



MINING LIMITED
ACN: 099 377 849

MEDUSA MINING LIMITED
PO Box 860
Canning Bridge WA 6153
Phone: 618-93670601
Fax: 618-93670602
Email: admin@medusamining.com.au
Web: www.medusamining.com.au

26 February 2004

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

Dear Sir / Madam,

Re: Prospectus

Please find attached a Prospectus for the offer of a fully underwritten pro-rata 1 for 2 Non-renounceable Rights Issue of approximately 17,712,800 Options exercisable at 20 cents each on or before 31 January 2007 at 1 cent each to raise \$177,128.

The Rights Issue is made pursuant to an undertaking made in the Initial Public Offering Prospectus.

Yours faithfully

BRUCE ACUTT
Company Secretary

MEDUSA MINING LIMITED

ABN 60 099 377 849

PROSPECTUS

for

A fully underwritten pro-rata 1 for 2 Non-renounceable Rights Issue
of approximately 17,712,800 Options exercisable at 20 cents each on or before
31 January 2007 at 1 cent each to raise \$177,128

The Options will be listed on the Australian Stock Exchange

This is an important document. Please read it carefully. If you do not understand the
contents of this Prospectus you should consult your financial, legal or other
professional adviser.

OFFER CLOSES AT 5.00 PM (WST) ON TUESDAY 30 MARCH 2004

An investment in Medusa Mining Limited should be considered as speculative

UNDERWRITERS:

Kirke Securities Ltd
(ABN 90 009 115 440)

State One Stockbroking Ltd
(ABN 95 092 989 083)

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SECTION 1 - CHAIRMAN'S LETTER



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Dear Shareholder

On 23 December 2003 your Company listed on the Australian Stock Exchange. The Prospectus announced the Company's intention to raise approximately \$177,128 before costs by way of a fully underwritten pro-rata non-renounceable rights issue of Options within 6 months of listing.

I am pleased to provide you with this Prospectus and acceptance documentation relating to this capital raising.

Each Medusa shareholder may subscribe for 1 new option for every 2 shares they hold on the record date of 10 March 2004 at a price of 1 cent per option. These Options will be listed on the Australian Stock Exchange and are exercisable at 20 cents each on or before 31 January 2007.

The funds raised will be applied towards general working capital and the progression of the Saugon gold project in the Republic of the Philippines, Medusa's other tenements and the recently acquired King and Queen River prospects in Tasmania.

It is the intention of all Directors to participate in this underwritten rights issue offering – they recommend it to you.

Please read the attached Prospectus carefully and if you have any queries or questions, then consult your financial or legal advisors.

Yours sincerely,

JEFFREY SCHILLER
Chairman

SECTION 2 - KEY DATES FOR OFFER OF NEW SHARES

Event	Date
Lodgement of Prospectus with ASIC and announcement of Rights Issue	26 February 2004
Record Date for determining entitlement	10 March 2004
Opening Date and latest date for dispatch of Prospectus and Entitlement and Acceptance Form	15 March 2004
Rights Issue Closing Date	30 March 2004
Securities quoted on deferred settlement basis	31 March 2004
Acceptance from Member Organizations Closing Date	5 April 2004
Notification to ASX of under-subscription	14 April 2004
Latest Date for issue of New Shares and dispatch of shareholding statements / deferred settlement trading ends.	23 April 2004

SECTION 3 - CORPORATE DIRECTORY

Board of Directors

Dr Jeff Schiller	Chairman
Mr Geoffrey Davis	Managing Director
Mr Ted Mein	Non Executive Director
Mr Simon Cato	Non Executive Director

Company Secretary

Mr Bruce Acutt

Principal Office

4/11 Preston Street,
Como
Western Australia 6152

PO Box 860
Canning Bridge
Western Australia 6153

Telephone: +618 9367 0601
Facsimile: +618 9367 0602
Email: admin@medusamining.com.au
Web: www.medusamining.com.au

Registered Office

C/ Mack & Co
Level 2
35 Havelock St
West Perth
Western Australia 6005
Telephone: +618 9322 2798
Facsimile: +618 9481 2019

Share Registry

Advanced Share Registry Services
Level 6,
200 Adelaide Terrace
Perth
Western Australia 6000.
Telephone: +618 92217288
Facsimile: +618 92217869

ASX Code

MML

Auditors

Mack & Co
Level 2
35 Havelock St
West Perth
Western Australia 6005
Telephone: +618 9322 2798
Facsimile: +618 9481 2019

SECTION 4 - IMPORTANT NOTICE

This Prospectus is dated 26 February 2004 and was lodged with the Australia Securities Investment Commission ("ASIC") on 26 February 2004.

The ASIC and the Australian Stock Exchange Limited ("ASX") take no responsibility as to the contents for the Prospectus.

This Prospectus does not constitute an offer at any place in which, or to any person to whom, it would not be lawful to make such an offer.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

In compliance with Section 713 of the Corporations Act 2001, this Prospectus contains all information which investors and their professional advisers would reasonably require and reasonably expect to find in the Prospectus for the purpose of making an informed assessment of:

- The effect of the Rights Issue on the Company; and
- The rights and liabilities attaching to the New Options

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. In making representations in this Prospectus regard has been given to the fact that ASX maintains a file containing publicly disclosed information about the Company and that the Company is a disclosing entity for the purpose of the Corporations Act 2001, and certain matters may reasonably be expected to be known to professional advisers whom potential investors may consult.

SECTION 5 - DEFINITIONS

\$	Australian dollars All amounts in this Prospectus are in Australian currency
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691)
Closing Date	5.00pm (WST) on 30 March 2004
Company	Medusa Mining Limited
Constitution	Constitution of the Company
Directors	The Directors of the Company
Entitlement and Acceptance Form	The form that accompanies this Prospectus and titled "Entitlement and Acceptance Form"
Existing Shares	Shares on issue on the Record Date
IPO	Initial Public Offering
Listing Rules	The official Listing Rules of ASX
New Options	The Options to be issued pursuant to this Prospectus
New Shares	Shares issued pursuant to the exercise of Options
Offer	The offer of Options pursuant to this Prospectus
Prospectus	This Prospectus dated 26 February 2004
Record Date	5.00 pm WST on 10 March 2004
Rights Issue or Issue	The offer of Options pursuant to this Prospectus.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A holder of shares at the Record Date
Share Registry	Advanced Share Registry Services
Underwriter	Kirke Securities Ltd and State One Stockbroking Ltd
Underwriting Agreement	The Corporate Mandate between the Company and the underwriters dated 11 February 2004 under which the underwriters have agreed to fully underwrite the Offer
WST	Western Standard Time.

SECTION 6 - DETAILS OF THE RIGHTS ISSUE

1. Pro Rata Non-pronounceable Rights Issue

Pursuant to this Prospectus, approximately 17,712,800 Options are being offered to shareholders registered on the Record Date. The offer is by way of a pro-rata, non-renounceable Rights Issue to Shareholders of one (1) New Option for every two (2) Existing Shares held at a price of 1 cent per New Option. Fractional entitlements will be rounded down to the nearest whole unit.

The New Options will be exercisable at 20 cents each on or before 31 January 2007 and will be listed on the ASX.

2. Opening and Closing Dates

The Rights Issue will open for receipt of applications on 15 March 2004 and close on 30 March 2004. Completed Entitlement and Acceptance Forms together with the correct application monies, must be received by the Share Registry by the Closing Date.

3. Purpose of the Issue

The purpose of the Rights Issue is to raise funds of up to \$177,128 (before costs) for:

- General working capital and to pay the expenses of the Issue
- The acceleration of the exploration and evaluation of the Saugon vein system and surrounding project area and the King and Queen River projects
- Exploration targets in the mine environs and elsewhere within the Saugon project area will be tested by diamond drilling. These targets include a combination of high quality IP and magnetic geophysical anomalies, identified prospects and geochemical anomalies.

Approximately \$1.2 million has been budgeted to complete the drilling programme and evaluation of the Saugon vein system and surrounding areas set out above. It is planned that part of the proceeds of the Issue will be applied to this programme over the next twelve to fifteen months. The balance will be met from existing cash reserves.

4. Accepting Your Entitlement

As a shareholder you may:

- (a) accept your Entitlement in whole or in part; or
- (b) do nothing (in which case you will receive no benefit from your Entitlement)

Acceptance of your Entitlement must be made on the Entitlement and Acceptance Form. Please read carefully the instructions on the Entitlement and

Acceptance Form before completion. Your completed Entitlement and Acceptance Form must reach the Share Registry by the Closing Date.

Applications must be forwarded to the Share Registry and must be accompanied by payment in full of 1 cent for each New Option applied for.

If the Entitlement and Acceptance Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Company's decision as to whether to treat the application as valid, or how to construe, amend or complete the form, shall be final. However, applicants will not be treated as having offered to subscribe for more Options than are indicated on the Entitlement and Acceptance Form.

5. Terms of Payment

The payment of 1 cent per New Option must be made in full on application and must accompany the completed Entitlement and Acceptance Form. Please deliver your applications:

(a) by post to: Advanced Share Registry Services
PO Box 6283
East Perth
Western Australia 6892

(b) by hand delivery to: Advanced Share Registry Services
Level 6,
200 Adelaide Terrace
Perth
Western Australia 6000

6. Minimum Subscription and Oversubscription

As the Rights Issue is fully underwritten, it is not considered appropriate to specify a minimum subscription for the Rights Issue to be completed.

There is no facility for over-subscriptions.

7. Underwriting

The Rights Issue has been fully underwritten by Kirke Securities Limited and State One Stockbroking Limited on the terms and conditions and for the fees summarised in the Additional Information Section.

8. Allotment

No allotment of New Options will take place until the proceeds of the Rights Issue have been received and permission is granted for quotation of the New Options on ASX. It is expected that the New Options will be entered into the holders' security holdings no later than 23 April 2004.

The Directors reserve the right to reject any application for Options and to allot and issue a lesser number of Options than applied for.

If the Issue does not proceed for any reason, if an application is rejected, or if the number of Options allotted to a Shareholder is less than the number applied for, the application monies or surplus application monies (as the case may be) will be refunded, without interest, within seven (7) days of the Closing Date.

9. ASX Listing

Application will be made for the New Options offered by this Prospectus to be granted official quotation by ASX on the day of announcing the Rights Issue. If approval is not granted by ASX before the expiration of six (6) weeks after the date of issue of this Prospectus, or such longer period (not exceeding 12 weeks) as notified by or on behalf of ASX (or such period as is varied by the ASIC), the Company will not allot or issue any New Options, and will repay all application monies (where applicable) within the time prescribed under the Corporations Act 2001, without interest.

10. Expenses Of The Issue

The estimated expenses of the Issue are as follows:

ASIC and ASX fees	\$ 7,500
Underwriting fees	\$ 10,700
Printing, Share Registry costs and miscellaneous expenses	\$ 1,800
	<u>\$ 20,000</u>

11. Non Resident Investors

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

Medusa has determined that it is unreasonable to make the Offer to Shareholders with a registered address outside of Australia having regard to the number of Shareholders in such places, and the substantial costs of complying with the legal and regulatory requirements of the jurisdictions. As such, this Prospectus is being sent to those Shareholders for information purposes only and does not constitute an offer.

Applicants resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required, or whether formalities need to be observed to enable them to subscribe for Shares pursuant to this Prospectus. The return of a completed application from a non-resident applicant will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained and that the Company may legally issue the New Options to the applicant.

12. Existing Optionholders

Holders of Medusa Options may participate in the Rights Issue by exercising any or all of their Options prior to the Record Date. If all Options which are capable of exercise were exercised, 1,600,000 Options would be issued and \$320,000 would be raised. If exercised prior to the Record Date, an additional 800,000 New Options would be offered under the Rights Issue and, if taken up, would raise an additional \$8,000 before costs.

Any entitlement arising from the exercise of Options has not been underwritten.

13. Application Monies

All application monies will be held on trust until the allotment and issue of the New Options. The Company will be entitled to all interest paid or accrued on application monies irrespective of whether allotment takes place.

14. Taxation Implications

The Directors do not consider it appropriate to give potential applicants advice regarding the taxation consequences of applying for New Options as it is not feasible to provide a comprehensive summary of the possible taxation positions of potential applicants. The Company, Underwriter and their respective advisers and officers do not accept any responsibility or liability for any taxation consequences to potential applicants as a result of subscriptions for New Options, under the Offer. Potential applicants should, therefore, consult their own professional advisers in connection with the taxation implications of applying for New Options.

15. Chess (Clearing House Electronic Sub-Register System)

The Company will apply to ASX to participate in CHESS for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic registers mean that the Company will not be issuing certificates to investors and securities can be transferred without relying on paper documentation.

Investors will be provided with a statement that sets out the number of New Options allotted to them under this Prospectus. The notice also advises holders of their Holder Identification Number and explains the sale procedures under CHESS and issuer sponsorship.

SECTION 7 - RISK FACTORS

1. This Prospectus relates to the offer of Options in a Company engaged in exploration and, if successful, in mining, with its prospects dependent on many factors.

Exploration by its nature contains elements of significant risk. Ultimate success depends on the discovery of economically recoverable mineral resources, obtaining the necessary titles and governmental regulatory approvals, the obtaining of and the servicing of funding to fund mining operations if and when a decision to mine is made, and the establishment and maintenance of efficient mining operations.

There can be no assurance that the Company's existing projects or any other projects or tenements that the Company may acquire in the future will result in the discovery of a significant ore deposit. Even if a significant deposit is identified, there can be no guarantee that it can be economically exploited.

The Company's success largely depends on the core competencies of its Directors and their familiarisation with and ability to operate in the international mineral exploration and extraction industry.

The loss of one or more of the Directors or other key persons or consultants could have a materially adverse effect on the Company's business, financial position and results of operations. The resulting impact from such an event would be dependent on the quality of the replacement.

The value of the Company's securities is likely to fluctuate depending on various factors including the success of its current and future projects, the general national and international economy and the local economies of countries where the Company is doing business, share market conditions in Australia and world wide, the general Australian investor sentiment towards off shore projects, the price of, the demand for and the supply of gold and other commodities, exchange rates, unexpected variations in mining, development and operating costs, political/sovereign risk stability and investment environment reliability in countries where the Company has or may have interests. Many of these factors are beyond the Company's control.

The nature and dynamics of the Company's present project/asset base is such that for the foreseeable future and in the absence of any kind of revenue base, the Company will require additional capital to fund further exploration/development of the Company's existing or new projects. The Company's ability to raise sufficient further capital within an acceptable time frame and on terms acceptable to the Company will vary according to a number of factors including (without limitation):

- prospectivity of new projects (if any),
- the results of exploration and subsequent feasibility studies,
- stock market and industry conditions,
- the price of relevant commodities.

No assurance can be given that future funding will be available to the Company on favourable terms or at all. If adequate funding is not available on acceptable terms, the Company may not be further able to develop its projects.

The above statement of risk factors is by way of illustration only. There are numerous other risk factors inherent in an investment in the Company's securities and there can be no assurance whatsoever that a return on investment will be obtained by investing in the Company's securities or that the investment therein will not be lost. Further an investment in the Company's securities should be considered in the light of recent world events including the terrorist attack in New York and Washington in September 2001, the War on Terror, the atrocity in Bali in October 2002, the recent war in Iraq, the bombing of the Marriot Hotel in Jakarta in August 2003 and the ongoing instability in Iraq, Afghanistan, and the Middle East region. These events have had a significant effect on the stability of financial markets in Australia and world-wide and their ultimate consequences cannot be predicted with any certainty.

2. Rights Attaching to Shares

Shares will be issued as fully paid, and from the date of issue will rank equally in all respects with Existing Shares. By accepting your Rights, you agree to comply with the Constitution in respect of any shares issued to you.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which can be inspected at the Company's registered office during normal business hours. The following is a broad summary (not an exhaustive or definitive statement) of the rights that attach to the Existing Shares, that will also attach to any New Shares when they are issued.

2.1 Voting Rights

Subject to any rights or restrictions for the time being attached to any class of shares (at present there are none), at a general meeting every person present who is either a member or a proxy or representative of a member shall have one vote on a show of hands or on a poll every member present in person, by proxy, attorney or representative shall have one vote per fully paid Share and a fraction of a vote for every partly paid share.

2.2 Dividend Rights

Subject to the rights of holders of shares issued with any special or preferential 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 shareholders in proportion to the shares held by them respectively and are paid irrespective of the amount paid up or credited as paid up on those shares.

2.3 Rights on Winding Up

Subject to the rights of holders of shares issued on special terms and conditions (at present there are none) if the Company is wound up and a surplus remains, it must be distributed among the parties entitled to it in proportion to the number of shares held by them, irrespective of the amounts paid up on the shares.

2.4 Transfer of Shares

Subject to the Constitution of the Company, the Corporations Act 2001 and Listing Rules, Shares are freely transferable.

2.5 Creation and Issue of Further Shares

Shareholders in general meeting may from time to time increase the Company's capital. The allotment and issue of any shares is under the control of the Directors. Subject to restrictions on the allotment of shares to Directors and their associates, the Listing Rules, the Constitution of the Company and the Corporations Act 2001, the Directors may allot, issue, grant Options over or otherwise dispose of Shares on such terms and conditions and with such rights and privileges as they see fit.

2.6 Variation of Rights

At present the Company has only ordinary Shares on issue. If shares of another class were issued, the rights and privileges attaching to the shares could be altered with the sanction of a special resolution passed at a separate meeting of holders of the shares of that class.

2.7 General Meeting

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to shareholders under the Company's Constitution or the Corporations Act 2001.

3. Rights Attaching to Options

The New Options offered by this Prospectus will have the following terms.

- 3.1. Each Option entitles the holder to subscribe for and be allotted one fully paid ordinary share in the Company.
- 3.2. The Options are exercisable at 20 cents.
- 3.3. The Options will expire on 31 January 2007 (the expiry date).
- 3.4. The Options are exercisable at any time on or prior to the expiry date by notice in writing to the Directors of the Company accompanied by payment of the exercise price.
- 3.5. Application will be made to the ASX for Official Quotation of the Options.
- 3.6. All shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing fully paid ordinary shares. The Company will apply for Official Quotation by the ASX of all shares issued upon exercise of the Options.

- 3.7. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. Option Holders may exercise their Options prior to the date for determining entitlements to participate in any such issue.
- 3.8. If from time to time on or prior to the expiry date the Company makes an issue of shares to the holders of ordinary shares in the Company by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of his Options an Optionholder will be entitled to have issued to him (in addition to the shares which would otherwise be issued to him upon such exercise) the number of shares of the class which would have been issued to him under that bonus issue (bonus shares) if on the record date for the bonus issue he had been registered as the holder of the number of shares of which he would have been registered as holder if, immediately prior to that date, he had duly exercised his Options and the shares the subject of such exercise had been duly allotted and issued to him. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- 3.9. In the event of any reorganisation of the issued capital of the Company on or prior to the expiry date, the rights of an Option Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

SECTION 8 - CAPITAL STRUCTURE

The Rights Issue contemplated by this Prospectus will have an effect on the capital structure of the Company. The effect is summarised below:

Capital Structure	Number	\$
Existing Issued and Paid Up Capital Ordinary fully paid shares	35,425,600	3,363,477
Proposed Option Issue Pursuant to this Prospectus 20 cent Listed Options (net of estimated cost of Issue)	17,712,800	157,000
Unlisted Options Options to subscribe for Ordinary Shares Exercisable at: 20 cents each on or before 31 January 2007	1,600,000	--

The Issue of the New Options will affect the current financial position of the Company by increasing both the cash assets and issued share capital account by approximately \$157,000 (being the maximum amount to be raised less the estimated costs of the Issue of \$20,000).

SECTION 9 - ADDITIONAL INFORMATION

1. Broker Agreements

In November 2003 the Company entered into corporate advisory mandates with each of Kirke Securities Pty Ltd ("Kirke Securities") and State One Stockbroking Limited ("State One") on substantially identical terms. The corporate advisory mandates for this pro-rata rights issue of options were confirmed on 11 February 2004.

By the corporate advisory mandates, each of Kirke Securities and State One are jointly mandated for a period of 6 months commencing on 31 October 2003 to provide services including:

- (a) placing Shares on a best endeavours basis pursuant to the IPO; and
- (b) jointly underwriting this pro-rata rights issue of Options to shareholders of the Company on the basis of 1 new Option for every 2 shares held where the Options will be issued at the price of 1 cent per Option pursuant to this Prospectus.

Kirke Securities and State One will jointly during the period of their mandate have the right of first refusal to place any securities to be issued by the Company other than as outlined above.

The fees payable to each of Kirke Securities and State One in respect of providing any of the above services will be a fee of 5% plus GST of all moneys raised from a placement and underwriting of any securities and a placement management fee of 1% plus GST.

2. Interests of Directors, Promoters and Advisors

Other than as set out in paragraphs 2.1 to 2.11 below or elsewhere in this Prospectus:

No amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or a proposed director, to induce them to become, or to qualify them as a director of the Company;

none of the following persons:

- a Director of the Company
- each party named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus and any firm of which these parties is or was a partner
- a promoter of the Company
- a mandated stockbroker

holds or held at any time during the last two years an interest in:

- the formation or promotion of the Company
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of the Shares; or
- the Offer of the Shares; or

was paid or given or agreed to be paid or given any amount or benefit for services provided by such parties in connection with the formation or promotion of the Company or the Offer of the Shares.

2.1 Kirke Securities Ltd received a fee of \$5,000 (plus GST) for services in regard to the preparation of documents in August 2003. Kirke Securities Ltd received a fee of \$8,443.75 (plus GST) for services in regard to the placement of securities in September 2003. Kirke Securities Ltd received a fee of \$25,000 plus GST for services in regard to the preparation of the Prospectus for the Initial Public Offering and a \$51,780 (plus GST) underwriting fee. Mr S Cato is an employee of Kirke Securities Ltd and has a relevant interest in 1,060,000 shares in the Company and received or will receive a commission payment from these payments to Kirke Securities Ltd. Kirke Securities Ltd has also entered into a mandate agreement providing for a 1% (plus GST) management fee and a 5% (plus GST) placement fee to be paid for Options placed by Kirke Securities Ltd under this Prospectus. The mandate agreement also refers to a joint first right of refusal to place or underwrite securities proposed to be issued by the Directors of the Company. The full summary of the mandate agreement is set out earlier in this section of the Prospectus. Mr Roderick McIlree is an employee of Kirke Securities Ltd and has a relevant interest in 1,789,566 shares in the Company. Kirke Securities Ltd has a direct interest in 237,000 shares in the Company. Mr Roderick McIlree received a commission payment from Kirke Securities Ltd for placement of securities placed under the mandate for the issue of securities in the IPO. Mr S Cato received a commission payment from Kirke Securities Ltd for the placement of securities in the IPO. Mr Cato and Mr McIlree may receive a commission payment from Kirke Securities Ltd for the placement of securities under this agreement.

2.2 State One Stockbroking Ltd received a fee of \$14,325 (plus GST) for services in regard to the placement of securities in September 2003 and \$93,720 (plus GST) underwriting fee for services in regard to the placement of securities in the IPO. State One Stockbroking Ltd has also entered into a mandate agreement providing for a 1% (plus GST) management fee and a 5% (plus GST) placement fee to be paid for Shares placed by State One Stockbroking Ltd under this Prospectus. The mandate agreement also refers to a joint first right of refusal to place or underwrite securities proposed to be issued by the Directors of the Company. The full summary of the mandate agreement is set out earlier in this section of the Prospectus. Mr Stockley Davis is an employee of the State One Capital Group and has a relevant interest in 800,000 shares in the Company. Mr Davis will receive a commission payment from State One Capital Group for the placement of securities under this agreement.

2.3 Directors relevant interests in Shares:

Jeffrey Schiller	1,000,000
Geoffrey Davis	3,240,000
Simon Cato	1,060,000
Ted Mein	1,850,000
Directors Total	7,150,000

2.4 Directors fees not exceeding \$100,000 per annum in the aggregate have been approved by the Company in General Meeting. The Board has determined to pay the Chairman \$25,000 per year and each of the other Directors (other than the managing director) \$20,000 per year. Payment of these fees will accrue from the date of Official Quotation of the Shares offered by this Prospectus. Non- executive Directors may also be remunerated for additional specialised services performed at the request of the Board. Reasonable expenses incurred by all Directors on Company business are reimbursable.

2.5 Harvest Services Aust Pty Ltd, a Company in which Mr Geoffrey Davis (Managing Director) has an interest and Mr Davis have entered into an agreement with the Company whereby Harvest Services Aust Pty Ltd will receive \$180,000 per annum and subject to shareholder and regulatory approval, the grant of Options. The agreement is for a term of five years. The material terms of the agreement and the Options are set out in the Principal Material Contracts summaries of the IPO.

2.6 Other than as set out above over the past two years cash remuneration for work done prior to the issue of the IPO Prospectus have been paid to the Directors as follows: Mr Geoffrey Davis (\$37,950), Mr Edward Mein (\$nil), Mr Jeff Schiller (\$nil), Mr Simon Cato (\$nil). Since the listing of the Company the directors have received the following payments: Mr G Davis (\$30,000), Mr E Mein (\$13,450), Dr J Schiller (\$Nil), Mr S Cato (\$Nil).

3. Dividend Policy

At the date of this Prospectus, the Company has not adopted a formal dividend policy.

Market Prices

The highest and lowest market prices of the existing Shares quoted on ASX during the period since listing on ASX on 23 December 2003 and the announcement of the Rights Issue on 26 February 2004 and the respective dates of those sales were:

- Highest: 60 cents per Share on 24 February 2004
- Lowest: 25 cents per Share on 23 December 2003

The latest available closing price for the Company's Shares on ASX prior to the lodgement of this Prospectus with ASIC was ___ cents on 25 February 2004.

Consents

The following parties have given their written consent (which has not been withdrawn at the time of lodgement of this Prospectus with ASIC) in the following terms:

Kirke Securities Limited and State One Limited have given their consent to be named in this Prospectus and any electronic version of the Prospectus as Underwriters to the Offer of Medusa Mining Limited, and to the inclusion in this Prospectus of references to the Underwriting Agreement with the Company, in the form and content in which they appear.

Mack & Co. has given its consent to be named in this Prospectus and any electronic version of the Prospectus as auditors of Medusa Mining Limited in the form and content in which it is named.

Advanced Share Registry Services has given its consent to be named in the Prospectus and any electronic version of the Prospectus as the Share Registry for Medusa Mining Limited in the form and context in which it is named.

Kirke Securities Limited and State One Limited jointly and severally:

- do not make this Offer;
- have not authorised or caused the issue of this Prospectus;
- do not make, or purport to make, any statement in this Prospectus, nor is any statement based upon a statement made by them, other than the respective references to their names; and to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than the respective references to their names.

SECTION 10 - DISCLOSURE

Continuous Disclosure and Documents Available for Inspection

The Company is listed on ASX and its Shares are quoted on ASX.

The Company is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act 2001. As such, it is subject to regular reporting and disclosure obligations. These obligations also require it to disclose to ASX any information of which it is, or becomes, aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company. Copies of documents lodged with ASIC may be obtained from, or inspected at an ASIC office.

The Company believes that it has complied with the general and specific requirements of ASX (as applicable from time to time throughout the 12 months before the issue of this Prospectus) which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

The Company will provide, free of charge, a copy of any of the following documents to any person who requests a copy in writing during the period from the Date of Issue of the Prospectus and the time when applications under this Prospectus close to Shareholders (5.00 pm WST on 30 March 2004).

- (a) the annual financial report for the year ended 30 June 2003 lodged with ASIC on 27 September 2003;
- (b) the Prospectus for Medusa's IPO dated 20 November 2003. The Prospectus is also available on Medusa's website together with other ASX releases at www.medusamining.com.au; and
- (c) any continuous disclosure notices given by the Company after lodgement of the annual report and before lodgement of this Prospectus.

The announcements referred to in paragraph (c) are the following:

Date	Details
23/12/03	Appendix 3X – Initial Directors' Interests Notice
19/01/04	Option Agreement to Purchase the King & Queen Projects in Tasmania
23/01/04	Form 603 – Notices of Initial Substantial Shareholders
23/01/04	Drilling Commences at the Saugon Project, Philippines
29/01/04	Quarterly Activities Report 31 December 2003
18/02/04	Exploration update at the Saugon Gold Project Philippines

SECTION 11 - MISCELLANEOUS INFORMATION

1. Privacy Act

If you complete an application for New Shares, you will be providing personal information to the Company (directly or by the Company's Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a shareholder, facilitate the distribution of payments and corporate communications to you as a security holder, and carry out administration.

The information may also be used from time to time and disclosed to persons in the inspection of the Company's register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information we hold about you. Please contact the Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act 2001 and certain rules such as the SCH Business Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

2. Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offer. If this Prospectus and the Offer are withdrawn for any reason, Medusa will return all application money in accordance with the Corporations Act 2001. The Company will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

3. Enquiries

If you have any enquiries concerning your Entitlement, please contact the Share Registry on (+61 8) 9221 7288 or contact your stockbroker or professional adviser.

SECTION 12 - AUTHORISATION

Each Director has consented in writing to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated: _____

Dr J Schiller
Director

ENTITLEMENT AND ACCEPTANCE FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCKBROKER OR LICENSED PROFESSIONAL ADVISER.

MEDUSA MINING LIMITED

ABN 60 099 377 849

REGISTERED OFFICE: C/- Mack & Co, Level 2, 35 Havelock Street, West Perth WA 6005

SHARE REGISTRY: Advanced Share Registry Services Level 7, 200 Adelaide Terrace PERTH WA 6000

Non-renounceable entitlement issue of approximately 17,712,800 options expiring 31 January 2007 on the basis of 1 New Option for every 2 ordinary shares held, at an issue price of \$0.01.

Non-renounceable entitlement, closing 5.00 p.m. Western Standard Time on 30 March 2004.

HIN/SRN:
Entitlement Number:
Sub-Register:
Shareholding at 5.00 pm on 10 March 2004:
Entitlement to new shares on a 1:2 basis:
Amount Payable at \$0.01 per new share:

To the Directors
MEDUSA MINING LIMITED

1. I/We the above mentioned, being registered on the 10 March 2004 as the holder(s) of ordinary shares in your Company hereby accept the below mentioned options to subscribe for ordinary fully paid shares in accordance with the enclosed Prospectus;
2. I/We enclose my/our cheque made payable to MEDUSA MINING LIMITED, for the amount shown being payment at the rate of \$0.01 per New Option;
3. I/We hereby authorise you to place my/our name(s) on the registers of option holders in respect of the number of New Options allotted to me/us and;
4. I/We agree to be bound by the Constitution of the Company.

RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE WILL CONSTITUTE YOUR ACCEPTANCE OF THE SECURITIES BEING OFFERED

New Options Accepted	Amount Enclosed at \$0.01 per new share

PLEASE ENTER CHEQUE DETAILS THANK YOU Drawer Bank Branch Amount

My/Our contact numbers in the case of inquiry are:

Telephone () Fax ()

Email:

NOTE: Cheques should be made payable to MEDUSA MINING LIMITED, crossed "NOT NEGOTIABLE" and forwarded to Advanced Share Registry Services, PO Box 6283 East Perth, Western Australia, 6892 to arrive no later than 5.00pm Western Standard Time on 30 March 2004.

Complete this panel and sign below only if a change of address is to be registered with the Company

New Address:

.....

Signature(s): Date:

Please indicate your correct title: Director / Secretary /

ISSUE CLOSES 5.00PM W.S.T. ON 30 March 2004
THE DIRECTORS RESERVE THE RIGHT TO MAKE AMENDMENTS TO THIS FORM WHERE APPROPRIATE
PLEASE REFER OVERLEAF FOR INSTRUCTIONS

EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of New Options which you are entitled to accept.
2. Your entitlement may be accepted either in full or in part. There is no minimum acceptance.
3. You may not apply for New Options in excess of your maximum entitlement using this form.
4. The price payable on acceptance of each New Option is \$0.01.
5. You may accept your entitlement in full by completing the Entitlement and Acceptance Form overleaf.

APPLICATION INSTRUCTIONS

1. The issue price of \$0.01 per New Option is payable in full upon application.
2. Payments must be made in Australian currency by cheque or bank draft drawn on and payable at a bank within Australia. Cheques or bank drafts drawn on banks outside Australia in either Australian currency or in foreign currency will not be accepted.
3. The cheques must be made payable to MEDUSA MINING LIMITED and crossed "Not Negotiable".
4. When completed, this form together with the appropriate payment in Australian currency should be forwarded to MEDUSA MINING LIMITED, c/- Advanced Share Registry Services.
5. Acceptances must be received by Advanced Share Registry Services no later than 5.00pm W.S.T on 30 March 2004.

ENQUIRIES

Any enquiries should be directed to:

The Company's share registry:

**Advanced Share Registry
Level 7,
200 Adelaide Terrace
Perth, Western AUSTRALIA 6000**

**Postal Address:
PO Box 6283
East Perth, Western AUSTRALIA 6892**

Telephone (61-8) 9221 7288

Facsimile (61-8) 9221 7869