



**MEDUSA MINING LIMITED**

ABN: 60 099 377 849

Unit 7, 11 Preston Street  
Como WA 6152

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Canning Bridge WA 6153

Telephone: 618-9367 0601  
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Email: [admin@medusamining.com.au](mailto:admin@medusamining.com.au)  
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12 August 2005

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

Dear Sir/Madam

The following documents were despatched to shareholders and optionholders today.

- Letter to Shareholders - Non Renounceable Rights Issue
- Letter to Optionholders - Non Renounceable Rights Issue
- Letter to Shareholders - Invitation to Shareholders to Attend Presentations

Yours faithfully

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ROY DANIEL  
Company Secretary

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12 August 2005

Dear Shareholder,

**NON RENOUNCEABLE RIGHTS ISSUE**

The Company on 12 August 2005, lodged a Prospectus with ASIC and ASX, seeking to raise approximately A\$6 million via a Non-renounceable Rights Issue ("Issue") of 10,010,448 ordinary shares at an issue price of 60 cents per share on the basis of 1 new ordinary share for every 4 ordinary shares held. In addition for every 4 shares subscribed for in the Issue, there will be an entitlement of 1 free option exercisable at 20 cents with an expiry date of 31 January 2007.

The funds raised under the Issue will be used to provide the cash consideration of A\$3 million, required to complete the Lease and Option Agreement with Philsaga Mining Corporation and its Principal Shareholders in respect of Philsaga's Treatment Plant and associated facilities ("Plant") and also to provide working capital for the Company's other exploration projects and general overhead expenditures.

On completion of the transaction, anticipated to be late September 2005, the Company will be elevated from its current status of junior explorer to gold producer.

The Issue which will be managed by the Company will not be underwritten, and the Directors (in accordance with ASX Listing Rule 7.2 Exception 3) state and reserve the right to place any shortfall in the Issue at their discretion. The placement price of any shortfall will be at the same price at which the Company's securities were offered under the Issue.

*The timetable for the Issue is as follows:*

Lodgement of Prospectus with ASIC and ASX	12 Aug 2005
Application to ASX for quotation of Shares and Options under this Prospectus	12 Aug 2005
Notice to Shareholders and Option holders	12 Aug 2005
Current Shares "Ex" the entitlements issue on the ASX	17 Aug 2005
<b>Record Date</b> to identify Shareholders and to determine Entitlements to Shares under this Prospectus	23 Aug 2005
Despatch of Prospectus and Entitlement and Acceptance Form and Shortfall Application form (" <b>Opening Date</b> ")	25 Aug 2005
<b>Closing Date</b>	08 Sep 2005
ASX notified of under subscriptions	13 Sep 2005
Despatch Date of Holding Statements to Shareholders	16 Sep 2005

The Offer to participate in the Issue will be made available to all Medusa's shareholders registered at 5 pm WST on 23 August 2005 ("Record Date")("Eligible Shareholders").

*The capital structure of the Company post-completion of the Issue will be as follows:*

Description	Shares	Options (listed)	Options (unlisted)
Securities on issue pre Issue	40,041,792	20,243,843	3,825,000
Securities issued pursuant to Issue	10,010,448	2,502,612	-
Total securities on issue post-completion	50,052,240	22,746,455	3,825,000

The Company wishes to advise that existing shareholders that also own options in the Company can subscribe for additional shares in the Issue, by converting their options to ordinary shares before the Record Date. To do so, they must ensure that the option exercise form be properly completed and accompanied by the correct monies to reach the Company's share registry by the Record Date of 23 August 2005.

It is anticipated that an offer document containing all relevant information will be mailed to Eligible Shareholders on 25 August 2005. The offer document may be viewed on the Australian Stock Exchange's website at [www.asx.com.au](http://www.asx.com.au) or alternatively on the Company's website at [www.medusamining.com.au](http://www.medusamining.com.au)

If you have any questions please do not hesitate to contact either myself or the Company Secretary, Roy Daniel on (08) 9367 0601.

Yours faithfully

GEOFF DAVIS  
Managing Director

Attachments:

- ASX Announcement dated 10 August 2005; and
- Invitation to Company Presentation dated 12 August 2005.



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12 August 2005

Dear Option Holder,

**NON RENOUNCEABLE RIGHTS ISSUE**

The Company on 10 August 2005, announced that it had executed a 3 year Lease and Option Agreement ("Agreement") with Philsaga Mining Corporation ("Philsaga") and its Principal Shareholders to acquire Philsaga's Treatment Plant and associated facilities ("Plant") under the following key terms and conditions:

- Medusa to make a payment of A\$2,000,000;
- Medusa to provide A\$1,000,000 for the contractors to purchase equipment for provision of services to the mine;
- Medusa has the option to acquire the Plant within 3 years; and
- In a separate Ore Supply Agreement, Philsaga has agreed to provide a minimum of 2,000 tonnes per month of ore feed for the Plant for a 3 year period at cost plus 15%;

On completion of the transaction, anticipated to be mid September 2005, the Company will be elevated from its current status of junior explorer to gold producer.

Whilst the transaction is not subject to any mandatory statutory and regulatory approvals, the Company is required under the terms of the Agreement to raise a minimum of A\$4.5 million to complete the financial requirements of the transaction.

The Company has today lodged a Prospectus with ASIC, seeking to raise approximately A\$6 million via a Non-renounceable Rights Issue ("Issue") of 10,010,448 ordinary shares at an issue price of 60 cents per share on the basis of 1 new ordinary share for every 4 ordinary shares held. In addition for every 4 shares subscribed for in the Issue, there will be an entitlement of 1 free option exercisable at 20 cents with an expiry date of 31 January 2007.

The funds raised under the Issue will be used to complete the transaction consideration of A\$3 million and also to provide working capital for the Company's other exploration projects and general overhead expenditures.

The Offer to participate in the Issue will be made available to all Medusa's shareholders registered at 5 pm WST on 23 August 2005 ("Record Date")("Eligible Shareholders").

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The Company wishes to advise that existing option holders can participate in the Issue, by converting their options to ordinary shares before the Record Date. To do so, it is important that the option exercise form be properly completed and accompanied by the correct monies to reach the Company's share registry by the Record Date of 23 August 2005.

It is anticipated that an offer document containing all relevant information will be mailed to Eligible Shareholders on 25 August 2005. The offer document may be viewed on the Australian Stock Exchange's website at [www.asx.com.au](http://www.asx.com.au) or alternatively on the Company's website at [www.medusamining.com.au](http://www.medusamining.com.au)

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Yours faithfully

GEOFF DAVIS  
Managing Director

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12 August 2005

Dear Shareholder,

### **INVITATION FOR SHAREHOLDERS TO ATTEND PRESENTATIONS**

On 10 August the Company announced a non-renounceable rights issue to all shareholders to raise funds to secure a Lease and Option to acquire the Co-O Processing Plant of Philsaga Mining Corporation which will elevate Medusa from explorer to gold producer.

A prospectus has been lodged with ASIC which seeks to raise \$6 million from shareholders through the issue of 1 new share for every 4 shares currently owned with 1 new free attaching option for every 4 new shares that you decide to acquire.

The Company is aware of shareholder concerns and extends an invitation to all shareholders to presentations and discussions at the following times, dates and locations:

Perth	August Thursday 18	5.15pm	Venue:	Parmelia Hilton Hotel 14 Mill Street, Perth
Sydney	August Wednesday 24	5.15pm	Venue:	Intercontinental Sydney Cnr Bridge & Phillip Streets, Sydney
Melbourne	August Thursday 25	5.15pm	Venue:	Le Meridien @ Rialto 495 Collins Street Melbourne

Shareholders are also invited to bring along associates who may have an interest in Medusa, and I look forward to the opportunity to discuss Medusa's future with you.

Best regards,

Geoff Davis  
Managing Director

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