



MINING LIMITED
ACN: 099 377 849

MEDUSA MINING LIMITED
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Canning Bridge WA 6153
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10 March 2004

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

Dear Sir / Madam

REPLACEMENT PROSPECTUS

Please find attached a "Replacement Prospectus" to replace the "Original Prospectus" lodged with ASX on 26 February 2004. The Replacement Prospectus was lodged with the ASIC today.

Yours sincerely

BRUCE ACUTT
Company Secretary

MEDUSA MINING LIMITED
ABN 60 099 377 849

THIS IS A REPLACEMENT PROSPECTUS. THIS REPLACEMENT PROSPECTUS REPLACES THE PROSPECTUS DATED 26 FEBRUARY 2004 LODGED BY MEDUSA MINING LIMITED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ON THAT DATE.

SHORT FORM REPLACEMENT PROSPECTUS

For a fully underwritten pro-rata non-renounceable rights issue of approximately 17,712,800 Options exercisable at 20 cents on or before 31 January 2007 on the basis of 1 Option for every 2 Shares held by Shareholders at an issue price of 1 cent per Option to raise \$177,128.

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

IMPORTANT NOTICE

This Replacement Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This Replacement Prospectus does not of itself contain all the information that is generally required to set out in a document of this type but refers to another document the information of which is deemed to be incorporated in this Replacement Prospectus.

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

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Important Notice

This Replacement Prospectus is dated 10 March 2004.

A copy of this Replacement Prospectus was lodged with ASIC on 10 March 2004. The ASIC and ASX take no responsibility for the contents of this Replacement Prospectus.

No Options will be issued on the basis of this Replacement Prospectus later than thirteen (13) months after the date of this Replacement Prospectus. Application will be made within seven (7) days after the date of this Replacement Prospectus for permission for the Options offered by this Replacement Prospectus to be listed for Quotation.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisors before deciding whether to apply for Options. There are risks associated with an investment in the Company and the Options offered under this Replacement Prospectus must be regarded as a speculative investment. The Options offered under this Replacement Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Options.

Certain abbreviations and other defined terms are used throughout this Replacement Prospectus. Details of the definitions and abbreviations used are set out in Section 14 of this Replacement Prospectus.

Short Form Prospectus

This Replacement Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Replacement Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. Rather, the Replacement Prospectus incorporates by reference information contained in a document that has been lodged with the ASIC.

This Replacement Prospectus refers to the disclosure document lodged by the Company with the ASIC on 20 November 2003 for the offer of up to 12,500,000 Shares at an issue price of 20 cents each to raise a total of up to \$2,500,000. In referring to the 20 November 2003 Prospectus, the Company:

- (a) identifies the 20 November 2003 Prospectus as being relevant to the offer of Options under this Replacement Prospectus and contains information that will provide investors and their professional advisers in order to assist them in making an informed assessment of:
 - (i) the rights and liabilities attaching to:
 - (A) the Options; and
 - (B) the underlying securities;
 - (ii) the capacity of the Company to issue the underlying securities; and
 - (iii) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company;

- (b) refers investors and their professional advisers to Section 5 of this Replacement Prospectus which summarises the information in the 20 November 2003 Prospectus deemed to be incorporated in this Replacement Prospectus;
- (c) informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the 20 November 2003 Prospectus by contacting the Company at its registered office during normal business hours during the Offer Period; and
- (d) advises that the information in the 20 November 2003 Prospectus will be primarily of interest to investors and their professional advisers or analysts.

1. CORPORATION DIRECTORY

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

REGISTERED OFFICE

C/- Mack & Co
Level 2
35 Havelock Street
West Perth WA 6005
Telephone: +61 8 9322 2798
Facsimile: +61 8 9401 2019

PRINCIPAL OFFICE

4/11 Preston Street
Como WA 6152

PO Box 860
Canning Bridge WA 6153

Telephone: +61 8 9367 0601
Facsimile: +61 8 9367 0602
Email: admin@medusamining.com.au
Web: www.medusamining.com.au

SOLICITORS TO THE REPLACEMENT PROSPECTUS

Fairweather & Lemonis
Barristers & Solicitors
Level 9
172 St Georges Terrace
PERTH WA 6000
Phone: +61 8 9420 5000
Facsimile: +61 8 9420 5001

INDEPENDENT ACCOUNTANT

Bentley's MRI Perth Corporate Services Pty Ltd
Level 1
10 Kings Park Road
West Perth WA 6005

INDEPENDENT GEOLOGIST

Mackay & Schnellman Pty Ltd
4 Lawrence Avenue
West Perth WA 6005

UNDERWRITERS

Kirke Securities Ltd
6 Ord Street
West Perth WA 6005

State One Stockbroking Ltd
Level 14
172 St Georges Terrace
Perth WA 6005

2. CHAIRMAN'S LETTER



MEDUSA MINING
ABN: 60 099 377 849

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

Dear Shareholder

On 23 December 2003 your Company listed on the Australian Stock Exchange. The 20 November 2003 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 Replacement Prospectus and acceptance documentation relating to this capital raising.

This Replacement Prospectus has been issued to replace the Prior Prospectus lodged by the Company with ASIC on 26 February 2004, which sought to take advantage of a section of the Corporations Act that was not available to the Company.

Each 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 Replacement Prospectus carefully and if you have any queries or questions, then consult your financial or legal advisors.

Yours sincerely,

JEFFREY SCHILLER
Chairman

3. TIMETABLE AND KEY DATES

EVENT	DATE
Replacement Prospectus lodged with ASIC and ASX	10 March 2004
Record date for determining entitlements under Rights Issue	10 March 2004
Opening Date and latest date for despatch of Replacement Prospectus	15 March 2004 *
Closing Date	30 March 2004 *
Deferred settlement trading commences	31 March 2004 *
Acceptance from participating Member Organisations Closing Date	5 April 2004 *
Notification to ASX of under-subscription	14 April 2004 *
Latest date for issue of Options and dispatch of holding statements/deferred settlement trading ends	23 April 2004 *

* These dates are indicative only. The Directors may extend the Closing Date by giving at least 5 Business Days notice to ASX prior to the Closing Date. As such, the date the Options are expected to commence trading on ASX may vary.

4. DETAILS OF THE OFFER

4.1 Purpose of the Offer

The funds raised by the Offer of up to \$177,128 will be used:

- (a) as additional working capital for the Company and also to meet issue expenses;
- (b) for the acceleration of exploration and evaluation of the Saugon vein system and surrounding project area and the King and Queen River projects;
- (c) for exploration targets in the mine environs and elsewhere within the Saugon project area to be tested by diamond drilling. These targets include identified prospects and regional prospectivity.

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 Rights Issue will be applied to this programme over the next twelve to fifteen months. The balance will be met from existing cash reserves.

Approximately \$100,000 has been budgeted to complete bulk sample testing and associated activities upon the Queen River project. The Company has an option to acquire 100% of the project. It is planned that part of the proceeds of the Rights Issue will be applied to the activities upon the Queen River project over the next 2 months. The balance will be met from existing cash reserves.

For further details regarding the use of funds, please refer to Section 5 of the 20 November 2003 Prospectus.

4.2 Rights Issue

The Company is making a fully underwritten pro-rata non-renounceable rights issue to Shareholders who are registered at 5.00pm WST on 10 March 2004 of up to 17,712,800 Options at an issue price of 1 cent each to raise \$177,128 (before expenses of the issue).

The Options will be offered on the basis of one (1) Option for every two (2) Shares then held. The Options will be exercisable at 20 cents each on or before 31 January 2007 and will be listed on the ASX.

In the calculation of any entitlement, fractions will be rounded down to the nearest whole number.

Holder of Existing Options may participate in the Rights Issue by exercising any or all of their Existing Options prior to the Record Date. If all Existing Options which are capable of exercise were exercised, 1,600,000 Shares would be issued, \$320,000 would be raised and an additional 800,000 Options would be offered under the Rights Issue which if taken up, would raise an additional \$8,000 before costs. The maximum number of Options which could therefore be issued under this Replacement Prospectus is 18,512,800.

It has been assumed for the purposes of this Replacement Prospectus that:

- (a) no Existing Options will be exercised prior to the Record Date; and

(b) the maximum number of Options that will be issued is 17,712,800.

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

4.3 Entitlement

The number of Options to which each Shareholder is entitled (**Entitlement**) is shown on the enclosed Entitlement and Acceptance Form.

Shareholders may accept their Entitlement in full or part by returning a completed Entitlement and Acceptance Form to the Company's Share Registry by 5.00pm WST, 30 March 2004.

4.4 Minimum Subscription

As the Rights Issue is fully underwritten, there is no minimum subscription. In addition, the Company has sufficient working capital available to meet its objectives as set out in the 20 November 2003 Prospectus. Any capital raised pursuant to this Offer will be applied as additional working capital and will have no affect on the existing budgets and work programmes of the Company.

4.5 Oversubscriptions

Oversubscriptions will not be accepted.

4.6 Shortfall

The Company reserves the right, within three (3) months of the Closing Date, to allot and issue the Shortfall at the discretion of the Underwriters, in consultation with the Directors.

4.7 Issue Price

Each Option is issued at an issue price of 1 cent, which is payable in full on the acceptance of Offer as follows:

- (a) cheque drawn on and payable at any Australian Bank;
- (b) money order; or
- (c) bank draft drawn on and payable at any Australian Bank.

4.8 Acceptance

The Rights Issue may be accepted in whole or in part. Acceptance and payment in full must be received before 5.00pm WST on 30 March 2004. Instructions for completion and lodgement of acceptance are set out on the back of the enclosed Entitlement and Acceptance Form.

4.9 Action Required

If you wish to take up all of your Entitlement, complete the enclosed Entitlement and Acceptance Form in accordance with the instructions set out on the back of the form and lodge the form so that it reaches the Company's Share Registry:

- (a) Post to:
Advanced Share Registry Services
PO Box 6283
East Perth
Western Australia 6892, or
- (b) Deliver to:
Advanced Share Registry Services
Level 2
200 Adelaide Terrace
Perth WA 6000

by no later than 5.00pm WST on 30 March 2004.

Cheques and drafts should be made payable to "Medusa Mining Limited – Rights Issue" and crossed "Not Negotiable".

If you wish to take up part of your Entitlement, complete the enclosed Entitlement and Acceptance Form in respect of the Options you wish to take up in accordance with the instructions set out in the form and lodge the form together with your cheque for the relevant amount (being the number of Options you wish to take up, multiplied by 1 cent per Option) so that it reaches the Company's Share Registry by no later than 5.00pm WST on 30 March 2004.

If you do not wish to take up any of your Entitlement, you do not need to take any action and your Entitlement to the Options will lapse.

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.

4.10 Closing Date

The Closing Date for the Rights Issue is 5.00pm WST on 30 March 2004. The Directors may extend the Closing Date by giving at least 5 Business Days notice to ASX prior to the Closing Date. As such, the date the Options are expected to commence trading on ASX may vary with any change in the Closing Date.

4.11 Offer Period

The Prospectus will be dispatched to Shareholders on 15 March 2004. The Rights Issue closes on 30 March 2004.

4.12 Allotment

The Options will be allotted and issued as soon as practicable after 30 March 2004. However, no allotment of Options will take place until the proceeds of the Rights Issue have been received and permission is granted for quotation of the Options on ASX. It is expected that the 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.

Statements of holding for the Options will be mailed as soon as possible after the Closing Date.

If the Rights 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 moneys or surplus application moneys (as the case may be) will be refunded, without interest, within seven (7) days of the Closing Date.

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

No Options will be allotted and issued on the basis of this Replacement Prospectus later than thirteen (13) months after the date of this Replacement Prospectus.

4.13 Stock Exchange Quotation

Application for official quotation of the Options by ASX will be made by the Company within seven (7) days of the date of this Replacement Prospectus. Application for official quotation of Shares allotted and issued as a result of the exercise of Options issued under this Replacement Prospectus will be made within three (3) business days of allotment and issue.

If ASX does not grant permission for Official Quotation of the Options within three (3) months after the date of this Replacement Prospectus, or such longer period as is permitted by the Corporations Act, none of the Options offered by this Replacement Prospectus will be granted. In that circumstance, all applications will be dealt with in accordance with Section 724 of the Corporations Act.

4.14 Overseas Shareholders

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

Shareholders resident outside Australia should consult their professional advisers as to whether any governmental or other consents are required, or other formalities need to be observed to enable them to accept or deal with their entitlements. The return of a completed application form 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 Options to the applicant.

The Company 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 jurisdiction. As such, this Replacement Prospectus is being sent to those Shareholders for information purposes only and does not constitute an offer.

4.15 Expenses of the Issue

The estimated expenses of the Rights Issue are as follows:

Legal Fees	\$ 4,000
ASIC and ASX fees	\$ 7,500
Underwriting fees	\$ 10,700
Printing, Share Registry costs and miscellaneous expenses	\$ 1,800
	<u>\$ 24,000</u>

4.16 Taxation Implications

The Directors do not consider it appropriate to give potential applicants advice regarding the taxation consequences of applying for Options as it is not feasible to provide a comprehensive summary of the possible taxation positions of potential applicants. The Company, Underwriters 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 Options under the Offer. Potential applicants should, therefore, consult their own professional advisers in connection with the taxation implications of applying for Options.

4.17 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 Options allotted to them under this Replacement Prospectus. The notice also advises holders of their Holding Identification Number and explains the sale procedures under CHESS and issuer sponsorship.

4.18 Enquiries

If you have any questions concerning your entitlement, please contact the Company's Share Registry by telephone on (08) 9221 7288, of fax on (08) 9221 7869, or contact your professional adviser.

5. INFORMATION DEEMED TO BE INCORPORATED IN REPLACEMENT PROSPECTUS

5.1 Short Form Replacement Prospectus

This Replacement Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Replacement Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, however, it incorporates by reference information contained in a document that has been lodged with the ASIC.

The Information to be incorporated by reference into this Replacement Prospectus is summarised below in sub-section 5.2 and will primarily be of interest to investors and their professional advisers or analysts.

The Company informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the 20 November 2003 Prospectus by contacting the Company at its registered office during normal business hours during the Offer Period. The 20 November 2003 Prospectus will also be available by searching the ASIC's records in relation to the Company, or by visiting the Company's website www.medusamining.com.au.

5.2 Summary of Information Deemed to be Incorporated

Set out below is a summary of the information contained in the 20 November 2003 Prospectus that is deemed to be incorporated in this Replacement Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the Options, they should obtain a copy of the 20 November 2003 Prospectus.

The Sections referred to below are references to sections in the 20 November 2003 Prospectus.

Section 5 – Investment Overview

This section contains a summary of the projects and tenements acquired by the Company. It provides information relating to the history of exploration and mining activity, infrastructure, geological setting, recent exploration and metallurgy of the mineral exploration tenements.

Section 5 also summarises the intended exploration expenditure in regard to each of the projects noted above and various other matters relating to the Company.

Section 6 – Directors, Management and Corporate Governance

Section 6 contains information relating to each of the directors of the Company.

Section 7 – Business and Investment Risks

Section 7 notes that an investment in the Company has risks reasonably expected of an investment in a business of its type. It details a number of factors that may impact on the success and future profitability of the Company.

Section 8 – Independent Geologist's Report

Section 8 consists of the Independent Geologist's Report. The Independent Geologist's Report describes in detail the geological setting and historical mining and exploration carried out on the Company's mining tenements. The Independent Geologist's Report also sets out details of the prospectivity and proposed exploration programmes on the Company's tenements.

Section 9 – Solicitor's Report on Australian Tenements

Section 9 consists of a report prepared by Fairweather & Lemonis, Barristers & Solicitors, on the mining tenements acquired, or which may be acquired or in which an interest may be earned by the Company, within Australia. The Report details the titleholders of these mining tenements and any conditions imposed upon the mining tenements.

Section 10 – Solicitors Report on Philippines Tenements

Section 10 consists of a report prepared by Carag, Caballes, Jamora & Somera, Law Offices, on the mining tenements acquired, or which may be acquired or in which an interest may be earned by the Company, within the Philippines. The Report details the titleholders of these mining tenements and any conditions imposed upon the mining tenements.

Section 11 – Independent Accountant's Report

Section 11 comprises the Independent Accountant's Report, included in the 20 November 2003 Prospectus to assist investors and their financial advisers in making an assessment of the financial position of the Company.

The Independent Accountant's Report contains the audited consolidated Statement of Financial Position as at 30 June 2003 and Pro-forma Statement of Financial Position as at that date reflecting the position of the Company on the basis that various transactions, including the issue of all the Shares offered under the 20 November 2003 Prospectus have been completed.

Section 12 – Additional Information

Section 12 sets out additional information required to be disclosed in the Prospectus including:

- (a) rights attaching to Shares under the Constitution;
- (b) terms and conditions of the Options;
- (c) summary of the principal material contracts which the Company is a party to that the Directors considered were material in enabling investors to make an informed assessment of the offer of shares under the 20 November 2003 Prospectus;
- (d) interests of Directors and promoters of the Company, including share qualifications remuneration and holdings;
- (e) interests of persons named in the 20 November 2003 Prospectus;
- (f) details of the consents of persons named in the 20 November 2003 Prospectus;

- (g) expenses of the issue;
- (h) a statement as to the non-inclusion of financial forecasts; and
- (i) a statement that the Company is not involved in any material litigation proceedings, nor are any proceedings pending or threatened against the Company other than those specified.

6. COMPANY OVERVIEW

6.1 Overview and Reference to 20 November 2003 Prospectus

A comprehensive overview of the Company is set out in the 20 November 2003 Prospectus that was lodged with the ASIC on 20 November 2003 for the initial public offering of 12,500,000 Shares. Persons considering subscribing for Options under this Replacement Prospectus should refer to Section 5 of this Replacement Prospectus for a summary of the information contained in the 20 November 2003 Prospectus deemed to be incorporated in this Replacement Prospectus.

6.2 Pro-Forma Statement of Financial Position

Set out below is an unaudited Actual and Pro-Forma Statement of Financial Position as at 31 December 2003 which has been prepared by management.

**UNAUDITED ACTUAL AND PRO FORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003**

	Consolidated Actual 31 December 2003 (Unaudited) \$	Consolidated Proforma 31 December 2003 Maximum Subscription (Unaudited) \$
Current Assets		
Cash	2,574,000	2,751,000
Receivables	45,000	45,000
Total Current Assets	<u>2,619,000</u>	<u>2,796,000</u>
Non-Current Assets		
Property, plant and equipment	3,000	3,000
Exploration and development expenditure	605,000	605,000
Total Non-Current Assets	<u>608,000</u>	<u>608,000</u>
Total Assets	<u>3,227,000</u>	<u>3,404,000</u>
Current Liabilities		
Payables	167,000	191,000
Total Current Liabilities	<u>167,000</u>	<u>191,000</u>
Total Liabilities	<u>167,000</u>	<u>191,000</u>
Net Assets	<u>3,060,000</u>	<u>3,213,000</u>
Equity		
Contributed equity	3,363,000	3,516,000
Accumulated losses	(303,000)	(303,000)
Total Equity	<u>3,060,000</u>	<u>3,213,000</u>

The Consolidated Proforma Statement of Financial Position as at 31 December 2003 has been compiled based on the Unaudited Consolidated Actual Financial Position of Medusa Mining Limited as at 31 December 2003 adjusted for the proforma transactions outlined below.

- (a) Cash has increased by \$177,128 by funds raised from the rights issue and contributed equity has increased by \$177,128 by the issue of 17,712,800 options issued at 1 cent each.
- (b) Payables have increased by \$24,000 and contributed equity has decreased by \$24,000 as a result of the accrual of the expenses of the issue.

6.3 Exploration Activities Since Listing on ASX

The Company commenced exploration activities shortly after listing.

On 23 December 2003, drilling commenced at the Company's Saugon gold project in the Philippines. The drilling program comprises an initial three diamond drill holes, aiming to intersect the essentially uneroded, low sulphidation epithermal gold veins at the South Vein Set Prospect.

As at 18 February 2004, drilling at the first successful hole had reached 222.30 metres toward a target depth of 250 metres. The hole intersected a new previously unidentified 15 metre wide zone of quartz and calcite veining as well as the target vein from 196.40 metres. Assaying of samples obtained will commence on completion of the hole. The Company also commenced an inclined exploration winze on the same cross section as this hole, to be used for ore production. Grab sample assays of 6g/t Au from 5 metres and 10 g/t Au over 1.05 metres at 6.5 metres depth have been obtained from the east wall of winze.

The Company also signed an Option to Purchase Agreement for the King and Queen Projects near Queenstown, Tasmania on 19 January 2004. The Agreement allows the Company 3 months to undertake due diligence investigations on these two deposits, with the option to acquire 100% of the relevant tenements, in exchange for total payments of \$50,000 in cash and shares, the assumption of bonds and payment of royalties upon the occurrence of specified events. The Company now intends to undertake testing programs on these projects.

Planning has also commenced for the drilling of 5 RC holes to test for extensions of mineralisation of the Montacute Copper Project. Drilling will commence once the transfer of the tenement to the Company has occurred.

Further details in relation to each of the above matters is contained in the Company's announcements to the ASX on the following dates:

23/12/04	Drilling commences at Saugon Gold Project, Philippines
19/01/04	Option Agreement to Purchase King and Queen Projects in Tasmania
29/01/04	Quarterly Activities Report 31 December 2003
18/02/04	Exploration Update at the Saugon Gold Project, Philippines

Each of these announcements are available to Shareholders, as set out in Section 10.4 of this Replacement Prospectus.

6.4 Circumstances or Matters Subsequent to the 20 November 2003 Prospectus

Other than as stated in this Replacement Prospectus, the Company is not aware of any material matter or circumstance that would impact on the contents of the 20 November 2003 Prospectus or the activities and prospects of the Company and be relevant to assist investors or their professional advisers making an informed assessment of relevant matters.

7. EFFECT OF THE OFFER ON THE COMPANY

Under the Offer, up to 17,712,880 Options are available for issue and will be issued if the Offer is fully subscribed. The Options will be issued for 1 cent each.

Upon completion of the Offer, the capital structure of the Company will be affected as follows:

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 Replacement Prospectus (20 cent Listed Options, net of estimated cost of Issue)	17,712,800	153,000
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 Options will affect the current financial position of the Company by increasing both the cash assets and issued share capital account by approximately \$153,000 (being the maximum amount to be raised less the estimated costs of the Issue of \$24,000).

The Rights Issue is fully underwritten by the Underwriters. The material terms of the underwriting agreement are set out in Section 11 of this Replacement Prospectus.

8. OVERSEAS PARTICIPANTS

The distribution of this Replacement Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Replacement Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

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

9. TERMS OF OPTIONS AND RIGHTS ATTACHING TO SHARES

9.1 Terms and Conditions of Options

The material terms and conditions of the Options are as follows:

- (a) Each Option entitles the holder to subscribe for and be allotted one fully paid ordinary share in the Company.
- (b) The Options are exercisable at 20 cents.
- (c) The Options will expire on 31 January 2007 (the expiry date).
- (d) 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.
- (e) Application will be made to the ASX for Official Quotation of the Options.
- (f) 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.
- (g) 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.
- (h) 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 Option holder 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.
- (i) 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.

9.2 Rights Attaching to Shares upon Conversion of Options

There is only one class of share on issue in the Company, being fully paid ordinary shares. Shares issued upon the conversion of Options will be issued as fully paid, and from the date of issue will rank equally in all respects with existing Shares. By accepting your

Entitlement, 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 Shares when they are issued.

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.

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.

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.

Transfer of Shares

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

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, 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.

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.

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.

10. ADDITIONAL INFORMATION

10.1 Market Prices of Ordinary Shares

Official quotation of the Shares commenced on 23 December 2003.

The highest and lowest recorded market sale prices of the Shares quoted on ASX during the period from commencement of official quotation to the date of this Replacement Prospectus were 60 cents on 24 February 2004 and 25 cents on 23 December 2003 respectively.

The last market sale price of the Shares on ASX on the last day that trading took place in these Shares prior to the date of this Replacement Prospectus was 49 cents on 8 March 2004.

The Company has no options over Shares that are currently quoted on ASX.

10.2 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the Options. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Options in the Company or dealing with an entitlement in this Rights Issue.

10.3 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Replacement Prospectus.

10.4 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. 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 in relation to the Company may be obtained from or inspected at, an office of the ASIC. This includes the 20 November 2003 Prospectus referred to in Section 5 of this Replacement Prospectus.

The Company will provide, free of charge, a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since the day before the Quotation on 23 December 2003. As at the date of lodging this Replacement Prospectus the only such documents were:

Date	Details
22/12/03	20 November 2003 Prospectus
22/12/03	Constitution
22/12/03	Application for admission to official list of ASX
23/12/03	Drilling Commences at the Saugon Project, Philippines
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
29/01/04	Quarterly Activities Report 31 December 2003
18/02/04	Exploration update at the Saugon Gold Project Philippines
26/02/04	Lodgement of Prior Prospectus
26/02/04	Appendix 3B – New Issue of Options

10.5 Interests of Directors and Experts

A full disclosure of the interests of Directors, experts and promoters of and to the Company for the period commencing on incorporation of the Company and to the date of issue of the 20 November 2003 Prospectus are set out in Section 12.4 of the 20 November 2003 Prospectus and other than as set out below or elsewhere in this Replacement Prospectus, that information and disclosure remains current.

The interest of the Directors in the securities of the Company at the date of this Replacement Prospectus are as follows:

Directors	Shares	Options
Jeffrey Schiller	1,000,000	Nil
Geoffrey Davis	3,240,000	Nil
Simon Cato	1,060,000	Nil
Edward Mein	1,850,000	Nil
Directors Total:	7,150,000	Nil

- (a) 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 20 November 2003 Prospectus for the

initial public offering (I.P.O.) 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 Replacement 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. Mr Roderick McIllree 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 McIllree 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 McIllree may receive a commission payment from Kirke Securities Ltd for the placement of securities under this Replacement Prospectus.

- (b) 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 Replacement 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. 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 Replacement Prospectus.
- (c) Fairweather & Lemonis will be paid a fee of approximately \$4,000 plus GST for legal advice in relation to this Replacement Prospectus.
- (d) Since the listing of the securities of the Company on the ASX 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).

11. MATERIAL CONTRACTS

Section 12 of the 20 November 2003 Prospectus which is referred to in Section 5.2 of this Replacement Prospectus, sets out contracts to which the Company is a party which were considered by the Directors as being material to enable investors to make an informed assessment of the shares being offered under the 20 November 2003 Prospectus. Investors and their professional advisers are referred to that section of the 20 November 2003 Prospectus in relation to material contracts.

A true copy of each of the material contracts referred to in the 20 November 2003 Prospectus will be available for inspection at the Company's registered office during office hours.

Set out below is a summary of the contracts to which the Company is a party which may be material in terms of this Replacement Prospectus, and which are not summarised in the 20 November 2003 Prospectus.

Underwriting Agreement

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 20 November 2003 Prospectus; 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 Replacement 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.

12. CONSENTS

The following persons have each consented to the inclusion of the following statements and statements identified in this Prospectus as being based on statements made by those persons, in the form and context in which they are included, and have not withdrawn that consent before lodgement of this Replacement Prospectus with the ASIC:

- (a) Bentley's MRI Perth Corporate Services Pty Ltd ("**BMRI**") in relation to the Independent Accountant's Report in Section 11 of the 20 November 2003 Prospectus and the reference to that report in this Replacement Prospectus. BMRI has also consented to be named in this Replacement Prospectus as Independent Accountant to the Company. BMRI has not authorised or caused the issue of any other part of this Replacement Prospectus.
- (b) Fairweather & Lemonis in relation to the Solicitor's Report in Section 9 of the 20 November 2003 Prospectus and the references to that report in this Replacement Prospectus. Fairweather & Lemonis has also consented to be named in this Replacement Prospectus as Solicitors to the Replacement Prospectus and provided no advice, in relation to the Prior Prospectus. Fairweather & Lemonis has not authorised or caused the issue of any other part of this Replacement Prospectus.
- (c) Carag, Cabelles, Jamora & Somera, Law Offices in relation to the Solicitor's Report in Section 10 of the 20 November 2003 Prospectus and the references to that report in this Replacement Prospectus. Carag, Cabelles, Jamora & Somera has not authorised or caused the issue of any other part of this Replacement Prospectus.
- (d) Mackay & Schnellman Pty Ltd ("**MSPL**") in relation to the Independent Geologist's Report set out in Section 8 of the 20 November 2003 Prospectus and the reference to that report in this Replacement Prospectus. MSPL has also consented to be named in this Replacement Prospectus as Independent Geologist. MSPL has not authorised or caused the issue of any other part of this Replacement Prospectus.
- (e) Kirke Securities Limited and State One Stockbroking Limited have each consented to being named as the Underwriters in this Replacement Prospectus but have not made any statements that are included in this Prospectus or statements identified in this Replacement Prospectus as being based on any statements made by them.

13. AUTHORITY OF DIRECTORS

Each of the Directors of Medusa Mining Limited has consented to the lodgement of this Replacement Prospectus in accordance with Section 720 of the Corporations Act.

Dated the 10th day of March 2004.

Signed for and on behalf of
MEDUSA MINING LIMITED
by Geoffrey Davis
Managing Director

14. DEFINITIONS

Applicant means a person who submits an Entitlement and Acceptance Form.

ASIC means Australian Securities & Investments Commission.

ASX means Australian Stock Exchange Limited (ACN 008 624 691).

Board means the Board of Directors unless the context indicates otherwise.

Business Day means a day other than a Saturday or Sunday on which Banks are open for business in Perth, Western Australia.

Closing Date means the date on which the Rights Issue closes.

Company means Medusa Mining Limited ABN 60 099 377 849.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company from time to time.

Dollars or \$ means Australian dollars unless otherwise stated.

Entitlement means the entitlement of a shareholder under this Rights Issue.

Entitlement and Acceptance Form means the entitlement and acceptance form for the Rights Issue attached to or accompanying this Replacement Prospectus.

Existing Options means options to subscribe for Shares issued to vendors pursuant to the 20 November 2003 Prospectus;

Independent Accountant's Report means the report contained in Section 11 of the 20 November 2003 Prospectus.

Independent Geologist's Report means the report contained in Section 8 of the 20 November 2003 Prospectus.

Listing Rules or ASX Listing Rules means the official Listing Rules of ASX.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the Official List of ASX.

Opening Date means the date on which the Rights Issue opens.

Option means an option to subscribe for one Share in the Company exercisable at 20 cents on or before 31 January 2007 and issued on the terms and conditions set out in Section 9.1 of this Replacement Prospectus.

Option Holders means those parties holding Options to acquire Shares in the Company.

Prior Prospectus means the prospectus dated 26 February 2004 lodged by the Company on that date, which is replaced by this Replacement Prospectus.

Quotation means quotation of the Shares or Options on ASX.

Replacement Prospectus means this replacement prospectus dated 10 March 2004.

Rights Issue means the non-renounceable rights issue of Options to Shareholders pursuant to this Replacement Prospectus.

Share means an ordinary fully paid share in the Company.

Shareholder means a holder of Shares.

Shortfall means the Options (if any) not taken up under the Rights Issue.

Underwriters means Kirke Securities Limited (ABN 90 009 115 440) and State One Stockbroking Ltd (ABN 95 092 989 083).

WST means Western Standard Time, Perth, Western Australia.

20 November 2003 Prospectus means the prospectus lodged by the Company with the ASIC and dated 20 November 2003.

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 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 option:

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 Replacement Prospectus;
2. I/We enclose my/our cheque made payable to MEDUSA MINING LIMITED - RIGHTS ISSUE, for the amount shown being payment at the rate of \$0.01 per 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 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

Options Accepted	Amount Enclosed at \$0.01 per option

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- RIGHTS ISSUE, 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 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 Options in excess of your maximum entitlement using this form.
4. The price payable on acceptance of each 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 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 - RIGHTS ISSUE 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 Services
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