material) is no longer a condition precedent to settlement under the Amended Deed. The completion of the Philsaga acquisition under the Amended Deed is conditional on the Company obtaining approval from its shareholders (achieved on 29 September 2006) and a placing of shares to fund the cash element of the consideration for the Philsaga Transaction.

(b) Reasons for the Philsaga Transaction

On completion of the Philsaga Transaction, the Company, will exercise the option to acquire the Co-O Plant, the only one in the district. The Board believes that Medusa will have a strategic advantage to maximise the development of any gold deposit discovered within trucking distance of the Co-O Plant.

The Directors believe the benefits of the Philsaga Transaction will also include the following:

- control of a profitable high grade mining operation;
- an initial production of approximately 40,000 ounces on an annualised basis produced at anticipated cash costs of less than US\$200 per ounce;
- milling facilities which are centrally located and can be expanded as production increases from multiple mine sites;
- interests in more than 700 km² of prospective tenements which will facilitate modern and systematic exploration; and
- an existing workforce, management and infrastructure that are working effectively and co-operatively with local communities.

The Philsaga Transaction completes Medusa’s corporate consolidation of tenement interests, mines, administration facilities and experienced management teams.

As noted above, through the Plant Lease, Option and Ore Supply Agreement the Company has already secured:

- (i) a 3 year lease from September 2005 to process ore and produce gold from the Co-O Mine;
- (ii) an option to acquire the Co-O Plant at any time during the 3 year lease for the payment of A\$100; and
- (iii) an ore supply agreement by which Philsaga Mining Corporation agrees to supply a minimum of 2,000 tonnes per month of gold bearing ore to the Co-O Plant for a 3 year period from September 2005 at cost plus 15 per cent..

The Company's rights and obligations under the Plant Lease, Option and Ore Supply Agreement have been assigned to its wholly owned subsidiary, MMPRC.

c) Details of the Philsaga Transaction

The Philsaga Vendors will on completion of the Philsaga Transaction own in aggregate approximately 25 per cent. of the Company. Two key individuals associated with some of the Philsaga Vendors, Bill Phillips and Samuel Afdal, will continue as senior executives and directors of Philsaga. These key individuals will share a common interest with the Company in further developing the Co-O Mine. Bill Phillips, through Advance Concept Holdings Limited (or its nominee) will be interested in 14.6 million Ordinary Shares and Samuel Afdal, through Seden Philippines Holding Corporation, will be interested in 4 million Ordinary Shares on completion of the Philsaga Transaction.

The Company as a Philippines based mining company is well aware of the political and sovereign risks associated with such an acquisition and has accordingly structured the transaction so as to enable seamless continuity of the work done in minimising the exposure of Philsaga to such risks by Bill Phillips and Samuel Afdal.

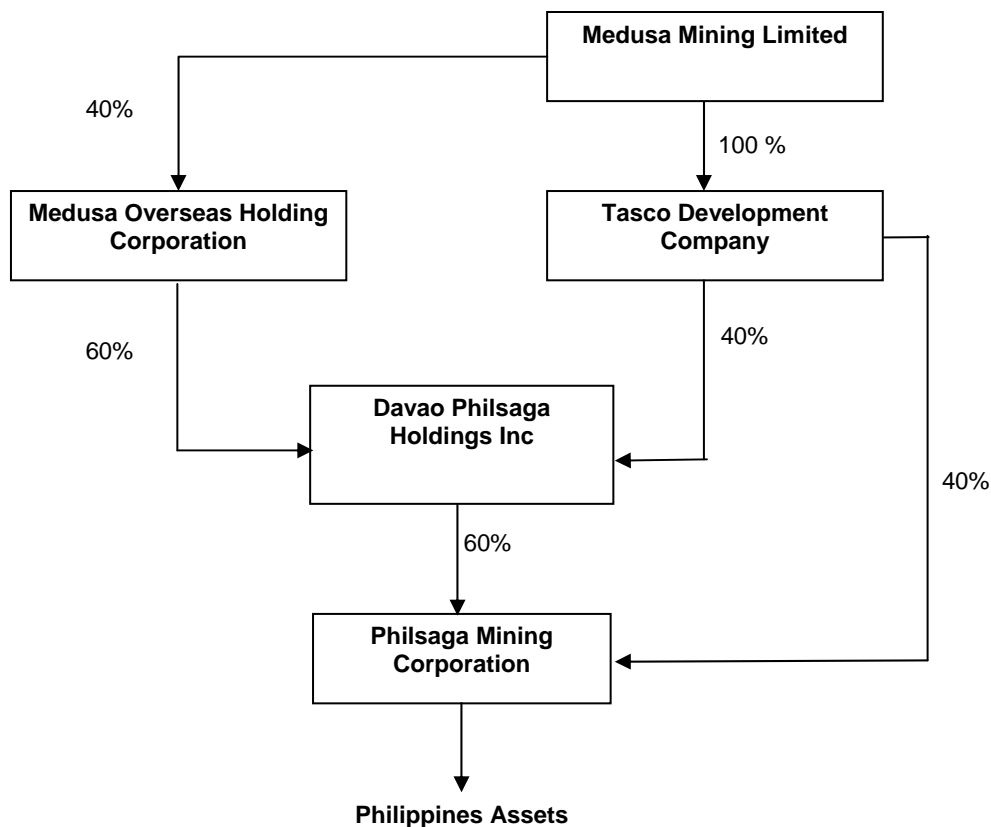
The Board of the Company will not be changed by the Philsaga Transaction.

The key terms of the Philsaga Transaction are as follows:

- the issue of 25,000,000 Ordinary Shares to the Philsaga Vendors at completion (being within 10 business days of completion of a capital raising);
- the payment of a total of A\$13,000,000 in cash on completion, being A\$12,000,000 to the Philsaga Vendors and A\$1,000,000 to a contractor associated with the Philsaga Vendors to purchase equipment for the provision of services to the Co-O Mine;
- a payment of US\$20 per ounce of recovered gold obtained from any extensions of the Co-O Mine mineralisation mined on the eastern side of a fault (defined as the Oriental Fault) limited to a maximum of US\$10,000,000;
- a 10 per cent. share of any cash or shares received by a Medusa entity in the event that a significant deposit is discovered upon any of the relevant mining tenements and the Medusa entity disposes of either the tenement or transfers effective control of the discovery; and
- the current Philsaga management comprising Mr Samuel Afdal and Mr Bill Phillips will continue to manage the project on a three year contractual basis, renewable for one year on mutual agreement.

(d) Post transaction Group structure

Following the completion of the Philsaga Transaction, the Group structure relating to the Philsaga assets will be as follows:



Notes:

Although the Company owns only a 40 per cent. interest in Medusa Overseas Holding Corporation and only a downstream 64 per cent. interest in Medusa Exploration and Development Corporation, the Company has the capacity to dominate the decision making in relation to finance and operating policies.

The Company owns 100 per cent. of Mindanao Mineral Processing and Refining Corporation which under the terms of the Plant Lease, Option and Ore Supply Agreement has the benefit of 100 per cent. of the revenue from the sale of gold produced by the Co-O plant.

Further details of the Philsaga Transaction are given in paragraph 19 of this document.

3. UPDATE ON OPERATIONS

Since 30 June 2006 the date to which the last audited accounts were prepared, the following events have taken place:

- 3.1 The Company has (i) continued with the development of the Co-O Mine with one shaft producing ore and a second shaft nearing completion, (ii) continued with the development of the Tambis project in preparation for

production, (iii) commenced assessment of the Anoling project, (iv) completed refurbishment of the large ball mill and associated plant upgrade, and is (v) completing re-equipping of the assay laboratory to international standards.

3.2 On 14 September 2006 the securities of the Company were admitted to trading on Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange).

3.3 As at 30 June 2006, the Company's three Australian projects were the Braemore project, Kurnalpi project and Anti-Dam project. The tenement interests the subject of the Braemore project were relinquished by the Company and its Australian subsidiary, Montrose Minerals Pty Ltd in September 2006. On 30 August 2006 Medusa and its Australian subsidiary, Newcoast Nominees Pty Ltd granted an option to Fairstar Resources Limited to purchase all of the tenement interests comprising the Kurnalpi and Anti-Dam projects. Fairstar Resources Limited has until 30 January 2007 to exercise the option. The consideration payable by Fairstar Resources Limited to the Company within 10 business days of the exercise of the option is \$50,000 cash and 1,000,000 shares. Fairstar Resources Limited is seeking a listing on the ASX at an issue price of 25 cents per share.

4. STATUS

4.1 The Company was registered as an Australian public company, limited by shares, on 5 February 2002 with the name Medusa Mining Limited.

4.2 The Group consists of 6 companies. The Company is the holding company of the Group and has 5 subsidiaries. Details of the Company's significant subsidiaries are set out below.

Name	Country of Incorporation	% Interest
Medusa Overseas Holding Corporation (Note 1)	Philippines	40%
Medusa Exploration & Development Corporation (Note 1)	Philippines	64%
Mindanao Mineral Processing and Refining Corporation	Philippines	100%
Montrose Minerals Pty Ltd	Australia	100%
Newcoast Nominees Pty Ltd	Australia	100%

Note 1:

Although the Company owns only a 40 per cent. interest in Medusa Overseas Holding Corporation and only a downstream 64 per cent. interest in Medusa Exploration and Development Corporation, the Company has the capacity to dominate the decision making in relation to finance and operating policies.

4.3 Save as set out in paragraph 4.2 above, the Company does not hold any interest in any undertaking likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

4.4 The Company's Australian Company Number (ACN) is 099 377 849.

4.5 The liability of the Shareholders is limited.

4.6 The securities of the Company are traded on ASX and will continue to be so traded. The Ordinary Shares have been traded on ASX since 23 December 2003.

4.7 The securities of the Company are traded on the Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange) and will continue to be so traded. The Ordinary Shares have been traded on the Frankfurt Stock Exchange since 14 September 2006.

4.8 The Directors consider that the Company has adhered to all legal and regulatory requirements involved in having its securities traded on ASX.

- 4.9 The Directors consider that the Company has complied with the continuous disclosure requirements of ASX. All significant changes in its financial or trading position since the Report Date have been the subject of announcements available on the web sites set out in the Announcement as required to be made to AIM.

5. SHARE CAPITAL

- 5.1 The Company does not have an authorised share capital as it is understood in the UK that sets the limit to the number of shares a company can issue. The issued share capital of the Company as at the date of this document and at Admission will be 59,758,211 fully paid Ordinary Shares. The Ordinary Shares have no nominal or par value and are recorded in the accounts of the Company at their issue price. There are no issued shares which have different voting rights attached.

- 5.2 Some of the restrictions which apply to companies incorporated in England and Wales intending to issue new securities do not apply to Australian companies. In particular:

Shareholder approval to issue shares:

There is generally no limit in the Corporations Act or in a company's constitution on the power of the Directors to issue shares. However, subject to certain exceptions (including those in respect of pro rata issues):

- (a) Rule 7.1 of the ASX Listing Rules prohibits a company which is listed on the ASX from issuing shares or options representing more than 15 per cent. of its issued ordinary capital in any twelve month period without shareholder approval. Such shareholder approval requires an ordinary resolution passed by a simple majority; and
- (b) Chapter 6 of the Corporations Act forbids the acquisition of a "relevant interest" in voting shares in the Company (whether by transfer or issue) if, as a result, the "voting power" of the acquirer (or any other person) would increase from 20 per cent. or below to more than 20 per cent. of the voting shares.

Some of the restrictions to which UK companies intending to issue new securities are subject, do not apply to Australian companies. In particular:

Pre-emption rights on issue:

There is no similar statutory requirement under Australian law, as is found under English law, providing that shareholders have a right to be offered any shares in the Company which are being newly issued for cash before the same can be offered to new shareholders and consequently there is no requirement for shareholders in general meeting to provide a waiver to this obligation.

- 5.3 In addition to the Ordinary Shares, the Company has in issue the Options, details of which are set out in paragraph 6 below.

- 5.4 Since 30 June 2006 and save as disclosed in the Public Record and in this document:

- (a) no share of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
- (b) the Company has not entered into any agreement whereby any shares are under option and has not agreed conditionally or unconditionally to put any shares under option;
- (c) no commission, discount, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share capital of the Company;
- (d) no founder, management or deferred shares have been issued by the Company; and

(e) no amount or benefit has been paid or is to be paid or given to any promoter of the Company.

6. OPTIONS

6.1 As at the date of this document 27,363,863 Options are currently in issue as set out below.

ASX Code	Security Description	Expiry date	Exercise price	Number
MMLO	Listed	31 Jan 2007	A\$0.20	22,538,863
MMLAI	Unlisted	31 Jan 2007	A\$0.6072	225,000
MMLAQ	Unlisted	23 Dec 2009	A\$0.4334	600,000
MMLAS	Unlisted	16 Dec 2007	A\$0.5764	3,000,000
MMLAU	Unlisted	02 Oct 2008	A\$0.72	250,000
MMLAU	Unlisted	02 Oct 2008	A\$0.90	500,000
MMLAU	Unlisted	02 Oct 2008	A\$1.50	250,000

6.2 No application is to be made for the unlisted Options to be listed on the ASX or any other market and no application is to be made for the listed or unlisted Options to be admitted to trading on AIM.

7. WORKING CAPITAL

The Directors believe (having made due and careful enquiry) that the working capital available to the Group is sufficient for its present requirements, that is for at least twelve months from the date of Admission.

8. SETTLEMENT

The Ordinary Shares are in registered form and will be transferable by way of the CREST and CHESSE systems as detailed below.

8.1 UK Registered Shareholders and CREST

CREST is a computerised paperless share transfer and settlement system which allows shares to be held in electronic rather than paper form in accordance with the Uncertificated Securities Regulations 2001 of the United Kingdom. Securities issued by Australian registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through the CREST system, a depositary or custodian can hold the relevant securities and issue dematerialised depositary interests ("Depositary Interests") representing the underlying securities which are held on trust for the holder of the Depositary Interests.

With effect from Admission, it will be possible for CREST members to hold and transfer interests in the Ordinary Shares within CREST pursuant to a depositary interest arrangement established by the Company with the UK Registrar. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

The Ordinary Shares will not themselves be admitted to CREST. Instead the UK Registrar, acting as depositary, will issue Depositary Interests in respect of the underlying Ordinary Shares. The Depositary Interests will be independent securities constituted under English law which may be held or transferred through the CREST system. Depositary Interests will have the same international security identification number (ISIN) as the underlying Ordinary Shares and will not require a separate quotation on the London Stock Exchange. The Depositary Interests will be created and issued pursuant to a deed poll entered into by the UK Registrar, which will govern the relationship between the UK Registrar, as depositary, and the holders of the Depositary Interests.

Application will be made for the Depositary Interests in respect of the underlying Ordinary Shares to be admitted to CREST with effect from Admission.

8.2 **Australian Registered Shareholders and CHES**

Settlement on the Australian register will continue to be conducted under ASX's electronic CHES system.

9. **LOCK IN ARRANGEMENTS**

9.1 Each of the Directors and their connected parties who holds or has an interest in Ordinary Shares has entered into a lock-in agreement with Ambrian Partners and the Company relating to all of his existing shareholding and any Ordinary Shares which might be issued to Directors pursuant to Options granted as at the date of Admission. On Admission the Directors will be interested in an aggregate of 3,503,700 Ordinary Shares, representing approximately 5.86 per cent. of the share capital. Details of the Directors' holdings of Ordinary Shares and Options are set out in paragraphs 12.1 and 12.2 of this document.

The Directors have undertaken to the Company and Ambrian not to sell, transfer or otherwise dispose of any interests in Ordinary Shares (except in certain limited circumstances) prior to the first anniversary of Admission. There are in addition, orderly market restrictions for a further 6 month period.

10. **RISK FACTORS**

The risks set out below are not an exhaustive list and are not presented in any order of priority.

Investing in the Company involves a high degree of risk. The price of Ordinary Shares could decline due to any of these risks and investors could lose all or part of their investment. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

The Directors have identified the risks below, and, if they were to materialise the Company's business, financial conditions and results of operations could be materially and adversely affected.

The exploration, mining and development of natural resources are speculative activities that involve a high degree of financial risk. Any one or more of the risks set out below could have a material adverse effect on the value of any investment in the Company and the business, financial position or operating results of the Company and should be taken into account in assessing the Company's activities.

10.1 **Title Risks and the Picop Legal Case**

The Company's activities are focused upon the Philippines. New mining legislation was introduced in the Philippines in 1995, which involved converting previous mineral tenements to the new title system. The implementation of this new legislation has resulted in significant delays in the tenement approval process. All companies investing in mineral exploration in the Philippines have to operate under similar conditions with the possibility of an application being rejected or challenged.

A number of the mining claims in which the Company is interested are in application stage. There is no guarantee or certainty that any application will be granted or, if granted, will be done so in a timely manner or on acceptable terms.

There is a specific title risk that could restrict or prevent mining operations in respect of the Co-O Mine area which is in central eastern Mindanao in the Philippines. The principal mining claim within which the Co-O Mine is located is the application 000084-XIII for a MPSA. This application is affected by the Picop legal case. An MPSA is granted for a period of 25 years and is renewable for a period of 25 years.

The Picop legal case involves a claim in the Philippines courts by Picop Resources Inc (a holder of existing timber licences or concessions) in respect of various mineral production sharing agreement applications including MPSA application 000084-XIII held by Philsaga and within which the Co-O Mine is located. Picop Resources Inc is a timber concession holder attempting to link surface rights to mineral rights and has contended that the mining application areas should be closed to mining without its consent. Initially the mining applications were set aside by a Panel of Arbitrators for a failure to secure the consent of Picop Resources Inc.

On appeal the Mines Adjudication Board set aside the decision of the Panel of Arbitrators and reinstated the applications. The Mines Adjudication Board by its decision dated 10 December 2002 held that the right of Picop Resources Inc to occupation, possession and control over its concession areas refers only to its timber plantation and does not include the disposition of minerals that may be found therein, which solely and exclusively belongs to the Government.

Picop Resources Inc filed an appeal with the Court of Appeals. In its decision delivered on 28 November 2003 the Court of Appeals dismissed the petition of Picop Resources Inc.

Still dissatisfied, Picop Resources Inc elevated the matter to the Supreme Court of the Philippines by filing a Petition for Review on Certiorari against the Department of Environment and Natural Resources in an attempt to prevent, inter alia, the Department from issuing the MPSA to Philsaga. Philsaga is not a party to the proceedings. A resolution of the proceedings is still pending.

Pending the grant of the MPSA, Philsaga in January 2006 was granted a Special Mining Permit ("SMP") covering the Co-O Mine area. The SMP has the same terms and conditions as a MPSA to the extent that full-scale commercial mining operations are able to be conducted. However, a SMP is granted for a 1 year period and is renewable for like period. Currently full scale commercial mining operations are being conducted at the Co-O Mine.

In the worst case scenario of an unfavourable decision by the Supreme Court in the Picop legal case, Philsaga will be unable to pursue its MPSA application within the Picop concession area. Philsaga will likewise be prevented from continuing its mining operation within the 423.1562 hectare area subject of its Special Mines Permit No. 05-2006 to the extent that it overlaps Picop's concession area which would materially adversely affect the prospects and financial performance of Medusa.

10.2 **Land Access**

Immediate access to mineral tenements in the Philippines cannot in all cases be guaranteed. The Company may be required to seek consent of land holders or other persons or groups with an interest in real property encompassed by, or adjacent to, the Company's tenements. Compensation may be required to be paid by the Company to land holders in order that the Company may carry out exploration and/or mining activities. Native title exists in the Philippines and is governed by law. Where applicable, agreements with indigenous groups have to be in place before a mineral tenement can be granted.

10.3 **Sovereign Risk**

The Company's projects are located in the Philippines. The political conditions in the Philippines are stable but are somewhat uncertain on the south-west corner of the island of Mindanao. Changes may occur in relation to the political, fiscal and legal systems of the Philippines which may affect the ownership or operations of the Company including, amongst other things, changes in exchange rates, control or regulations, exploration or mining rights, changes in government and in legislative, fiscal and regulatory regimes, violence and lack of law enforcement, political insurrection or labour unrest, inflations or economic recession.

10.4 **Dependence on Key Personnel**

The Group is dependent upon its current executive management team. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. Accordingly, the loss of any key management of the Group may temporarily have an adverse effect

on the future of the Group's business. The Group competes with numerous other companies and individuals in the search for and acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and contractors.

10.5 **Future Capital Needs and Additional Funding**

The future capital requirements of the Company will depend on many factors. Should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all.

Any inability to obtain additional finance, if required, would have an adverse material effect on the Company's business, its financial condition and performance and its ability to continue as a going concern.

10.6 **Resource Estimates**

Resources estimates are expressions of judgements based on knowledge, experience and industry practice. Estimates which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted from past sampling and drilling, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could have either a positive or negative effect on the Company's operations.

10.7 **Commodity Prices**

As a gold explorer and producer the Company's expected earnings will be closely related to the price of gold together with the terms of any off-take agreement(s) under which the mineral concentrates it produces will be sold.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include worldwide and regional supply and demand for the specific commodity, commodity trading on the futures markets, general world economic conditions and the outlook of interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

10.8 **Currency**

The Company's future revenue may be in US dollars whilst its cost basis will be payable in Philippine pesos, United States dollars or Australian dollars.

The exchange rates between the various currencies are affected by numerous factors beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

10.9 **Environmental**

The Company's operations are subject to the environmental risks inherent in the mineral production and exploration industries. The Company is subject to environmental laws and regulations in connection with all of its operations. Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact on the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's costs of doing business or affect its operations in any area.

10.10 **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects, although no such acquisitions or investments are currently planned. Any such transactions would be accompanied by risks commonly encountered in making such acquisitions.

10.11 **Uninsured Risks**

The Group, as a participant in exploration and mining programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or other reasons. The Group may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

10.12 **Commercial Risks**

Like many companies, the Company faces commercial risks such as competition, litigation, industrial disputes, operational risks and liabilities.

10.13 **Exploration, Development, Mining and Processing Risks**

The business of mineral exploration, project development and mining, by its nature contains elements of significant risk with no guarantee of success. Ultimate and continued success of these activities is dependent on many factors such as:

- securing and maintaining title to tenements;
- the discovery and/or acquisition of economically recoverable ore reserves;
- successful conclusions to bankable feasibility studies;
- access to adequate capital for project development;
- design and construction of efficient mining, processing, transport and handling facilities within a capital expenditure budget;
- obtaining consents and approvals necessary for the conduct of exploration, mining, transport, handling and export of products;
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants;
- avoiding or minimising environmental hazards, industrial accidents, labour disputes, mechanical failures of plant and equipment; and
- adverse weather conditions.

10.14 **Share Investment Risk – ASX, Frankfurt Stock Exchange and AIM**

There are various risks associated with investing in any form of business and with investing in the stock market generally. The value of the Ordinary Shares will depend upon general stock market and economic conditions as well as the specific performance of the Company. There is no guarantee of profitability, dividends, return of capital, or the price at which the Ordinary Shares will trade on ASX, the Frankfurt Stock Exchange and AIM. The past performance of the Shares is not necessarily an indication as to future performance as the trading price of shares and options can go down or up in value.

The shares prices of publicly quoted companies can be volatile. The price of shares is dependent upon a number of factors some of which are general or market or sector specific and others that are specific to the Company.

The Ordinary Shares will not be listed on the Official List and although an application has been made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will always be a liquid market in them. The market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the share price may be subject to greater fluctuations than might otherwise be the case. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their securities may be influenced by a number of factors, some of which may pertain to the Company and others of which are extraneous. On any disposal of their shares investors may realise less than the original amount invested.

10.15 **Economic Risk**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to the general economic climate include the level of direct and indirect competition against the Company, industrial disruption, the rate of growth in the Company's markets, interest rates and the rate of inflation.

11. **CONSTITUTION**

- 11.1 The Constitution was adopted at the Company's meeting of Shareholders on 29 September 2006 and is available on the Company's website, www.medusamining.com.au.

The Constitution contains provisions, inter alia, to the following effect:

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of members every member has one vote on a show of hands and one vote per Ordinary Share on a poll. A person who holds a share which is not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant share bears to the total issue price of the share. Voting may be in person or by proxy, attorney or representative.

Dividends

Subject to the rights of holders of Ordinary Shares issued with any special rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the holders of Ordinary Shares in proportion to their holding, and among the holders of partly paid shares in proportion to the amounts paid (including amounts credited) of the total amounts paid or payable (including amounts credited) on the shares in respect of which the dividend is paid.

Issues of Shares and Options

Subject to the Corporations Act and the ASX Listing Rules, the Directors may allot, issue, grant options over, or otherwise deal with shares in the Company at the times and on the terms and conditions that the Directors think proper and a share may be issued with preferential, deferred or special rights, privileges or conditions or restrictions including, but not limited to, restrictions in regard to dividends, voting or return of capital as the Directors from time to time determine.

Transfer of Shares

A Shareholder may transfer shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors. A transfer in the CREST system is specifically authorised.

Meetings and Notices

Each Shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

Shareholders may requisition meetings in accordance with the Corporations Act.

Election of Directors

There must be a minimum of 3 Directors and a maximum of 10 Directors. The Company may by ordinary resolution alter the minimum or maximum provided the minimum is not less than 3 Directors.

At every annual general meeting one third of the Directors (rounded down to the nearest whole number) must retire from office. If the Company has less than 3 Directors, one Director must retire from office. These retirement rules do not apply to the managing director.

Managing Director

The Directors may from time to time appoint one of their number to the office of managing director on such terms as the Directors resolve. They may revoke such appointment, without prejudice to any agreed terms as to his tenure. The managing director shall receive such remuneration as the directors may determine.

Indemnities

To the extent permitted by law the Company must indemnify each past and present Director and secretary against any liability incurred by that person as an officer of the Company and any legal costs incurred in defending an action in respect of such liability.

Winding Up

Subject to the Corporations Act, the ASX Listing Rules and rights and restrictions attached to any shares, Shareholders will be entitled, in a winding up, to any surplus assets of the Company in such proportion as the amount paid (including amounts credited) on the shares of a member bears to the total amount paid and payable (including amounts credited) on the shares of all members.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Shareholders and the subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attaching to a class of shares:

- divide among the Shareholders the whole or any part of the property of the Company; and
- determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

ASX Listing Rules

If the Company is admitted to trading on the official list of ASX, then despite anything in the Constitution, if the ASX Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the ASX Listing Rules require to be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the ASX Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the ASX Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

12. DIRECTORS' INTERESTS

- 12.1 The interests of the Directors and the persons connected with them in the Ordinary Shares are set out as follows:

Director	No. of Ordinary Shares owned at date of document	Percentage of Ordinary Shares in issue at date of document	No. of Ordinary Shares owned at Admission	Percentage of Ordinary Shares in issue at Admission
Kevin Tomlinson	26,700	0.04%	26,700	0.04%
Geoffrey Davis	3,256,000	5.45%	3,256,000	5.45%
Roy Daniel	181,000	0.30%	181,000	0.30%
Dr Robert Weinberg	40,000	0.07%	40,000	0.07%

- 12.2 As at the date of this document, the Directors hold (directly or indirectly) the following outstanding Options:

Name	Grant Date	Exercise Price (\$)	No. of Options	Expiry Date
Kevin Tomlinson	23 April 2004	A\$0.20	6,250	31 Jan 2007
	27 Jan 2006	A\$0.72	250,000	02 Oct 2008
	27 Jan 2006	A\$0.90	500,000	02 Oct 2008
	27 Jan 2006	A\$1.50	250,000	02 Oct 2008
Geoffrey Davis	23 April 2004	A\$0.20	1,446,500	31 Jan 2007
	15 Jul 2004	A\$0.4334	600,000	23 Dec 2009
	14 Jul 2005	A\$0.5764	2,000,000	16 Dec 2007
Roy Daniel	23 April 2004	A\$0.20	89,007	31 Jan 2007
	14 Jul 2005	A\$0.5764	500,000	16 Dec 2007
	* 27 Nov 2006	A\$0.90	500,000	02 Oct 2008
Dr Robert Weinberg	* 27 Nov 2006	A\$0.90	500,000	02 Oct 2008
	* 27 Nov 2006	A\$1.50	250,000	02 Oct 2008

* It is intended that Dr Robert Weinberg and Roy Daniel are to be granted the options disclosed above conditional on receipt of shareholders' approval at the Company's Annual General Meeting scheduled for 27 November 2006.

- 12.3 None of the Directors or any person connected with them is interested in any related financial product referenced to Ordinary Shares (being a financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet).

13. ADDITIONAL INFORMATION ON THE DIRECTORS

- 13.1 The directorships and partnerships of the Directors, other than of the Company and its subsidiaries and associated companies, held at present and within the five years preceding the date of this document are as follows:

Name	Current directorships or partnerships	Past directorships or partnerships (within past 5 years)
Kevin Tomlinson	-	<ul style="list-style-type: none"> • Austminex NL
Geoffrey Davis	<ul style="list-style-type: none"> • Pan Pacific Gold Limited (unlisted) • Montrose Minerals Pty Ltd • Newcastle Nominees Pty Ltd • Phsamed Mining Corporation 	<ul style="list-style-type: none"> • Golden Valley Mines NL • Philippine Gold plc • Philippine Gold Processing and Refining Corporation • Filminera Resources Corporation • Integra Mining Limited
Roy Daniel	-	-
Dr Robert Weinberg	<ul style="list-style-type: none"> • Solomon Gold plc • Falkland Gold and Minerals Ltd • Great Bear Resources plc 	<ul style="list-style-type: none"> • Platinum Mining Corporation of India plc • PMCI (UK) Limited

- 13.2 Except as disclosed above, none of the Directors:

- (a) has any unspent convictions in relation to indictable offences; or
- (b) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to the assets of such director; or
- (c) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
- (d) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- (e) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- (f) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

14. DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

- 14.1 On 1 January 2006 the Company entered into a consultancy services agreement with Harvest Services Aust Pty Ltd ("Harvest Services") and Mr Geoffrey Davis by which Harvest Services and Mr Davis agreed that Mr Davis

will provide services to the Company commensurate with that of a managing director until 31 December 2009. In addition to termination for cause, either of the Company or Harvest Services may terminate the agreement without cause by providing 6 months' written notice without cause to the other parties.

Harvest Services will receive remuneration for the services provided by Harvest Services and Mr Davis in the sum of A\$300,000 per annum exclusive of GST. The remuneration of Mr Davis is reviewed annually in October by the Board and the consideration may include bonuses.

- 14.2 The executive finance director, Mr Roy Daniel, receives remuneration of A\$204,000 per annum inclusive of statutory superannuation. Mr Daniel receives no separate director's fees. There is currently no formal agreement in place.
- 14.3 The non-executive Chairman, Mr Kevin Tomlinson, receives director's fees of £36,000 per annum. There is currently no formal agreement in place.
- 14.4 The non-executive director, Dr Robert Weinberg, receives director's fees of £25,000 per annum. There is currently no formal agreement in place.
- 14.5 In the financial year ended 30 June 2006 the aggregate cash remuneration paid to the Directors was A\$736,031.
- 14.6 On the basis of the arrangements in force at the date of the Announcement, it is estimated that the aggregate remuneration payable to the Directors for the year ended 30 June 2007 will be A\$656,500.

15. EMPLOYEES

- 15.1 The Group currently has 21 full time employees, 17 of which are employed in the Philippines and 4 in Australia.

16. PRINCIPAL HOLDERS OF SECURITIES

- 16.1 The Company is aware of the following shareholdings which represent three per cent. or more of the Company's issued and outstanding Ordinary Shares, as at 23 October 2006, being the latest practicable date prior to the issue of this document:

Shareholder	At Present		On Admission	
	Number of Ordinary Shares	Percentage of Issued Share Capital	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Forty Traders Limited	5,666,368	9.48%	5,666,368	9.50%
National Nominees Limited	4,078,784	6.83%	4,538,784	7.61%
Geoffrey & Susan Davis	3,256,000	5.46%	3,256,000	5.46%
Yarandi Investments Pty Ltd	2,370,881	3.97%	2,370,881	3.97%
Skiptan Pty Ltd	2,233,334	3.74%	2,233,334	3.75%
Platinum Investment Corporation Pty Ltd	1,853,333	3.10%	1,853,333	3.11%
Edward Stuart Mackey Mein	1,815,000	3.04%	1,815,000	3.04%

- 16.2 Save as disclosed above, the Company is not aware of any person who, immediately following Admission will, directly or indirectly, be interested in three per cent. or more of the capital of the Company or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

The share ownership threshold above which an obligation of disclosure arises under the Corporation Act is, subject to certain limited exceptions, five per cent. of the share capital of the Company.

17. CORPORATE GOVERNANCE

17.1 The ASX Listing Rules require disclosure of a company's main Corporate Governance practices in accordance with the ASX Corporate Governance Council's **Principles of Good Corporate Governance and Best Practice Recommendations**. Full details of corporate governance policies that have been adopted by the Company's Board are available on the Company's website www.medusamining.com.au. The Company's practices are largely consistent with these ASX guidelines. The departures from the ASX guidelines are as follows:

Recommendation from ASX Guidelines	Notification of Departure	Explanation of Departure
2.1	No majority of independent directors.	The Board believes the current size and stature of the entity does not warrant the addition of new independent directors to the Board. The Board is of the opinion that the objectives and current strategy of the entity are best served and achievable by members of the current Board irrespective of their degree of independence.
2.4	A separate nomination committee has not been formed.	The Board believes the Company is not the size, nor are its financial affairs of such complexity to justify the establishment of a separately constituted nomination committee. The relevant functions are performed by the whole of the Board. However, the Board has adopted a nomination committee charter to guide the future implementation of any separately constituted nomination committee.
4.2, 4.3, 4.4	A separate audit committee has not been formed.	The Board considers the Company is not the size, nor are its financial affairs of such complexity to justify the establishment of a separately constituted audit committee. The relevant functions are performed by the whole of the Board. However, the Board has adopted an audit committee charter to guide any future implementation of a separately constituted audit committee.

Recommendation from ASX Guidelines	Notification of Departure	Explanation of Departure
9.2	There is no separate remuneration committee.	The Board considers the Company is not of the size, nor are its financial affairs of such complexity to justify the establishment of a separately constituted remuneration committee. The Board as a whole is responsible for the remuneration arrangements of the directors and executives of the Company. However, the Board has adopted a remuneration committee charter to guide any future implementation of a separately constituted remuneration committee.

- 17.2 The Corporate Governance policies, charters and codes adopted by the Board and in effect are the Board Charter, the Code of Conduct, Continuous Disclosure Policy, Share Trading Policy and Shareholder Communications Policy. Charters have further been adopted to guide any future implementation of separately constituted Audit, Remuneration and Nomination Committees. These functions are currently undertaken by the Board as a whole given the Company's size and the skills and experience of the Directors.

18. TAXATION

Summary of taxation implications

The paragraphs below comment on the general Australian and UK taxation position of individual and corporate resident and non-resident Shareholders in relation to the payment of dividends by the Company and the future disposal of their Ordinary Shares or Depository Interests.

The following comments are intended as a general guide to the Australian and UK tax implications only. This should not be a substitute for individual advice from an appropriate professional adviser and all persons are strongly advised to obtain their own professional advice on the tax implications of acquiring, owning and disposing of Ordinary Shares or Depository Interests based on their own specific circumstances.

In particular, all such Shareholders should consider the potential impact of any relevant double taxation conventions on their shareholding.

The comments are based on the law and understanding of the practice of the tax authorities in the UK and Australia at the date of this document.

18.1 Australian Taxation

- (a) Taxation of Future Share Disposals

Australian Resident Shareholders – General

Australian Shareholders who trade Ordinary Shares in the ordinary course of their business or who acquire Ordinary Shares for the purpose of profit-making by sale will hold their Ordinary Shares on revenue account. These Shareholders must include any profits made on the disposal of their Ordinary Shares in their assessable income. Shareholders who include profit made on the disposal of their Ordinary Shares in their assessable income are not assessed for tax under the capital gains tax provisions but under the ordinary income tax provisions.

All other Australian Shareholders will hold their Ordinary Shares on capital account. These Australian resident Shareholders must consider the impact of Australian capital gains tax rules on the disposal of their Ordinary Shares. A Shareholder derives a capital gain on the disposal of Ordinary Shares where the consideration received on disposal exceeds the capital gains tax cost base of the Ordinary Shares.

A Shareholder derives a capital loss on the disposal of Ordinary Shares where the consideration received on disposal is less than the capital gains tax reduced cost base of the Ordinary Shares. All capital gains and losses for the year are added together to produce a net capital gain. A net capital gain for a financial year is included in the resident taxpayer's assessable income and is subject to taxation in Australia. A net capital loss may generally be carried forward indefinitely to future financial year to be deducted against future capital gains.

Non-Australian Resident Shareholders – General

Non-Australian resident Shareholders who hold Ordinary Shares on revenue account may need to include profits from the sale of Ordinary Shares in their assessable income. Applicable double taxation agreements may provide relief from Australian taxation.

Non-Australian resident Shareholders who do not hold Ordinary Shares on revenue account may be subject to Australian capital gains tax upon disposal of their Ordinary Shares. Non-Australian resident Shareholders will only be subject to Australia's capital gains tax on the disposal of Ordinary Shares if they and their associates held 10 per cent. or more of the issued capital of the Company at any time within five years of the disposal. These Shareholders may be able to obtain relief from Australian capital gains tax via the application of any relevant double taxation agreement.

Non-Australian resident Shareholders, who together with associates own less than 10 per cent. of the Company's issued capital, will not be subject to Australia's capital gains tax rules.

The Australian government has introduced legislation to Parliament to amend the capital gains tax legislation as it applies to non-Australian residents. Under the proposed legislation, which will apply to capital gains tax events on or after the date of assent of the legislation, non-Australian residents will no longer be subject to capital gains tax on the disposal of their ordinary shares, subject to measures to preserve Australian taxation on non-portfolio shareholdings where more than 50 per cent. of the value of the Company's assets is attributable (directly or indirectly) to Australian real property including mining rights.

Capital Gains Tax Discount

Shareholders that are either individuals, trusts or complying superannuation funds (and in some cases a life insurance company) (whether resident or non-Australian resident) may be entitled to obtain a capital gains tax discount in relation to a net capital gain derived in a financial year. The "discount percentage" is 50 per cent. for an individual or a trust and 33 1/3 per cent. for complying superannuation entities. Broadly, this capital gains tax discount is only available if the Shareholder has held the Ordinary Shares for at least twelve months. The concession is not available to a Shareholder that is a company.

(b) Dividends

Dividends are paid to Shareholders from the accounting profits of the Company. Australian resident Shareholders will receive credits for any Australian corporate tax that has been paid on these profits. These credits are known as “franking credits” and they represent the extent to which a dividend is “franked” by company tax having been paid on the company’s profits. It is possible for a dividend to be either fully or partly franked. Where a dividend is partly franked the franked portion is treated as fully franked and the remainder as being unfranked.

It should be noted that the definition of dividend for Australian tax purposes is broad and can include certain capital returns and off-market share buy-backs.

Australian Resident Shareholders – Individuals and trusts

Resident individual and trust Shareholders will need to include dividends and the amount of any franking credits attached thereto in their assessable income in the period in which they receive the dividend. Individual Shareholders will receive tax credits for any franking credits attached to the dividend. Individual Shareholders may receive a tax refund if the franking credits attached to the dividend exceed their tax payable on the receipt of the dividend. Individuals will need to pay additional tax at their marginal rate of tax if the tax payable as a result of receiving the dividend exceeds the franking credits attached to the dividend.

Australian Resident Shareholders – Corporate

Dividends payable to Australian resident corporate Shareholders together with the amount of any franking credits attached thereto will be included in their assessable income in the year the dividend is paid. The corporate Shareholder will be entitled to a tax offset to the extent that the dividend is franked. This would result in the dividend being free of further company tax to the extent that it is franked. A fully franked dividend should effectively be free of tax to an Australian resident corporate Shareholder. Where franking credits are unused by a corporate shareholder because the corporate shareholder’s tax payable has been reduced to A\$Nil they may be converted to income tax losses. The franking credits attaching to dividends received will be added to the corporate shareholder’s franking account.

Non-Australian Resident Shareholders – General

Unfranked dividends payable to non-Australian resident Shareholders will be subject to withholding tax. Withholding tax is generally imposed at 30 per cent. unless a Shareholder is a resident of a country with which Australia has a double taxation agreement. The double taxation agreement may reduce the withholding tax rate to a range of between 5 per cent. and 15 per cent. depending on the country of residence of the non-Australian resident Shareholder.

Unfranked dividends paid to non-Australian residents by a resident company from conduit foreign income may not be subject to withholding tax. Broadly, the conduit foreign income measures provide tax relief for unfranked dividends paid to non-Australian residents from conduit foreign income, being amounts of foreign income and gains that are earned by or through an Australian corporate tax entity and, which are ordinarily sheltered from Australian tax when received by the Australian corporate tax entity. The conduit foreign income rules generally apply even where the conduit foreign income passes through a series of Australian corporate tax entities to the ultimate foreign owners.

Fully franked dividends are not subject to withholding tax. Non-Australian resident Shareholders may be assessable for tax on any such dividends in their country of residence. They should consider the impact of dividends under their domestic tax regime.

(c) Depository Interests

Australian resident and non-Australian resident holders of Depository Interests will be subject to Australian taxation laws in the same way as if they held the underlying Ordinary Shares directly.

18.2 UK Taxation

(a) Taxation of Chargeable Gains

UK Resident Shareholders

A disposal or deemed disposal of Ordinary Shares or Depository Interests by a Shareholder who is (at any time in the relevant UK tax year) resident or ordinarily resident in the UK may give rise to a chargeable gain (subject to the availability of exemptions and reliefs) or an allowable loss for the purpose of the UK taxation of chargeable gains.

Non-UK Resident Shareholders

Broadly, a Shareholder who is not resident in the UK for tax purposes but who carries on a trade, profession or vocation in the UK through a branch or agency or, in the case of companies only, a permanent establishment, in connection with which the Ordinary Shares or Depository Interests are used, held or acquired may also be subject to UK taxation on chargeable gains on a disposal of those Ordinary Shares or Depository Interests.

Special rules may apply to tax gains on disposals or deemed disposals made by individuals who are not currently (but who have been) either resident or ordinarily resident in the UK or to any individuals who are temporarily not resident nor ordinarily resident in the UK. Any such individuals should obtain specialist tax advice.

(b) Dividends

The Company will not be required to withhold UK tax from dividends paid on the Ordinary Shares.

UK-resident shareholders

Dividends received by a UK resident or ordinarily resident shareholder will be subject to income tax at that individual's marginal rate of tax. Companies will be subject to corporation tax on dividends received if they are resident in the UK.

Relief for Australian tax

Relief may be available against a charge to tax in the UK for Australian dividend withholding tax ("WHT") suffered. The amount of the dividend received plus the WHT will comprise the assessable income of the UK-resident Shareholder.

In these circumstances the Shareholder may be entitled to a credit for the WHT. If available, the credit would be limited to the lesser of the WHT or the UK tax payable on the combined amount of the dividend plus WHT. If the WHT exceeds the UK tax payable on the dividend, the excess is neither creditable nor repayable.

A UK-resident company may also seek relief for underlying tax (for Australian tax charged on profits out of which the dividend was declared) where the UK company owns 10 per cent. or more of the voting rights in the Company. As the credit given in the UK for Australian tax suffered on the dividend cannot exceed the UK corporation tax liability on the dividend, a UK-resident company may, subject to it satisfying the relevant provisions, be entitled to claim credit for any eligible unrelieved Australian tax (both WHT and underlying tax) against qualifying dividends received from other sources.

UK resident shareholders may be able to take advantage of the double taxation convention in force between the UK and Australia to reduce the amount of WHT suffered in Australia (if any).

(c) Inheritance Tax

If any Shareholder is an individual and is regarded as domiciled in the UK for inheritance tax purposes, inheritance tax may be payable in respect of the Ordinary Shares or Depositary Interests on the death of the Shareholder. The gift of the Ordinary Shares or Depositary Interests may have inheritance tax implications.

In the case of a Shareholder who is an individual but who is not regarded as domiciled in the UK for these purposes, no such UK inheritance tax will be payable if the Ordinary Shares or Depositary Interests are not situated in the UK for inheritance tax purposes. The Ordinary Shares or Depositary Interests must be regarded as situated in the UK for these purposes if they are registered on the Company's UK branch register.

(d) UK Stamp Duty and Stamp Duty Reserve Tax

The following comments do not apply to Ordinary Shares issued or transferred into depositary or clearance arrangements, to which special rules apply.

There is generally no liability to UK stamp duty or stamp duty reserve tax ("SDRT") on the issue of Ordinary Shares by the Company.

The transfer of Depositary Interests after the admission of the Company to AIM will be exempt from SDRT. If the Ordinary Shares are transferred outside of CREST using a written instrument of transfer, there may be a charge to UK stamp duty at 0.5 per cent. of the consideration given if the transfer is executed in the UK or relates to anything done, or to be done, in the UK.

Any person who is in any doubt as to his tax position or is subject to taxation in a jurisdiction other than Australia or the UK should consult an appropriate professional adviser.

19. MATERIAL CONTRACTS

In addition to the agreements summarised in the Public Record (which can be found at www.asx.com.au), the following is a summary of material subsisting agreements to which the Company or a subsidiary of the Company is or will be a party and which relate to the assets and liabilities of the Company:

19.1 Philsaga Share Sale Deed

The Company has undertaken to complete a transaction by which the Company and its Philippines subsidiary, MOHC, acquire shares in two companies so that the Company and MOHC hold an indirect downstream interest in all the share capital of Philsaga and thereby control its assets and interests.

The Philsaga Transaction documents consist of the Philsaga Share Sale Deed and various ancillary agreements described in paragraphs 19.3 to 19.7 below. All of the agreements are governed by the laws of the Philippines. By the Philsaga Share Sale Deed the Company and MOHC together purchase the entire shareholding of Davao Philsaga Holdings Inc and Tasco Development Company from the Philsaga Vendors.

The two interdependent transactions under the Philsaga Share Sale Deed are firstly the purchase of the Company of 100 per cent. of the shares of Tasco Development Company which are held by Advanced Concept Holdings Limited and Yandal Investments Pty Ltd and secondly the purchase by MOHC of 60 per cent. of the shares of Davao Philsaga Holdings Inc which are held by Secdea Philippines Holdings Corporation or its interests. All the shares to be purchased are unencumbered.

The assets held by Philsaga include the Co-O Mine with its infrastructure, various tenement and joint ventures interests and business licences.

The purchase price consideration to be paid and/or issued on completion to the Philsaga Vendors is 25,000,000 Ordinary Shares and A\$12,000,000 in cash. By one of the ancillary agreements a further A\$1,000,000 is payable in cash at completion.

If the Company or any of its subsidiaries or affiliates, discovers a significant deposit on or within any of the mining tenements defined in the Philsaga Share Sale Deed and the relevant Medusa entity disposes of either the tenement containing the discovery or transfers effective control over the discovery, then the Company must pay the Philsaga Vendors 10 per cent. of the consideration received for the disposal as it relates to the discovery.

The Philsaga Vendors have agreed to a voluntary escrow of the 25,000,000 Ordinary Shares to be issued to them for a period of 12 months from their date of issue, except that this period will cease upon a relevant change of control affecting the Company and will extend (where applicable) until the grant of Mineral Production Sharing Agreement 000084-XIII within which the Co-O Mine is located.

The Philsaga Vendors have each covenanted in favour of the Company that at all times up to and including and immediately post-completion their relevant interest the Company will be less than 20 per cent.. The Philsaga Vendors have also provided various warranties as to their independence.

The Philsaga Vendors provide basic warranties as to the shares sold whilst Bill Phillips and Samuel Afdal provide warranties consistent with a share sale agreement of this type. Any claim against Bill Phillips and Samuel Afdal is limited to a 3 year period and a total claim together of A\$1,875,000.

Completion under the Philsaga Share Sale Deed will occur no later than 10 business days after the satisfaction of all conditions precedent. The outstanding condition precedent is that the Company makes payment of the consideration as detailed above. It is intended that this condition will be satisfied by the Company successfully completing a capital raising.

The ancillary agreements described below at paragraphs 19.3 to 19.7 will be executed on completion of the Philsaga Share Sale Deed.

19.2 Plant Lease, Option and Ore Supply Agreement

The Plant Lease, Option and Ore Supply Agreement is constituted by an agreement dated 5 August 2005 as amended by a deed of 29 July 2006.

By the agreement the Company entered into a lease of the Co-O gold treatment plant and all associated facilities for a period of 3 years that commenced from a settlement date of 27 September 2005. The Company was further granted an option to buy the Co-O gold treatment plant and associated facilities at any time from settlement on 27 September 2005 until a period of 28 days after the conclusion of the 3 year lease period. The option is to be exercised by the payment of A\$100 and delivery of a written notice to Philsaga. The consideration for the lease and option was the payment of the total sum of A\$3,000,000, which was paid by the Company on 27 September 2005. The payment of A\$3,000,000 included the payment of A\$1,000,000 to Vibrant Earthmovers Inc which funds will be used by Vibrant Earthmovers Inc to purchase in its own right equipment and assets to be used during the 3 year lease period to facilitate and enhance the quantity and quality of gold bearing ore processed through the Co-O gold treatment plant.

By the agreement, Philsaga and the Company further agreed that for the 3 year lease period Philsaga will sell and supply to the Company gold bearing ore at a cost price reflecting the best price obtainable by Philsaga plus a management fee of 15 per cent.. Philsaga must deliver gold bearing ore to a minimum quantity of 2,000 tonnes per calendar month from any source (which includes sources other than the Co-O mine). Notwithstanding this, Philsaga must deliver all gold bearing ore from the Co-O mine for sale and supply to the Company for the 3 year period. The cost of the ore and management fee will be paid by the Company monthly in arrears on presentation of an account by Philsaga with substantiating documents.

During the 3 year lease term the Company will pay for and/or fund the mining and milling operations of the Co-O gold treatment plant and associated facilities and will have the sole unencumbered right to all product

processed through the Co-O gold treatment plant and all revenue generated from the sale and supply of such products.

In September 2005 the Company assigned all its rights and obligations under the agreement to its wholly owned subsidiary, MMPRC. These rights included the right to the option to buy the Co-O gold treatment plant and associated facilities and the right to receipt of the gold bearing ore.

19.3 **Royalty Agreement**

On completion of the Philsaga Share Sale Deed, Philsaga will execute a royalty agreement with the Philsaga Vendors.

By the royalty agreement, Philsaga will grant and agree to pay to the Philsaga Vendors a royalty together of US\$20 per ounce of recovered gold obtained from extensions of the Co-O Mine system mined on the eastern side of the Oriental Fault (being a fault defined on maps) up to a limit of US\$10,000,000. The royalty will be payable on a quarterly basis.

19.4 **Management Consultancy Agreement with Bill Phillips**

On completion of the Philsaga Share Sale Deed, Philsaga will execute a management consultancy agreement with Bill Phillips.

By the management consultancy agreement, Philsaga will engage Bill Phillips to provide Philsaga, or the Medusa group of companies, with project management services for the Co-O Mine and any other mining activities in the Philippines together with any other required management or advisory services.

The engagement of Bill Phillips by Philsaga is for an initial term of 3 years and is renewable thereafter for 1 year periods by mutual agreement between the parties. During the initial term, Philsaga may only terminate the agreement upon limited events akin to misconduct or incapacity.

Philsaga will pay Bill Phillips the sum of US\$10,000 per calendar month. Philsaga will additionally reimburse Mr Phillips for all expenses reasonably incurred in the performance of his services including relating to entertainment, accommodation, meals, telephone and travelling.

19.5 **Management Consultancy Agreement with Samuel Afdal**

On completion of the Philsaga Share Sale Deed, Philsaga will execute a management consultancy agreement with Samuel Afdal.

By the management consultancy agreement, Philsaga will engage Samuel Afdal to provide Philsaga or the Medusa group of companies with management and advisory services upon milling, administration and industrial relations matters for the Co-O Mine and any other mining activities in the Philippines together with other required complimentary services.

The engagement of Samuel Afdal by Philsaga is for an initial term of 3 years and is renewable thereafter for 1 year periods by mutual agreement between the parties. During the initial term, Philsaga may only terminate the agreement upon limited events akin to misconduct and incapacity.

Philsaga will pay Samuel Afdal the sum of US\$10,000 per calendar month. Philsaga will additionally reimburse Samuel Afdal for all expenses reasonable incurred in the performance of his services including relating to entertainment, accommodation, meals, telephone and travelling.

19.6 **Drilling Services Agreement**

On completion of the Philsaga Share Sale Deed, Philsaga will enter into a drilling services agreement with SBF Drilling Services Inc. (“SBF Drilling”), a company associated with Bill Phillips and Samuel Afdal.

By the drilling services agreement, Philsaga will engage SBF Drilling to provide Philsaga or the Medusa group of companies, with drilling services for the Co-O Mine and area and further provide equipment, labour and expertise with respect to drilling services.

The engagement of SBF Drilling by Philsaga is for an initial term of 3 years and is renewable thereafter for 1 year periods by mutual agreement between the parties.

In consideration of SBF Drilling providing the services, Philsaga will pay SBF Drilling commercial rates for its services. Philsaga will additionally provide SBF Drilling with funds totalling A\$1,000,000 for the sole purpose of SBF Drilling purchasing in its own right, equipment which will be used for services in the Co-O Mine and area during the contract period.

19.7 **Mining Services Agreement**

On completion of the Philsaga Share Sale Deed, Philsaga will enter into a mining services agreement with Vibrant Earthmovers Inc. (“Vibrant Earthmovers”), a company associated with Messrs Phillips and Afdal.

By the mining services agreement, Philsaga will engage Vibrant Earthmovers to provide Philsaga or the Medusa group of companies, with services to manage all activities associated with the mining and milling operations of the Co-O Mine and area.

The engagement of Vibrant Earthmovers by Philsaga is for an initial term of 3 years and is renewable thereafter for 1 year periods by mutual agreement between the parties.

In consideration of Vibrant Earthmovers performing the services, Philsaga will pay Vibrant Earthmovers 15 per cent. on a cost plus basis being 15 per cent. of the total direct cost of mining and milling operations performed at the Co-O Mine and area.

19.8 An agreement dated 24 October between Ambrian Partners (1) and the Company (2) under which the Company appointed Ambrian Partners to act as retained Nominated Adviser and Broker to the Company for the purposes of AIM with effect from Admission and continuing for an initial period of 12 months and thereafter shall be terminable by the giving of 60 days’ written notice by either party. The Company agreed to pay Ambrian Partners an initial fee of £50,000 per annum for its services as Nominated Adviser and Broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company and the Directors in respect of, inter alia, compliance with all applicable laws and regulations.

19.9 An introduction agreement dated 24 October 2006 between the Company (1), Ambrian Partners (2) and the Directors (3) pursuant to which conditional upon, *inter alia*, Admission taking place on or before 8:00 a.m. on 21 November 2006 (or such later time and or date as the Company, and Ambrian Partners may agree being not later than 30 November 2006) the Company has authorised and instructed Ambrian Partners to apply to London Stock Exchange plc for Admission.

The Introduction Agreement contains warranties from the Company and the Directors and indemnities from the Company in favour of Ambrian Partners together with provisions which enable Ambrian Partners to terminate the Introduction Agreement in certain circumstances prior to Admission including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The liability of the Directors for breach of warranty is limited. Under the Introduction Agreement and subject to it becoming unconditional the Company has agreed to pay Ambrian Partners a fee of £50,000, in addition to a £30,000 retainer which has already been paid, together in each case with any applicable VAT.

The Company has undertaken to use all reasonable endeavours to enter into non-executive letters of appointment or service agreements with those Directors who currently have no formal written agreements within one month of Admission.

- 19.10 The lock-in agreement dated 24 October 2006 between each of the Directors, their connected parties, the Company and Ambrian, more details of which are set out in paragraph 9 of this document.
- 19.11 Save as disclosed in this document or in the Public Record there have been no related party transactions (within the meaning of EC Regulation 1606/2002).

20. LITIGATION

Save for the Picop legal case referred to in paragraph 10.1 of this Appendix, there are no legal or arbitration proceedings which are active, pending or threatened against, or being brought by, the Group or any Shareholder of the Group which are having or may have a significant effect on the Company's or the Group's financial position nor have there been in the previous 12 month period prior to the date of this Appendix.

21. INVESTMENTS

The Company has made no investments and has made no firm commitments to invest other than pursuant to the Philsaga Transaction as described in at paragraphs 2 and 19 above.

22. PROPERTY, PLANT AND EQUIPMENT

- 22.1 Save as set out in the Public Record, the Group has no existing or planned material fixed assets (including leased properties).
- 22.2 Save as set out in the Public Record below there are no encumbrances on the Group's material assets.
- 22.3 Details of environmental issues which may affect the issuer's utilisation of tangible and fixed assets are set out in the Public Record.

23. GENERAL

- 23.1 Other than those disclosed in the Announcement or as otherwise disclosed on the Public Record, there have been no interruptions in the Company's business which may have or have had in the last twelve months a significant effect on the Company's financial position.
- 23.2 Save as set out in paragraphs 19.1 to 19.7 of this Appendix detailing the Philsaga Transaction by which the Group gains control of the assets of Philsaga or as otherwise disclosed on the Public Record, there are no known trends, uncertainties, demands, commitments or events that are likely to have a material effect on the issuer's prospects for at least the current financial year.
- 23.3 Other than those disclosed in the Announcement or as otherwise disclosed on the Public Record, there are no significant investments by the Company.
- 23.4 Other than as disclosed in the Announcement or as otherwise disclosed on the Public Record, the Directors are not aware of any exceptional factors which have influenced the Company's activities.
- 23.5 Other than as disclosed in the Announcement or as otherwise disclosed on the Public Record, there has been no significant change in the financial or trading position of the Company since the Report Date, being the date to which the last audited financial statements of the Company, were published.
- 23.6 Save as disclosed in paragraph 19 of this Appendix, there are no persons (excluding professional advisers otherwise disclosed in the Announcement or in the Public Record and trade suppliers) who have received,

directly or indirectly, from the Company within the 12 months preceding the date of the Announcement nor have they entered into contractual arrangements (not otherwise disclosed in the Announcement) to receive, directly or indirectly from the Company on or after Admission fees or securities in the Company or any other benefit, with a value of £10,000 or more at the time of Admission.

- 23.7 The Company's accounting reference date is 30 June.
- 23.8 No dividends have been paid or declared since the commencement of the financial year and no dividends have been recommended by the Board.
- 23.9 The Company's latest published annual report and accounts for the financial year ended 30 June 2006 (the Report Date) can be found on the Company's website www.medusamining.com.au.
- 23.10 It is emphasised that, although the Ordinary Shares will be admitted to trading on AIM, the Company will not be subject to takeover regulation in the UK. The UK's City Code on Takeovers and Mergers will not apply to the Company. However, the Company is subject to provisions regulating takeovers under Australian law.
- 23.11 Ambrian Partners have given and have not withdrawn their written consent to the inclusion in the Announcement of references to their name in the form and context in which it appears.
- 23.12 For the purpose of the AIM Rules Golder Associates Pty Ltd confirm that (a) they are responsible for and have authorised their report available on the Company's website www.medusamining.com.au and declare that they have taken all reasonable care to ensure that the information contained in their report is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import and have given and have not withdrawn their written consent to the inclusion in the Announcement of references to their name in the form and context in which it appears and (b) that the information contained in the Appendix which relates to information contained in their report is accurate, balanced and complete and is not inconsistent with their report.
- 23.13 For the purpose of the AIM Rules Moores Rowland LLP have given and have not withdrawn their written consent to the inclusion in the Announcement of references to their name in the form and context in which it appears.
- 23.14 The costs, charges and expenses payable by the Company in connection with or incidental to Admission, including registration and stock exchange fees, legal and accounting fees and expenses are estimated to amount to A\$635,785.
- 23.15 The company is incorporated in Australia, has its registered office and principal place of business in Australia and is resident in Australia. Transactions in the Ordinary Shares are governed by the Corporations Act, the Constitution and ASX Listing Rules and regulated by ASIC, ASX and the Takeovers Panel (established under Part 10 of the Australian Securities and Investment Commission Act 2001 of the Commonwealth of Australia), with which the Company complies. The Corporations Act forbids the acquisition of a "relevant interest" (basically, power to vote or dispose of the share) in voting shares in a company incorporated in Australia if, as a result, the "voting power" of the acquirer (or any other person) would increase from 20 per cent. or below to more than 20 per cent.. Similarly, the acquisition is forbidden if any person who already has more than 20 per cent., but less than 90 per cent., of the voting power gains increased voting power in the target company.

There are several exceptions which allow acquisitions which would otherwise be prohibited from taking place. These exceptions include acquisitions:

- (a) under a formal takeover offer in which all shareholders can participate;
- (b) with the approval of the Company's Shareholders given at a general meeting of the Company; and
- (c) in 3 per cent. increments every 6 months (provided the acquirer has had voting power of at least 19 per cent. in the target company for at least 6 months).

- 23.16 There have been no indications of public takeover bids by third parties in respect of the Company's equity which have occurred during the best financial year or current financial year.
- 23.17 The Company's major shareholders have no different voting rights from other shareholders of the Company.
- 23.18 The Ordinary Shares are in registered form. Ordinary Shares can be held in certificated form or in uncertificated form in CHESSE and as Depository Interests in uncertificated form in CREST under the arrangements set out in paragraph 8 of this document.
- 23.19 The Company's auditors for the period covered in the historical financial information were Bentleys MRI Perth Partnership who are members of the Institute of Chartered Accountants in Australia.
- 23.20 Other than those disclosed in this Appendix or as otherwise disclosed on the Public Record there are no environmental issues that the Company or its Directors are aware which may affect the Company's projects.
- 23.21 Particular attention should be given to the Competent Persons Report produced by Golders which is available from the Company's website, www.medusamining.com.au.
- 23.22 Copies of this document are available for a period of one month from Admission from the Company's registered office and the offices of Ambrian Partners.

24 October 2006