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ANNOUNCEMENT

10 January 2018

CAMBODIAN EXPLORATION OPPORTUNITY

(ASX: MML)

Medusa Mining Limited (ASX: MML) (**Medusa** or the **Company**) is pleased to announce that it has entered into a Memorandum of Understanding with SEA Resources Pty Ltd, Sovann Resources Co., LTD (a related Cambodian entity of SEA) and the shareholders of Sovann (together, referred to as **SEA**) regarding an exploration opportunity in the Prek Kampi region of Cambodia (**MOU**). The main target of the exploration project will be gold and copper, but the arrangement is exclusive and will also cover oil and gas and precious stones.

SEA has been selected by the Government of Cambodia as a qualified and priority company to apply for the grant of a metallic mineral exploration licence in the Prek Kampi region of Cambodia. SEA is in the final stages of securing the grant of that licence by the Government of Cambodia.

Under the terms of the MOU, Medusa and SEA have agreed to negotiate an Earn-in Agreement under which Medusa can acquire up to a 70% interest in that exploration licence. The MOU is a non-binding framework to guide the parties in the finalisation of the key terms of the arrangement that will be agreed in a binding Earn-in Agreement.

Medusa and SEA have until 1 March 2018 to finalise the Earn-in Agreement. During that negotiation period, Medusa's rights are exclusive and SEA cannot negotiate with another party about acquiring an interest in the exploration opportunity. If Medusa and SEA do not enter into an Earn-in Agreement on or before 1 March 2018, the MOU will terminate and the parties will be released from any future obligations.

The key terms set out in the MOU which are proposed to be contained in the Earn-in Agreement include the following.

- SEA grants Medusa the option to acquire up to 70% of the shares of the SEA entity that is granted the Prek Kampi exploration licence in exchange for Medusa contributing up to a total of US\$3,000,000 of exploration expenditure over a period of 4 years (inclusive of the US\$700,000 mentioned below).
- Once the earn-in period commences, Medusa and SEA will negotiate a shareholders' agreement setting out their rights and responsibilities in respect of the entity that holds the exploration licence.

- Once the Earn-in Agreement is signed and the exploration licence is granted, Medusa will be required to contribute at least \$700,000 in expenditure before it can withdraw from the Earn-in Agreement.
- During the earn-in period, SEA will be responsible for conducting exploration activities. Medusa will meet all exploration costs, and will be responsible for approving exploration activities.
- Once a Project Economic Assessment or Pre-Feasibility Study for the project has been completed, Medusa and SEA will be responsible for meeting exploration costs in proportion to their respective interests in the project.

Managing Director, Boyd Timler, made the following statement regarding the significance of the project for Medusa:

Medusa considers Cambodia (an emerging business location) as an environment in Southeast Asia to conduct mineral exploration. Medusa is pleased to be partnering with SEA, who have significant knowledge of the geology, mineral endowment and exploration activities within Cambodia.

This is Medusa's opportunity to expand its presence in South East Asia and fully align to the company's longer-term strategic diversification plan. Medusa continues to be a successful gold explorer and producer in the Philippines.

This is exciting times for both Medusa and SEA Resources.

For further information please contact:

Boyd Timler, Managing Director

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