

# **MEDUSA MINING LIMITED**

ABN 60 099 377 849

## **PROSPECTUS**

A pro-rata non-renounceable entitlements issue of approximately 10,010,448 Shares at 60 cents per Share, on the basis of 1 Share for every 4 Shares held at the Record Date, to raise up to approximately \$6,006,269 and the issue of approximately 2,502,612 Options for no consideration on the basis of 1 free attaching Option for every 4 Shares subscribed for under this Prospectus.

**OFFER CLOSES AT 5 PM WST ON 8 SEPTEMBER 2005**

### **IMPORTANT INFORMATION**

An investment of shares offered by this Prospectus should be considered speculative.

This Prospectus is important and should be read in its entirety.

If you do not understand its contents you should consult your professional adviser without delay.

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### **Accompanying Forms:**

- **Entitlement and Acceptance Form**
- **Shortfall Application Form**

## **Section 1: Important Notes and Statements**

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This Prospectus is dated 12 August 2005 and was lodged with ASIC on this date. Neither the ASIC nor the ASX take any responsibility for the content of this Prospectus. The expiry date of this Prospectus is 13 months after the date of this Prospectus. No Securities will be issued on the basis of this Prospectus after the expiry date. This Prospectus does not constitute an offer in any place or to any person to whom it would not be lawful to make such an offer.

The Company will apply for quotation of the Securities offered by this Prospectus on the ASX within 7 days of the date of this Prospectus.

This Prospectus is important and should be read in its entirety prior to making a decision whether to accept your Entitlement. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should contact your stockbroker or licenced professional adviser.

In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult.

No person is authorised to give any information or to make any representations in connection with this Offer that is not contained in this Prospectus. Any information or representation that is not contained in this Prospectus may not be relied upon as having been authorised by the Company or its Directors.

The Securities the subject of this Prospectus should be considered speculative. The risks associated with the Securities and the values are significant. Please refer to section 8 for details relating to risk factors.

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC. This period may be extended by the ASIC for a further period of up to 7 days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds.

The Company is an ASX listed company whose securities are included in the official list of the ASX. The listed Securities are currently suspended from quotation. The Company anticipates the ASX will lift the trading suspension and reinstate its listed Securities to quotation and quote any Securities under this Offer upon completion of this Offer and settlement upon the Plant Lease, Option and Ore Supply Agreement.

Please refer to the Glossary for terms and abbreviations used in this Prospectus.

## **Section 2: Corporate Directory**

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<b>Directors</b>	Dr Jeffrey Schiller (Non-Executive Chairman) Geoffrey Davis (Managing Director) Edward (Ted) Mein (Non-Executive Director) Simon Cato (Non-Executive Director)
<b>Company Secretary</b>	Roy Daniel
<b>Registered and Principal Office</b>	Unit 7 11 Preston Street Como Western Australia 6152  Telephone: (08) 9367 0601 Facsimile: (08) 9367 0602
<b>Website</b>	<a href="http://www.medusamining.com.au">www.medusamining.com.au</a>
<b>Solicitors</b>	Fairweather & Lemonis Level 9 172 St Georges Terrace Perth Western Australia 6000
<b>Share Registry</b>	Advanced Share Registry Services 110 Stirling Highway Nedlands Western Australia 6009  Telephone: (08) 9389 8033 Facsimile: (08) 9389 7871

## Section 3: Chairman's Letter

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Dear Investor,

I am pleased to report to you that the Company has secured a breakthrough deal that will enable it become a gold producer. An agreement has been signed with Philsaga Mining Corporation ("Philsaga") combining a 3 year lease and an option to acquire the Co-O gold treatment plant located in Mindanao, Philippines with an ore supply agreement that will provide ore feed for the treatment plant.

The Company will gain the following benefits on completion of the transaction:

- Control by a 3 year lease, with the option to acquire, of the only gold treatment plant in the region of East Mindanao;
- access to an immediate cash flow from the sale of gold-silver bullion;
- guaranteed supply of ore;
- likelihood of sourcing increasing volumes of ore; and
- experienced management and workforce that are working effectively with local communities.

The Plant Lease, Option and Ore Supply Agreement will allow the Company on completion to process gold-silver ore and obtain a cash flow from the bullion produced. The treatment plant, which was built to service the Co-O Mine, has been operating successfully for the last 5 years and is in excellent working order. It has been processing an average of approximately 20,000 tonnes per year since 2002, but has a nameplate capacity of approximately 190,000 tonnes per year (550 tonnes per day). The Plant Lease, Option and Ore Supply Agreement is for a period of 3 year and is summarised in section 6.2 of this Prospectus.

Provision of ore to the plant will be underpinned by the ore supply agreement under which Philsaga will provide ore for the treatment plant at a minimum of 2,000 tonnes per month. Initially this ore will be sought to be sourced from the high grade Co-O Mine located 12 km south of the treatment plant. In compliance with the JORC Code the Co-O Mine and area has an inferred mineral resource of 127,000 ounces at an average grade of 27.8 grams per tonne and an indicated mineral resource of 114,000 ounces at an average grade of 32.2 grams per tonne. The Company believes the Co-O Mine has a number of years of life ahead of it.

As Philsaga and the Company collectively control approximately 527 sq km of tenements, the Company believes that ore may become available to the treatment plant from other local gold deposits. In this regard, the Co-O plant enjoys the strategic advantage of being the only significant gold treatment plant in the region.

The purpose of this Prospectus is to raise the required funds to complete the plant lease, option and ore supply transaction, provide working capital for the Company's other exploration projects and general overhead expenses and to fund the costs of this Offer. Minimum Subscription of A\$4.5 million has been set by the Company.

The Offer is a non-renounceable rights issue by which a maximum of approximately 10 million Shares can be issued at 60 cents per Share with 1 free attaching Option for every 4 Shares subscribed for under the Prospectus. Further details of this Offer are contained in this Prospectus.

The Board believes that the plant lease, option and ore supply transaction is a pivotal investment that will underpin the Company's future and encourages your participation in this Offer.

Yours faithfully

**Dr Jeffrey Schiller**  
Chairman

## Section 4: Important Dates

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The following key dates are indicative only and may be subject to change without notice. The Company reserves the right to vary the opening date and the Closing Date, subject to compliance with the Listing Rules:

Lodgement of this Prospectus with ASIC and ASX	12 August 2005
Application to ASX for quotation of Shares and Options under this Prospectus	12 August 2005
Notice to Shareholders and Option holders	12 August 2005
Current Shares "Ex" the entitlements issue on the ASX	17 August 2005
<b>Record Date</b> to identify Shareholders and to determine Entitlements to Shares under this Prospectus	23 August 2005
Despatch of Prospectus and Entitlement and Acceptance Form and Shortfall Application form (" <b>Opening Date</b> ")	25 August 2005
<b>Closing Date</b>	8 September 2005
ASX notified of under subscriptions	13 September 2005
Despatch Date of Holding Statements to Shareholders	16 September 2005

## Section 5: Details of the Offer

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### 5.1 Offer of Securities

The pro-rata entitlements issue is made on the basis that for every 4 Shares held as at the Record Date, Shareholders as Eligible Participants will have the right (but not the obligation) to subscribe for 1 Share at an issue price of 60 cents for each Share subscribed for and issued. Fractional entitlements will be rounded up to the next whole number. Each Eligible Participant will be entitled to be issued with 1 free attaching Option for every 4 Shares subscribed for under this Prospectus.

The entitlements issue is non-renounceable which means that Eligible Participants may not sell or transfer all or any part of the entitlement.

Based on the capital structure of the Company at the date of this Prospectus, approximately 10,010,448 Shares and 2,502,612 Options will be offered pursuant to this Offer and the proceeds raised from the issue at Maximum Subscription will be approximately \$6,006,269 (before costs).

No Shares or Options will be allotted or issued until valid Applications for the subscription have been received. All application moneys shall before allotment pursuant to this Prospectus be held in trust in a separate bank account until allotment or where applicable, the application moneys are repaid. Any interest earned on application moneys will be retained by the Company.

### 5.2 Purpose of the Offer and Use of Funds

The funds raised net of expenses will enable the Company to complete a settlement under the Plant Lease, Option and Ore Supply Agreement so as to secure a 3 year lease and an option to buy the Co-O Treatment Plant and associated facilities located in East Mindanao, Philippines, to pursue its exploration programmes on its current projects and allow the Company to meet its outstanding liabilities. Funds raised will also contribute to operational working capital and corporate overheads including the review and assessment of new acquisition opportunities.

The Company intends to use its current funds of approximately \$330,000 cash on hand at 30 June 2005 and the funds raised from the Offer (assuming each of Minimum Subscription and Maximum Subscription) broadly as follows:

Funds available	Minimum subscription	Maximum subscription
Cash at bank	\$330,000	\$330,000
Funds from this offer	\$4,500,000	\$6,006,269
<b>Total Funds Available</b>	<b>\$4,830,000</b>	<b>\$6,336,269</b>

#### Application of proceeds

Payment to settle under the Plant Lease, Option and Ore Supply Agreement	\$3,000,000	\$3,000,000
Costs of the offer	\$30,000	\$30,000
Exploration programmes	\$720,000	\$1,220,000
Outstanding liabilities	\$220,000	\$220,000
General working capital	\$860,000	\$1,866,269
<b>Total</b>	<b>\$4,830,000</b>	<b>\$6,336,269</b>

The estimated costs assume that all Eligible Participants subscribe for their Entitlement and there is not a need to place the Shortfall. If Shortfall is placed a commission of approximately 5% of any such funds raised may be payable, which moneys will reduce the general working capital available to the Company.

It is intended that the exploration programmes will be allocated between the projects that require or necessitate expenditure by the Company at both Minimum Subscription and Maximum Subscription as set out below. The exploration programmes are subject to change and are contingent on circumstances, results and other opportunities.

Projects	Minimum subscription	Maximum subscription
Saugon Project and Philippines regional exploration	\$500,000	\$1,000,000
Panaon Gold Project	\$50,000	\$50,000
Barlo Copper-Gold Project	\$100,000	\$100,000
Anti-Dam and Kurnalpi Projects	\$70,000	\$70,000

The \$100,000 anticipated expenditure of the Barlo Project assumes Pyro Copper Mining Corporation is successful in validating its tenement. Minimal expenditure has been allocated to the Panaon Project as the Company intends that its 50% owned Phsamed Mining Corporation will seek to obtain third party funding and farm out its interest in the project. There is an overview of the projects of the Company at section 6.4.

Should the Offer raise less than the Maximum Subscription but more than the Minimum Subscription (in other words an amount between \$4,500,000 and \$6,006,269), the Company will scale back from its intended use of funds in the following order:

- (a) firstly, a scale back in general working capital (of \$1,006,269); and
- (b) secondly, a scale-back in Saugon regional exploration (of \$500,000).

Should the Company not achieve Minimum Subscription under this Offer, it will not undertake the plant lease, option and ore supply transaction and it will reassess its fundraising alternatives.

### 5.3 Capital Structure

At the close of the Offer and assuming no Options are exercised prior to the Record Date, the capital structure of the Company at Minimum Subscription and Maximum Subscription will be:

Class of Security	Number at minimum subscription	Number at maximum subscription
<u>Shares:</u>		
Existing Shares on issue	40,041,792	40,041,792
Shares issued under this Offer	7,500,000	10,010,448
<b>Total Shares</b>	<b>47,541,792</b>	<b>50,052,240</b>
<u>Options:</u>		
Listed January 2007 Options	20,243,843	20,243,843
Unlisted January 2007 Options	225,000	225,000
December 2009 Options (unlisted)	600,000	600,000
December 2007 Options (unlisted)	3,000,000	3,000,000
Options issued under this Offer (to be listed)	1,875,000	2,502,612
<b>Total Options</b>	<b>25,943,843</b>	<b>26,571,455</b>

## **5.4 Shareholder Entitlement and How to Accept**

The number of Shares to which an Eligible Participant is entitled is set out in the personalised Entitlement and Acceptance Form which accompanies this Prospectus. Eligible Participants may accept their Entitlement in whole or in part. Please contact the Company if you have any queries as to your Entitlement.

If you decide not to accept your Entitlement it will lapse and Shareholders will be entitled to apply for Shortfall Shares.

It is important that you consider the Offer carefully. If you decide to accept your Entitlement (either in whole or in part), you must do so in accordance with the instructions set out on the accompanying Entitlement and Acceptance Form.

A duly completed Application must be received by the Share Registry in accordance with the Entitlement and Acceptance Form by no later than 5 pm Western Standard Time on 8 September 2005.

The Company reserves the right to extend the period of the Offer.

If you are in doubt as to the course of action you should consult your professional adviser.

## **5.5 Allotment**

The Directors will proceed to allot the new Shares and Options as soon as possible after the Closing Date and after Minimum Subscription is achieved and ASX permission for Official Quotation of the new Shares and Options is received.

Pending the issue and allotment of Shares and Options or payment of refunds pursuant to this Prospectus, all Application moneys will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on such bank account and each Applicant waives the right to claim any such interest.

## **5.6 Minimum Subscription**

The Minimum Subscription of the Offer is \$4,500,000. At least this amount must be raised from the Offer for the Offer to be completed.

The Offer is not underwritten. Over-subscriptions will not be accepted.

## **5.7 Shortfall Shares**

Any Entitlement not taken up by a Shareholder will lapse and the Directors reserve the right to place the Shortfall at their discretion within 3 months of the Closing Date.

The Shortfall Shares will be issued at a price not less than the subscription price under the Offer.

A Shareholder who wishes to apply for Shortfall Shares must complete the Shortfall Application Form and apply for a minimum of 3,000 Shortfall Shares.

All Shortfall Shares will be issued at the absolute discretion of the Company. Lodgement of a Shortfall Application Form with moneys does not guarantee any allotment of Shortfall Shares. All Application moneys in relation to which Shortfall Shares are not allocated will be returned without interest.

The Company may at its discretion pay a placement fee of approximately 5% of subscription moneys (exclusive of GST) to a licensed securities dealer or Australian Financial Services licensee in respect of any relevant Application received for Shortfall Shares.

## **5.8 Official Quotation by ASX**

Application for Official Quotation by ASX of all Shares and Options that may be issued by this Prospectus will be made within 7 days after the date of this Prospectus. If the Shares and Options that may be issued by this Prospectus are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of the Prospectus, (or such period as is varied by the ASIC), the Company will not issue any Shares or Options and will repay all Application moneys within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares and the Options that may be issued pursuant to this Prospectus is not to be taken in any way as an indication of the merits of the Company, the Shares or the Options offered for subscription.

## **5.9 Reinstatement of Listed Securities to Quotation**

The Company is an ASX listed company whose securities are included in the official list of the ASX. The listed Securities are currently suspended from quotation. The Company anticipates the ASX will lift the trading suspension and reinstate its listed Securities to quotation and quote any Securities under this Offer upon completion of this Offer and settlement upon the Plant Lease, Option and Ore Supply Agreement.

## **5.10 Clearing House Electronic Sub-Register System (“CHESS”) and Issuer Sponsorship**

The Company will not be issuing share certificates. 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. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement that sets out the number of Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (HIN) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders in circumstances in which there have been any changes in their security holding in the Company during the preceding month.

## **5.11 Risk Factors**

Investors should carefully read the risk factors outlined in section 8. An investment of this kind involves a number of risks, some of which are specific to the Company and the industry in which it operates.

## **5.12 Rights Attaching to Securities**

A summary of the rights attaching to Shares and Options is set out in section 9.

## **5.13 Summary**

This section is not intended to provide full details and information on the Offer. Shareholders must read this Prospectus in full in order to make a fully informed investment decision.

## **5.14 Enquiries**

Any questions concerning the Offer should be directed to the Company on (08) 9367 0601.

## **Section 6: Company Review**

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### **6.1 Background**

The Company was listed on the ASX in December 2003 after successfully raising monies under an initial public offer prospectus.

Since listing, the Company has further focused its activities on the Philippines through a Philippines subsidiary earning a 50% interest in the Saugon Project through the expenditure of \$1,200,000. The Company has also evaluated other projects in the Philippines and by Philippines subsidiaries has subsequently acquired rights to the Barlo copper-gold project and the Panaon gold project.

In Australia, the Company and/or its subsidiaries own 90% of the Anti Dam Project and 100% of the Kurnalpi projects and the Company has granted an option over its Braemore project to Teck Cominco Australia Pty Ltd, for the right to purchase the project.

### **6.2 Plant Lease, Option and Ore Supply Agreement**

The Plant Lease Option and Ore Supply Agreement is constituted by an agreement dated 5 August 2005 between the Company, Philsaga and Vibrant Earthmovers, Inc ("Vibrant").

By the agreement the Company will lease the Co-O Treatment Plant and all associated facilities being utilities, services and infrastructure including power supply, back-up diesel generators, administration offices, assay laboratory, a warehouse, mechanical and machine shops, messing and accommodation facilities, geological offices and core storage facilities. The lease is for a period of 3 years commencing from the settlement date.

The Company will have an option to buy the Co-O Treatment Plant and associated facilities at any time from settlement until a period of 28 days after conclusion of the 3 year lease period. The option is to be exercised by the payment of \$100 and delivery of a written notice to Philsaga. If a change of control occurs in the Company, Philsaga for a standstill period of 28 days can cancel the option.

Settlement will be effected by a total payment of \$3,000,000 which includes a \$1,000,000 payment to Vibrant which funds will be used by Vibrant to purchase in its own right equipment and assets to be used during the 3 year lease period upon the Co-O Mine and associated area in order to facilitate to enhance the quantity and quality of gold bearing ore processed through the Co-O Treatment Plant. Settlement is to occur within 2 business days of satisfaction of the condition precedent of the Company completing a capital raising to raise the minimum sum of \$4,500,000, which condition is to be satisfied by 21 November 2005 or such later date as may be agreed between the parties.

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

Vibrant will project manage all aspects of the Co-O Treatment Plant and associated facilities. In consideration of the services to be provided by Vibrant, the Company will pay Vibrant a monthly management fee in arrears which fee will represent 15% of the Co-O Treatment Plant operating costs.

During the 3 year term the Company will pay for and/or fund the mining and milling operations at the Co-O Treatment Plant and associated facilities and will have the sole unencumbered right to all product processed through the Co-O Treatment Plant and all revenue generated from the sale and supply of such products.

The agreement is governed by the laws of the Republic of the Philippines.

### 6.3 Medusa Corporate Structure

The corporate structure in Australia is that the Company has two 100% owned Australian subsidiaries, Newcoast Nominees Pty Ltd ("Newcoast") and Montrose Minerals Pty Ltd ("Montrose").

The three Australian projects are the Anti Dam Project which tenements are held as to 90% by the Company (see section 6.4(f)), the Kurnalpi Project which tenements are held as to 100% by Newcoast (see section 6.4(g)) and the Braemore Project which tenements are held as to 100% by Montrose (see section 6.4(h)).

The corporate structure in the Philippines is the Company holds a 40% interest in Medusa Overseas Holdings Corporation ("MOHC"), Medusa Exploration & Development Corporation ("MEDC") and Phsamed Mining Corporation ("Phsamed"). MOHC in turn holds a 60% interest in MEDC and MEDC holds a 10% interest in Phsamed.

MEDC has earned a 50% interest in the Saugon Project (see section 6.4(b)) and holds an interest in the Barlo Project (see section 6.4(d)). Phsamed holds an interest in the Panaon Project (see section 6.4(e)) whilst the Company holds an interest in the BacTech Project (see section 6.4(c)).

Each of the projects referred to above are subject to agreements with third parties which affect the rights and obligations as to the project interests.

### 6.4 Overview of Projects

#### (a) Co-O Gold Treatment Plant and Associate Facilities (Philippines)

The Company's 3 year lease and option rights in respect of the Co-O Treatment Plant and associated facilities is subject to the successful closing of this Offer with at least Minimum Subscription and settlement upon the Plant Lease, Option and Ore Supply Agreement which is expected to occur within 2 business days of the despatch of holding statements under this Offer.

The Co-O Treatment Plant and associated facilities of Philsaga are located in central eastern Mindanao in the Republic of the Philippines and are accessed by the national highway via an approximate 2.5 hour drive north of Davao City. The Co-O plant site is located on the eastern side of the Philippine National Highway and is accessible by an all weather gravel road.

The Co-O Treatment Plant is independent of the Co-O mine site in that it is separated by a 12 kilometre distance. Ore is transported by dump truck to the mill.

The Co-O Treatment Plant is BHP designed and built with a name plate capacity of 550 tpd ("tonnes per day"). Minor alterations are required to increase the crushing and grinding throughput to 700 tpd and further modifications could maximise the crushing and grinding capacity at 1,000 to 1,100 tpd.

Power to the Co-O Treatment Plant is supplied from the local grid with the high tension power line located approximately 150 metres from the plant. Back up diesel generators installed prior to the construction of the transmission line are operational and available.

The other facilities include administration offices and assay laboratory, a warehouse, mechanical and machine shops, messing and accommodation facilities and geological offices and core storage facilities.

The Co-O Treatment Plant was held on care and maintenance until 2001 and subsequent to recommissioning required treatment of the ore feed at quantities in the order of 50 to 150 tonnes per day. A smaller crushing and grinding circuit utilising a small ball mill was introduced with a capacity of 50 tonnes per day. In mid 2002, another ball mill of 100 tonnes per day capacity was commissioned in parallel to the 50 tonnes per day mill.

The Co-O Treatment Plant since 2002 has produced gold at the average rate of approximately 17,000 ounces of gold per year and averaged a throughput of approximately 20,000 tonnes per year.

(b) Saugon Project (MEDC 50%, Philippines)

The Saugon Project is located approximately 28 km by road from the Co-O Treatment Plant. MEDC has earned a 50% interest in the project by spending \$1,200,000. The remaining 50% of the project is owned by Philsaga and both interests are equally incorporated into the joint venture company Phsamed.

The project comprises Exploration Permit (EP) (XIII) 0000017, EP Application (XIII) 0000069, Application for Production Sharing Agreement (APSA) (XIII) 000088, APSA (XIII) 00004, Small Scale Mining Permit (SSMP) (X-ADS) 06-5942 and SSMP (X-ADS) 06-6043.

Work commenced in mid 2003 on the First Hit Vein which has been followed intermittently at the surface over 600 metres and has been explored by surface diamond drilling and underground via a 40 metre deep winze and level development. High grade gold zones were demonstrated to be too small for economic mining. Regional stream sediment geochemical sampling has been completed which highlighted known mineralisation and located low order anomalies for follow-up. Low key exploration will be continued in the EP.

(c) Medusa-BacTech Joint Venture (Medusa 50%, Philippines)

In September 2004 the Company executed a non-binding Memorandum of Understanding ("MOU") with BacTech Mining Corporation ("BacTech") whereby the Company and BacTech agreed to form a joint venture to undertake investigation of gold, silver and copper sulphide mineralisation projects in the Philippines that would be suitable for application of the BacTech bio-leaching technology.

The Company is currently sourcing projects within the Philippines which may be suitable for the application of the BacTech technology.

No funds have been specifically allocated from this Prospectus to this joint venture as future expenditure requirements will only arise if suitable projects are identified.

(d) Barlo Copper-Gold Project (MEDC acquiring 33.33%, Philippines)

The Barlo mine is located approximately 320 km by road north-west of Manila. The Barlo copper-gold deposit was the first deposit discovered and mined in the area with only minimal surface exploration undertaken on other prospects and negligible drilling outside the mine area.

Pyro Copper Mining Corporation ("Pyro") is the holder of Mining and Production Sharing Agreement ("MPSA") 153-2000-1 in respect of the Barlo mine, the status of which is currently subject to appeal. In February 2005 MEDC entered into a legally binding MOU with Pyro by which MEDC was granted an irrevocable option to enter into a Mines Operating Agreement ("MOA") over the MPSA of Pyro.

The Barlo MPSA was the subject of a case lodged on 27 August 2004 with the Mines Adjudication Board ("MAB") requiring judgement on an overlapping Exploration Permit applied for by Montague Resources Phils Inc ("Montague"). The MAB ruled on 19 May 2005 that the Regional Panel of Arbitrators did not have authority to cancel the MPSA to make way for an application by Montague. Pending the results of the MAB deliberation, an order was issued on 1 February 2005 by the Secretary of the Department of Environment and Natural Resources ("DENR") cancelling Pyro's MPSA, and subsequently a motion for reconsideration was filed by Pyro on 26 April 2005. A letter dated 9 June 2005 was issued by the Under Secretary of the DENR that favourably endorsed to the Secretary of DENR the cancellation of Pyro's MPSA and subsequently a second letter of cancellation was issued by the Secretary on 14 June 2005.

Pyro lodged an appeal to the Office of the President on 15 July 2005 against the ruling of the Secretary of the DENR that was issued while the MAB case was in progress and consequently did not follow due process. In the meantime Montague or any other third party cannot validly apply for a tenement over the Pyro MPSA while the motions filed both with the MAB and the Office of the President are being addressed.

If Pyro is successful in defending its case, the MPSA will be validated and the Company anticipates MEDC will continue with the MOU under which MEDC has an option until December 2006 to effect a mines operating agreement. During such time the Company anticipates funding \$100,000 in exploration drilling. If Pyro is unsuccessful and does not further appeal, the project concerning MEDC will not proceed.

(e) Panaon Gold Project (Phsamed 50%, Philippines)

In February 2005 Phsamed entered into a Mines Operating Agreement with Vulcan Industrial and Mining Corporation ("Vulcan") concerning the Panaon Project consisting of exploration permit EP-205-000004-VIII owned by Vulcan.

The Panaon Island Gold Project is located on Panaon Island in Southern Leyte, immediately north of Surigao City which is reached by domestic flights from Manila. Access from Surigao City is by passenger boat for 1 to 2 hours or by drive-on drive-off inter-island ferry.

Geologically the project is part of the northern Surigao district mineralisation. Most past mining activities appear to have used crude mining and processing techniques which required grades generally well in excess of 20 g/t gold to be profitable. An attempt to modernise the mining in the 1980s to 100 tonnes per day production appears to have failed due to a lack of management control and expertise. However, as a result of this activity, plant foundations and several cyanide leach tanks in good condition are still on site and usable.

The main veins discovered are located at Pinut-an, Bituon and Habay. The Pinut-an veins are the main veins mined to date and are the subject of current examination through the re-opening of the previous workings to facilitate mapping, sampling and drilling if warranted. The Company is currently responsible for funding 50% of the expenditures and is seeking a joint venture party to fund the first US\$1,000,000 of expenditure.

(f) Anti Dam Project (Medusa 90%, Australia)

The Anti Dam Project, comprising Exploration Licence ("EL") 28/699, Prospecting Licences ("PLs") 28/789, 958, 993, 994, Mining Lease Applications ("MLAs") 28/152 and 285, is located 95 km east of Kalgoorlie in the Eastern Goldfields of Western Australia. It contains the Colour Dam gold deposit. The Company holds a 90% interest in each of the tenements and has an option to purchase the remaining 10% interest in the tenements for \$250,000.

The project was until June 2005 joint ventured to Newcrest Mining Limited ("Newcrest"). The Company has resumed responsibility for tenement expenditures following the withdrawal of Newcrest.

(g) Kurnalpi Project (Newcoast 100%, Australia)

The Kurnalpi Exploration Licence complements the Anti Dam project as it is only 3 km west of Anti Dam and is located approximately 90 km north-east of Kalgoorlie. The main prospect is located a Halfway Hill where previous exploration located a number of encouraging drill intercepts.

The Kurnalpi Project consists of tenements owned by its wholly owned subsidiary, Newcoast. The tenements are EL 28/465, MLAs 28/216 to 28/225 and MLAs 28/253 to 28/258.

The project was until June 2005 joint ventured to Newcrest. The Company has resumed responsibility for tenement expenditures following the withdrawal of Newcrest.

(h) Braemore Project (Optioned, Australia)

This project is located 7 km north-east of Leonora. Gold mineralisation has been tested by drilling. The project consists of the mining tenements being PLs 37/4106, 37/5330, 37/5331, 37/5332, 37/5333, 37/5477, 37/6316, 37/6317, 37/6318 and 37/6523, PL applications 37/6524, 37/6525, 37/6526 and MLAs 37/566 and 37/1059. The mining tenements are held by the Company's wholly owned subsidiary, Montrose.

The Company has granted Teck Cominco Australia Pty Ltd ("Teck") an option until February 2006 to purchase the project for \$250,000. No funds have been specifically allocated from this Prospectus to this project as Teck is responsible for all project expenditures.

RAB drilling completed in December 2004 and June 2005 in the southern portion of the project has now defined an area of Au-As anomalism 800 metres in strike and up to 450 metres wide, on a drill spacing of 100 metres. An RC program testing this anomalism is planned for later this year.

## **Section 7: Effect of the Entitlement Issue**

### **7.1 Purpose of the Offer and Use of Funds**

The purpose of the Offer and the use of funds of the Offer is set out in section 5.2 of this Prospectus.

### **7.2 Pro-forma Statement of Financial Position**

To illustrate the effect of the Offer on the Company, a pro-forma statement of financial position as set out below has been prepared based on an un-audited statement of the Company's financial position at 30 June 2005.

Description	Consolidated Actual as at 30 June 2005 (Un-audited)	Pro-forma as at 30 June 2005	
		Minimum subscription (Un-audited)	Maximum subscription (Un-audited)
<b><u>CURRENT ASSETS</u></b>			
Cash	330,585	1,800,854	3,306,854
Receivables	179,141	179,141	179,141
Other	29,227	29,227	29,227
<b>Total Assets</b>	<b>538,953</b>	<b>2,008,953</b>	<b>3,515,222</b>
<b><u>NON-CURRENT ASSETS</u></b>			
Property, plant & equipment	61,821	3,061,821	3,061,821
Exploration, evaluation & development	3,039,790	3,039,790	3,039,790
<b>Total non-current assets</b>	<b>3,101,611</b>	<b>6,101,611</b>	<b>6,101,611</b>
<b>TOTAL ASSETS</b>	<b>3,640,564</b>	<b>8,110,564</b>	<b>9,616,833</b>
<b><u>CURRENT LIABILITIES</u></b>			
Payables	213,015	213,015	213,015
Provisions	5,019	5,019	5,019
<b>Total current liabilities</b>	<b>218,034</b>	<b>218,034</b>	<b>218,034</b>
<b>TOTAL LIABILITIES</b>	<b>218,034</b>	<b>281,034</b>	<b>218,034</b>
<b>NET ASSETS</b>	<b>3,422,530</b>	<b>7,829,530</b>	<b>9,398,799</b>
<b><u>EQUITY</u></b>			
Contributed equity	5,407,244	9,877,244	11,383,513
Accumulated losses	(1,984,714)	(1,984,714)	(1,984,714)
<b>TOTAL EQUITY</b>	<b>3,422,530</b>	<b>7,892,530</b>	<b>9,389,799</b>

### 7.3 Assumptions for Pro-forma Statement of Financial Position

The Pro-forma Statement of Financial Position at 30 June 2005 disclosed above, has been included for illustrative purposes only. The Pro-forma Statement of Financial Position has been prepared by adjusting the un-audited Statement of Financial Position at 30 June 2005 to reflect the financial effect of the following transactions as if they had occurred at 30 June 2005:

- For the Maximum Subscription pro forma - the issue of 10,010,448 Shares of \$0.60 each and 2,502,612 Options, raising approximately \$6,006,269 under this Prospectus.
- For the Minimum Subscription pro forma - the issue of 7,500,000 Shares of \$0.60 each and 1,875,000 Options, raising approximately \$4,500,000 under this Prospectus.
- Estimated costs of \$30,000 associated with the Offer under this Prospectus. These costs have been written off against share capital in the Pro-forma Statement of Financial Position. The estimated costs assumes that all Eligible Participants subscribe for their Entitlement and there is not a need to place the Shortfall. If Shortfall is placed a commission of approximately 5% of such funds raised may be payable.

### 7.4 Capital Structure

The following capital structure information has been included in the Prospectus to assist Shareholders in assessing the effect on the Company of the proposed issue of the Securities under this Offer.

At the close of the Offer, the issue of Shares and Options to the Eligible Participants and assuming no Options are exercised prior to the close of the Offer, the capital structure of the Company will be:

<b>Shares</b>	Number at minimum subscription	Number at maximum subscription
Existing Shares on issue	40,041,792	40,041,792
Shares issued under this Offer	7,500,000	10,010,448
<b>Total Shares</b>	<b>47,541,792</b>	<b>50,052,240</b>

<b>Options</b>	Number	Number
Listed January 2007 Options	20,243,843	20,243,843
Unlisted January 2007 Options	225,000	225,000
December 2009 Options (unlisted)	600,000	600,000
December 2007 Options (unlisted)	3,000,000	3,000,000
Options issued under this Offer (to be listed)	1,875,000	2,502,612
<b>Total Options</b>	<b>25,943,843</b>	<b>26,571,455</b>

## **Section 8: Risk Factors**

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### **8.1 General**

The Shares and the Options offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Potential investors should consider whether the Shares and the Options offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. The risk factors are not exhaustive and potential investors should read this Prospectus in its entirety and consult their professional adviser before deciding whether to participate in the Offer.

The risk factors detailed below and others not specifically referred to, may in the future materially affect the financial performance of the Company and the value of the Shares and Options offered under this Prospectus. Therefore, the Shares and the Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, return of capital or the market value of those Shares or Options.

### **8.2 Exploration, Development, Mining and Processing Risks**

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

- securing and maintaining title to tenements;
- exploration success;
- the discovery and/or acquisition of economically recoverable ore reserves;
- difficulties that may be associated with drilling out underground narrow vein ore bodies;
- successful conclusions to feasibility studies;
- access to adequate capital for project development;
- successful capital improvements;
- design and construction of efficient mining, proceeding, transport and handling facilities within a capital expenditure budget;
- obtaining consents and approvals necessary for the conduct of exploration, mining, transport, handling and export of products;
- unexpected shortages or increases in the cost of consumables, plant and equipment and spare parts;
- access to competent operational management and prudent financial administration, including the availability and reliability or appropriately skilled and experienced employees, contractors and consultants;
- avoiding or minimising environmental hazards, political unrest, industrial accidents, labour disputes, mechanical failures of plant and equipment; and
- adverse weather conditions.

### **8.3 General Economic Risks and Business Climate**

The Shares and Options issued under this Prospectus will be sought to be listed for quotation on the ASX, where there price may rise or fall in relation to the Offer price. The Shares and Options carry no guarantee in respect of the price at which they may trade on the ASX or profitability, dividends or return of capital. The value of the Shares and the Options will be determined by the share market and will be subject to a range of factors some of which are beyond the control of the Company and its Directors.

Share market conditions may affect the price of the Company's securities regardless of operating performance. Share market conditions are affected by many factors including:

- general economic outlook, and local and world economic conditions;
- movements in or outlook on interest rates and inflation rates;
- currency fluctuations;
- commodity prices;
- government legislation or intervention (including taxation);
- changes in investor sentiment towards particular market sectors; and
- the demand and supply for capital.

The value of the Shares and Options will also be affected by the market or similar stocks to the Shares and Options being mining stocks or Philippines resource stocks. There can be no guarantee that an active market in the Shares or the Options will develop or that the market price of the Shares or the Options will not decline below the Offer price.

## **8.4 Resource Estimates**

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

## **8.5 Commodity prices**

As a gold explorer and producer the Company's expected earnings will be closely related to the price of gold.

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

## **8.6 Currency**

The Company's future revenue so far as concerns its operations in the Philippines may be in US dollars whilst its cost basis will be payable in Philippine pesos or Australian dollars.

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

## **8.7 Environmental**

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

## **8.8 Title Risks - Philippines**

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

## **8.9 Land Access - Philippines**

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

## **8.10 Native Title and Aboriginal Heritage - Australia**

The Company's interests in tenements in Australia are currently limited to those the subject of the Anti Dam Project (see section 6.4(f)), the Kurnalpi Project (see section 6.4(g)) and the Braemore Project (see section 6.4(h)).

Native title in Australia recognises the title rights of indigenous Australians over areas where those rights have not been lawfully extinguished. The *Native Title Act 1993 (Cth)*, ensuing state native title legislation, subsequent legislative amendments (including *Native Title Amendment Act 1998 (Cth)*) and aboriginal land right and heritage legislation may affect the granting or renewal of, and access to, mineral tenements over land where a native title claim has been registered or aboriginal site recognised. In proceeding with a tenement application, the applicant must observe the provisions of the native title legislation, a process which could take a number of years and involve significant expense.

In relation to any mineral tenement in Australia in which the Company has an interest or will in the future acquire an interest, there may be areas over which legitimate native title rights of indigenous Australians exist. In such cases, amongst other things, the nature of the native title may be that consent to grant a mineral tenement is required to be given by the native title holders but is withheld or only granted on conditions unacceptable to the Company.

## **8.11 Political Risks**

Changes in the general political climate particularly in the Philippines and on a global basis, including domestic security and tenement licensing and permitting may affect the sales volumes and prices of products, operating costs, financial costs, the relative attractiveness of other types of investment and therefore the price of the Company's securities.

## **8.12 Sovereign Risk**

The Company's key projects are located in the Philippines. The political conditions in the Philippines are generally stable but are somewhat uncertain on the island of Mindanao where there is a long history of unrest created by Muslim rebel groups agitating for an independent Muslim state. Peace talks between the Philippine government and the Muslim rebel groups are ongoing although there may be an outbreak of civil disturbances and insurgency from time to time. These outbreaks could affect the mining activities of the Company although the Company's area of interest for its mining operations is not historically known to be a high risk area.

The Philippines has had a couple of changes in Government in less than two decades by means of "people power" or mass demonstration of the people. In both instances, the change of Government had been widely accepted and soon thereafter the institutions of government functioned normally. Changes in exchange rates, control or regulations fiscal and regulatory regimes, labour unrest, inflation or economic recession could likewise affect the Company's business. The management of the Company will closely monitor events and take advice, if necessary, from experts to prepare for any eventualities.

### **8.13 Dependence on Key Personnel**

The Company is reliant on key personnel employed or engaged by the Company including Geoffrey Davis. Loss of such key personnel may have an adverse affect on the Company's operational performance and growth plans.

### **8.14 Future Capital Requirements**

The Company's future capital requirements depend on a number of factors including the extent of the Company's ability to generate income from its activities including from the Co-O Treatment Plant.

The Company believes that on completion of this Offer with at least Minimum Subscription, it will have sufficient working capital to carry out the objectives in this Prospectus. If in the future the Company requires additional funding there can be no assurance that additional funding will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

### **8.15 Dependence on Contractors**

By the Plant Lease, Option and Ore Supply Agreement the Company is reliant upon Philsaga to deliver a minimum quantity of 2,000 tonnes of gold bearing ore per calendar month for a period of 3 years. Although the Company is reliant upon Philsaga, the Company has always had a good working relationship with Philsaga and its principal shareholders.

The Company further has contractual relationships with other parties which relationships bring with them risks usually associated with such contracts including reliance on contracting parties.

### **8.16 Trading Suspension**

The Company is an ASX listed company whose Securities are included in the official list of the ASX. The listed Securities are currently suspended from quotation, having being suspended from 13 May 2005 pending a then change in scale of activities. The Company anticipates the ASX will lift the trading suspension and reinstate its listed Securities to quotation and quote any Securities under this Offer upon completion of this Offer and settlement upon the Plant Lease, Option and Ore Supply Agreement.

### **8.17 Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects. Any such transactions would be accompanied by risks commonly encountered in making such acquisitions.

## **Section 9: Rights Attaching to Shares and Options**

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### **9.1 Rights and Liabilities attaching to Shares**

Full details of the rights and liabilities attaching to the Shares are:

- detailed in the Constitution, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights of Shareholders. To obtain such a statement, persons should seek independent legal advice.

#### **Voting Rights**

At any meeting, each Shareholder present in person or by proxy, attorney or representative has one vote for each ordinary fully paid Share held either upon a show of hands or by a poll.

Holders of partly paid shares shall have a fraction of a vote for each partly paid share held with the fractional vote of each Share being equivalent to the proportion which the amount actually paid (not credited) for that Share is of the total amounts paid and payable (excluding amounts credited) for that Share. Amounts paid in advance of a call are ignored when calculating proportions.

#### **Dividends**

Subject to the rights of holders of Shares issued with any special rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the holders of Shares equally, and among the holders of partly paid Shares in proportion to the amounts paid (not credited) of the total amounts paid or payable (not credited) on the Shares in respect of which the dividend is paid.

#### **Further Shares**

The issue and allotment of any additional shares is under the control of the Directors, and, subject to any restriction on the issue and allotment of shares imposed by the constitution of the Company, the Corporations Act, the Listing Rules or as may be directed by the members of the Company at a general meeting when authorising the issue of any new shares, the Directors may issue and allot such shares on such terms and conditions and with such rights and privileges as they deem fit.

#### **Transfer of Shares**

Subject to the Constitution of the Company, the Corporations Act, the Listing Rules and any other applicable law of Australia, shares are freely transferable.

#### **Meetings and Notices**

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

Shareholders may requisition meetings in accordance with the Corporations Act.

#### **Directors**

The number of Directors of the Company will be not less than three and no more than ten or such lesser number as the Directors determine provided that the number so determined must not be less than the number of Directors when the determination takes effect. The Directors may fill casual vacancies and appoint additional Directors. The Company in general meeting may by ordinary

resolution increase or decrease the number of Directors. Subject to the Corporations Act, a general meeting of the members of the Company may be ordinary resolution remove a Director and at each annual general meeting, one third of the Directors (excluding the Managing Director) will retire from office or, if their number is not a multiple of 3, then the number nearest to one third. Each Director, excluding the managing director, must retire no later than at the third annual general meeting following his or her last election and may submit himself or herself for re-election.

## **Indemnities**

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

## **Rights on Winding Up**

Subject to the rights of members (if any) entitled to shares with special rights in a winding up, all moneys and property that are to be distributed amongst members on winding up, shall be distributed in proportion to the shares held by them respectively, irrespective of the amount paid up or credited as paid up on the shares.

## **Alteration to the Constitution**

The Constitution can only be amended by a special resolution passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

## **ASX Listing Rules**

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

## **9.2 Rights attaching to Options under this Prospectus**

The rights attaching to the Options to be allotted and issued under this Prospectus will have the same rights as the existing Listed January 2007 Options. The terms of the Options under this Prospectus are:

- (a) each Option entitles the holder to one Share in the capital of the Company;
- (b) the Options may be exercised at any time prior to the expiry date of 5 pm Western WST on 31 January 2007;
- (c) the exercise price of the Options is 20 cents per Option;
- (d) the Options are freely transferable;
- (e) the Company will provide to each Option holder a notice that is to be completed when exercising the Options ("Notice of Exercise"). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share;
- (f) all Shares issued upon the exercise of the Options will rank pari passu in all respects with the Company's then issued Shares;

- (g) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of securities offered to Shareholders of the Company during the currency of the Options. Subject to paragraph (h), an Option holder is required to exercise the Options in order to participate in any new issue of securities offered to Shareholders by the Company. Option holders will be provided with written notice and afforded that period of time as required by the Listing Rules before the record date to determine entitlements to the offer to exercise their Options;
- (h) if from time to time on or prior to the Expiry Date the Company makes a bonus issue of securities to holders of Shares in the Company ("Bonus Issue"), then upon exercise of his or her Options an Option holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Options had been exercised before the record date for the Bonus Issue;
- (i) in the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the Listing Rules; and
- (j) in the event of any pro-rata issue of securities (except a Bonus Issue) the exercise price of the Options will be adjusted in accordance with the Listing Rule 6.22.

### 9.3 Rights attaching to Existing Options

The existing Options in the capital of the Company are Listed January 2007 Options, Unlisted January 2007 Options, December 2007 Options and December 2009 Options.

The Listed January 2007 Options were issued to Shareholders who subscribed for the Options in March 2004 under a pro-rata non-renounceable offer and further were issued to various vendors of tenements to the Company associated with the Company's listing on the ASX in December 2003.

The unlisted January 2007 Options, December 2007 Options and December 2009 Options are all incentive options that have issued to management and/or employees.

- (a) The specific terms of the series of existing Options are as follows:

#### **Listed January 2007 Options**

- exercise price of 20 cents;
- may be exercised at any time on or before the expiry date of 31 January 2007;.
- options are transferable; and
- listed on ASX.

#### **Unlisted January 2007 Options**

- exercise price of 60.72 cents;
- may be exercised at any time on or before the expiry date of 31 January 2007;
- options are not transferable except with the approval of the Board; and
- unlisted.

#### **Unlisted December 2009 Options**

- exercise price of 43.34 cents;
- may be exercised at any time on or before the expiry date of 23 December 2009;
- options are not transferable except with the approval of the Board; and
- unlisted.

### **Unlisted December 2007 Options**

- exercise price of 57.64 cents;
  - may be exercised at any time on or before the expiry date of 16 December 2007;
  - options are not transferable except with the approval of the Board;
  - unlisted;
  - 1,000,000 Options issued to Geoffrey Davis fully vested on issue;
  - 500,000 Options issued to Geoffrey Davis and 250,000 Options issued to each of Roy Daniel and Ernie Apostol, only vest for that person if he continues in his current capacity or employment until 16 December 2005 save that a full vesting will occur in the event of a takeover; and
  - 500,000 Options issued to Geoffrey Davis and 250,000 Options issued to each of Roy Daniel and Ernie Apostol will only vest for that person if he continues in his current capacity or employment until 16 December 2006 save that a full vesting will occur in the event of a takeover.
- (b) Otherwise, the general terms and conditions of the issue of each of the existing Options are to the effect that:
- (i) each Option entitles the holder to one Share in the capital of the Company;
  - (ii) the Options may be exercised at any time prior to the expiry date, in whole or in part, upon payment of the exercise price per Option;
  - (iii) the Company will provide to each Option holder a notice that is to be completed when exercising the Options ("Notice of Exercise"). Options may be exercised by the option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share;
  - (iv) all Shares issued upon the exercise of the Options will rank *pari passu* in all respects with the Company's then issued Shares;
  - (v) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of securities offered to Shareholders of the Company during the currency of the Options. Subject to paragraph (vi), an Option holder is required to exercise the Options in order to participate in any new issue of securities offered to Shareholders by the Company. Option holders will be provided with written notice and afforded that period of time as required by the Listing Rules before the record date to determine entitlements to the offer to exercise their Options;
  - (vi) if from time to time on or prior to the Expiry Date the Company makes a bonus issue of securities to holders of Shares in the Company ("Bonus Issue"), then upon exercise of his or her Options an Option holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Options had been exercised before the record date for the Bonus Issue;
  - (vii) in the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the Listing Rules; and
  - (viii) in the event of any pro-rata issue of securities (except a Bonus Issue) the exercise price of the Options will be adjusted in accordance with the Listing Rule 6.22.

## Section 10: Additional Information

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### 10.1 Directors' Interests and Benefits

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last two years before the date of lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company, or the Offer; or
- (c) the Offer;

and no amount have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

- (d) to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or
- (e) for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

### Remuneration of Directors

Harvest Services Aust Pty Ltd ("Harvest"), a company in which Geoffrey Davis has an interest and Geoffrey Davis entered into a consultancy services agreement in November 2003 with the Company whereby Harvest has received \$180,000 per annum. Geoffrey Davis was further provided with remuneration of \$37,950 for services provided prior to the Company's initial public offer prospectus of November 2003.

Edward (Ted) Mein has provided engineering and related consultancy services to the Company at commercial industry rates in the last 2 years totalling \$135,180.

The Directors fees currently are \$25,000 per year for the Chairman and \$20,000 per year for the Non-Executive Directors. Mr Geoffrey Davis is not paid a Directors fee.

A Non-Executive Director may also be paid remuneration as the other Directors determine where that non-executive Director is called upon to perform extra services or make special exertions.

Directors may also be paid all travelling and other expenses properly incurred by them in attending, participating in or returning from meetings of the Directors or general meetings of the Company or otherwise in connection with the business of the Company.

### Shareholding Qualifications and Holdings

The Directors are not required to hold any Shares in the Company under the Constitution of the Company. Set out below are details of the relevant interests of the Directors in the securities of the Company immediately prior to lodgement of the Prospectus with the ASIC.

Director	Number of shares	Number of options
Jeffrey Schiller	1,000,000	500,000 January 2007 Options
Geoffrey Davis	3,240,000	(a) 1,492,500 January 2007 Options (b) 600,000 December 2009 Options (c) 2,000,000 December 2007 Options
Edward (Ted) Mein	1,850,000	802,500 January 2007 Options
Simon Cato	1,060,000	430,000 January 2007 Options

## 10.2 Interests of Experts

Other than set out below or elsewhere in this Prospectus, no expert nor any firm of which any expert is a partner or any person 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, has or in the last two years had an interest in: -

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer; and

no amount of any kind has been paid or agreed to be paid to any expert (or to any firm in which he or she is or was a partner) or any person named in the Prospectus as performing a function in a professional, advisory or other capacity for services rendered by the expert or by the firm in connection with the promotion or formation of the Company or the Offer. No form of payment of any kind will be made or agreed to be made to any such expert or firm other than in cash.

Fairweather & Lemonis act as solicitors to the Company. Fairweather & Lemonis will be paid approximately \$10,000 exclusive of GST for services provided in connection with this Prospectus.

## 10.3 Consents and Disclaimers of Responsibilities

The following parties have given their written consent to be named in this Prospectus and for the inclusion of statements made by those parties (as described below in the form and context in which they are included), and have not withdrawn such consent before lodgement of this Prospectus with ASIC.

- (a) Fairweather & Lemonis has consented to being named as Solicitors to the Company.
- (b) Advanced Share Registry Services has consented to being named as the Share Registry to the Company.

Each of the parties referred to in this section:

- does not make, or purport to make any statement in this Prospectus, or on which a statement made in this Prospectus is based other than as specified in this Section;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in the Prospectus with the consent of that party as specified in this Section;
- has not caused or authorised the issue of this Prospectus; and
- has not been involved in the due diligence review for this Prospectus.

## 10.4 Share Trading History

The Company is an ASX listed company whose Securities are enhanced disclosure securities and are included in the official list of the ASX. The listed Securities are currently suspended from quotation, having being suspended from 13 May 2005 pending a then change in scale of activities. The Company anticipates the ASX will lift the trading suspension and reinstate its listed Securities to quotation and quote any securities under this Offer upon completion of this Offer and settlement upon the Plant Lease, Option and Ore Supply Agreement.

The last closing price of the Shares was 68 cents on 13 May 2005. The highest and lowest closing price of the Shares from 1 January 2005 to 13 May 2005 was a highest price of 81 cents on 15 and 16 February 2005 and a lowest price of 58 cents on 12 January 2005.

## 10.5 Costs of the Issue

The following approximate expenses (net of GST) have been or will be incurred by the Company with respect to the Offer:

Description	Amount
Professional fees/the ASIC and ASX	\$25,200
Printing and postage	\$4,000
Miscellaneous	\$800
<b>Total</b>	<b>\$30,000</b>

The estimated costs assume that all Eligible Participants subscribe for their Entitlement and there is not a need to place the Shortfall. If Shortfall is placed a commission of approximately 5% of any such funds raised may be payable.

## 10.6 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The Shares that will be issued pursuant to this Prospectus will be in the same class of Shares that have been included in the official list of ASX during the 12 months prior to the issue of this Prospectus. Shares allotted pursuant to the exercise of the Options issued in accordance with this Prospectus will rank from the date of allotment, equally with existing Shares of the Company in all respects.

In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on the Company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

Having taken such precautions and having made such enquires as are reasonable, 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.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the annual financial report most recently lodged by the Company with the ASIC;
  - (ii) any half year financial report lodged with the ASIC by the Company after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Prospectus with the ASIC; and
  - (iii) any continuous disclosure notices given by the body after the lodgement of that annual financial report and before the lodgement of the copy of the Prospectus with ASIC.

For details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report refer to the table set out below.

<b>Date</b>	<b>Description of Announcement</b>
16 Sep 2004	Capital Raising & Appendix 3B - ongoing work in Philippines.
23 Sep 2004	Kurnalpi Project E28/465 Warden's Court Decision Upheld.
24 Sep 2004	Notice of Annual General Meeting.
11 Oct 2004	Appendix 3B - Issue of Shares and Options for Kurnalpi Project.
13 Oct 2004	Appendix 3B - Ordinary Fully Paid Restricted Shares Released from Escrow.
26 Oct 2004	Execution of Heads of Agreement to acquire Philippines joint venture partner.
27 Oct 2004	\$1,000,000 joint venture with Newcrest Operations Limited - Kunalpi/Anti Dam Project.
27 Oct 2004	Appendix 3B - Exercise of Options.
29 Oct 2004	First Quarter Activities and Cash Flow Reports.
11 Nov 2004	Results of AGM.
02 Dec 2004	Encouraging initial results Dizon Tailings Project - Luzon Island.
02 Dec 2004	Trading Halt.
03 Dec 2004	Additional information for Dizon Tailings Project - Luzon Island.
07 Dec 2004	Company Secretary appointment/resignation.
07 Dec 2004	Forthcoming release of company securities.
10 Dec 2004	Capital Raising.
13 Dec 2004	Appendix 3B - Completion of Escrow Period.
13 Dec 2004	Appendix 3B - Placement to provide working capital.
17 Dec 2004	Appendix 3B - Employee Options.
21 Dec 2004	Trading Halt.
21 Dec 2004	Suspension from Official Quotation.
22 Dec 2004	Finalises terms of acquiring Philippines joint venture partner.
22 Dec 2004	Reinstatement to Official Quotation.
27 Jan 2005	Second Quarter activities and Cashflow Reports.
1 Feb 2005	Co-O and Saugon Update.
2 Feb 2005	Dizon Testwork Results.
8 Feb 2005	Appendix 3B – Exercise of Options.
8 Feb 2005	Appendix 3B – New Issue.
8 Feb 2005	Relinquishes Mt Stirling Project.
23 Feb 2005	Acquires Barlo Copper-Gold-Zinc Project Philippines.
28 Feb 2005	Investor Presentation.
01 Mar 2005	Drilling extends Co-O Veins to East/Co-O Project Philippines.
02 Mar 2005	Appendix 3B - Exercise of Options.
14 Mar 2005	Half Year Accounts.

<b>Date</b>	<b>Description of Announcement</b>
24 Mar 2005	Appendix 3B - Exercise of Options.
30 Mar 2005	High Grade Drilling Results Continue- Co-O Mine.
07 Apr 2005	Panaon Island Gold Project/Marian Withdrawal.
11 Apr 2005	LRF: 6,000,000 Funding Facility agreed with Medusa Mining.
11 Apr 2005	Company secures funding commitments to complete Philsaga Transaction.
14 Apr 2005	Notice of General Meeting.
26 Apr 2005	Disclosure Document.
28 Apr 2005	Third Quarter Activities and Cash Flow Reports.
29 Apr 2005	Appendix 3B.
16 May 2005	Suspension from Official Quotation.
16 May 2005	Results of Meeting.
17 May 2005	Appendix 3B.
25 May 2005	Appendix 3B - Exercise of Options.
25 May 2005	Completion of Philsaga Transaction - Delayed.
27 May 2005	Medusa Exercises Option - Dizon Tailings Project Philippines.
16 Jun 2005	Corporate Update - letter to shareholders.
30 Jun 2005	Philsaga Transaction - Not to proceed in its present form.
30 Jun 2005	LRF: Notice of Termination of 6,000,000 Funding Facility for Medusa Mining Limited.
12 Jul 2005	Appendix 3B.
29 Jul 2005	Fourth Quarter Activities and Cash Flow Report.
10 Aug 2005	Company executes Lease/Option Agreement to acquire Philsaga's Plant.

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal hours.

## Section 11: Glossary

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- “**Applicant**” means a person who submits a valid Entitlement and Acceptance Form or a Shortfall Application Form pursuant to this Prospectus
- “**Application**” means a valid application for Shares pursuant to this Prospectus
- “**ASIC**” means Australian Securities and Investments Commission
- “**ASX**” means Australian Stock Exchange Limited (ACN 006 624 691)
- “**Closing Date**” means 8 September 2005 or such later date which may be determined by the Company
- “**Company**” or “**Medusa Mining**” means Medusa Mining Limited (ABN 60 099 377 849)
- “**Co-O Mine**” means the gold mine located in central eastern Mindanao in the Philippines.
- “**Co-O Treatment Plant**” means the Co-O plant located approximately 12 kilometres north of the Co-O Mine.
- “**Corporations Act**” means Corporations Act 2001 (Cth)
- “**December 2007 Option**” means an unlisted Option to subscribe for a Share at 57.64 cents on or before 16 December 2007.
- “**December 2009 Option**” means an unlisted Option to subscribe for a Share at 43.34 cents on or before 23 December 2009.
- “**Director**” means A Director of Medusa Mining Ltd
- “**Eligible Participant**” means a Shareholder on the Record Date entitled to participate in the Offer.
- “**Entitlement**” means the entitlement of a Shareholder who is eligible to participate in the Offer as indicated in the Entitlement and Acceptance Form.
- “**Entitlement and Acceptance Form**” means the personalised entitlement and acceptance form accompanying a Shareholder’s copy of this Prospectus.
- “**JORC Code**” means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
- “**Listed January 2007 Option**” means a listed Option to subscribe for a Share at 20 cents on or before 31 January 2007.
- “**Listing Rules**” means the official listing rules of the ASX
- “**Maximum Subscription**” means the maximum amount that can be raised by the Offer which is \$6,006,269.
- “**Minimum Subscription**” means the minimum amount that must be raised by the Offer to complete the Offer which is \$4,500,000.
- “**Offer**” means the Offer of Shares and Options pursuant to this Prospectus
- “**Official Quotation**” means Official quotation by the ASX
- “**Option**” means an Option to subscribe for a Share.
- “**Philsaga**” means Philsaga Mining Corporation, a company registered under Philippines law.
- “**Plant Lease, Option and Ore Supply Agreement**” means the plant lease, option and ore supply agreement dated 5 August 2005 between the Company, Philsaga and Vibrant Earthmovers Inc as summarised at section 6.2.
- “**Prospectus**” means this Prospectus dated 12 August 2005
- “**Record Date**” means 5 pm (WST) on 23 August 2005
- “**Securities**” means Shares and Options
- “**Share**” means ordinary fully paid share in the capital of the Company
- “**Shareholder**” means Holder of a Share
- “**Shortfall**” means the number of Shares comprising the difference between approximately 10,010,448 Shares offered under this Prospectus and the number of Shares for which valid Entitlement and Acceptance Forms have been received and accepted by the Company by the Closing Date.
- “**Shortfall Application Form**” means the shortfall application form either attached to or accompanying this Prospectus.
- “**Unlisted January 2007 Option**” means an unlisted Option to subscribe for a Share at 60.72 cents on or before 31 January 2007.
- “**WST**” means Western Australian Standard Time
- “**\$**” or “**A\$**” means Australian dollars.
- “**US\$**” means United States dollars.

## **Section 12: Directors' Authorisation and Consent**

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This Prospectus is authorised by the Company and lodged with the ASIC pursuant to section 718 of the Corporations Act.

The Directors have consented to lodgement of this Prospectus with the ASIC in accordance with the terms of section 720 of the Corporations Act.

Dated: 12 August 2005

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Signed for and on behalf of  
Medusa Mining Limited  
by Geoffrey Davis  
Managing Director

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

## MEDUSA MINING LIMITED

ABN: 60 099 377 849

REGISTERED OFFICE: Suite 7, 11 Preston Street, Como, WA 6152  
 SHARE REGISTRY: Advanced Share Registry Services, 110 Stirling Highway, Nedlands, Western Australia 6009

### ENTITLEMENT AND ACCEPTANCE FORM

Non-Renounceable Entitlement Issue closing 5 pm WST on 8 September 2005

HIN/SRN :  
 Form number :  
 Shares Held at 23 August 2005 :  
 Entitlement to shares on a 1 for 4 basis :  
 Entitlement for shares :  
 Amount payable for full entitlement at 60 :  
 cents per share :

**A pro-rata non-renounceable entitlement issue of approximately 10,010,448 shares at 60 cents per share, on the basis of 1 new ordinary share for every 4 ordinary shares held at the Record Date to raise approximately \$6,006,269 and the further issue of 1 free attaching option for every 4 shares subscribed for under this Prospectus.**

To the Directors,  
 Medusa Mining Limited

- I/We the above mentioned, being registered on the Record Date as the holder(s) of ordinary Shares in your Company hereby accept the below mentioned Shares and attaching Options issued in accordance with the enclosed Prospectus.
- I/We enclose my/our cheque made payable to "Medusa Mining Limited Equity Account", for the amount shown being payment at the rate of 60 cents per Share.
- I/We hereby authorise you to place my/our name(s) on the registers of Shareholders in respect of the number of Shares and Options allotted to me/us and;
- I/We agree to be bound by the Constitution of the Company.
- I/We acknowledge having received a full copy of the Prospectus with this application.

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

Shares Accepted	Amount enclosed at 60 cents per share

**Please enter cheque details**

Drawer	Bank	Branch	Amount

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

Telephone : (    ) ..... Fax : (    ) .....

Note: Cheques should be made payable to "**Medusa Mining Limited Equity Account**" crossed "**Not Negotiable**" and forwarded to the Company's share registry to arrive no later than 5 pm WST on 8 September 2005.

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

New Address: .....

.....

Signature(s):..... Date: .....

Please indicate your correct title: Director/Secretary/.....

**THIS ISSUE CLOSSES 5 PM WST ON 8 SEPTEMBER 2005**

THE DIRECTORS RESERVE THE RIGHT TO MAKE AMENDMENT TO THIS FORM WHERE APPROPRIATE  
 PLEASE REFER OVERLEAF FOR INSTRUCTIONS

## EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of Shares 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 use this form to apply for Shares and attaching Options in excess of your maximum entitlement - you may use the accompanying SHORTFALL APPLICATION FORM.
4. The price payable in full on acceptance of each Share is 60 cents.
5. You may accept your entitlement by completing the Entitlement and Acceptance Form overleaf. Should you wish to apply for additional Shares and attaching Options, please complete the Shortfall Application Form attached to the Prospectus.

## APPLICATION INSTRUCTIONS

1. The issue price of 60 cents per Share 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 Equity Account**" 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/o Advanced Share Registry Services to the addresses below.
5. Acceptances must be received by the Company no later than 5 pm WST on the Closing Date of 8 September 2005.

## ENQUIRIES

Any enquiries regarding this form should be directed to the Company's share registry:

### Advanced Share Registry Services

Street Address:

110 Stirling Highway  
NEDLANDS WA 6009

Postal Address:

PO Box 1156  
NEDLANDS WA 6909

Phone: +61 8 9389 8033

Facsimile: +61 8 9389 7871

# MEDUSA MINING LIMITED

ACN 099 377 849

## SHORTFALL APPLICATION FORM

This form should only be filled out by a Shareholder wishing to apply for Shortfall Shares that may arise upon the close of the Offer. All shortfall Shares will be issued at the absolute discretion of the Company.

Lodgement of a Shortfall Application Form does not guarantee an allotment of any Shares. Shareholder Entitlements should be applied for on the pre-printed Entitlement and Acceptance Form.

For the Offer of Shares at an issue price of 60 cents per Share. Instructions A to H are set out on the reverse side of this form. All Application Forms must be accompanied by payment of 60 cents per Share.

PLEASE USE BLOCK LETTERS - refer to the guide (reverse side) for correct forms of registrable title(s).

Brokers Stamp Only

**A Application for Shares**

I/We apply for ..... Shares  
at 60 cents per Share

I/We lodge full application monies of: \$.....

**B**

Title	Given Names or Company	Surname/ABN
.....	.....	.....

**C**

Title	Joint Applicants or Designated Account e.g. <SUPERFUND A/C>
.....	.....
.....	.....

**D Address**

Suburb/City/Town ..... State ..... Postcode .....

**E Contact Details**

Contact Name : .....

Contact No : .....

**F CHESS Details:**

PID ..... HIN .....

**G Payment Details:**

All cheques should be made payable to "Medusa Mining Limited Equity Account" and crossed "Not Negotiable"

Drawer	Bank	Branch	Amount
.....	.....	.....	\$.....
.....	.....	.....	\$.....

## INSTRUCTIONS TO APPLICANTS

This Application Form together with a cheque for the application monies must be forwarded to:

Medusa Mining Limited  
c/o Advanced Share Registry Services  
110 Stirling Highway  
NEDLANDS WA 6008

Postal Address

PO Box 1156  
NEDLANDS WA 6909

**A. Application for Shares**

**Applications must be for a minimum of 3,000 Shares.**

To calculate application monies due, multiply the number of Shares that have been applied for by 60 cents.

**B. Name of Applicant**

Write the Applicant's FULL NAME in Box B. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of name may be rejected.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept an Application Form, and how to construe, amend or complete it shall be final. An Application Form will not however, be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque for the application monies referred to in Box A.

**C. Joint Applicants and/or Account Designations**

If JOINT APPLICANTS are applying or an ACCOUNT DESIGNATION is required, complete Boxes B and C. Please refer to the bottom on this page for instructions on the correct form of registrable title. Up to three Joint Applicants may register.

**D. Address**

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

**E. Contact Details**

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Application Form.

**F. CHESS Details**

If you are sponsored in Chess by a stockbroker or other Chess Participant enter the Participant Number ("PID") and your Holder Identification Number ("HIN").

**G. Payment Details**

Payment must be made in Australian currency by cheque or bank cheque drawn on an Australian Bank. The amount of the cheque should agree with the amount shown in Box A of the Application Form. Cheques are to be made payable to "**Medusa Mining Limited Equity Account**" and should be crossed "**Not Negotiable**". Cash should not be forwarded. Similarly payment made direct to the Company's bank account may not be accepted.

**H. Declaration**

By completing the Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Application Form does not need to be signed.

### CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Smith (John David Smith Account)	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith (Est Michael Peter Smith Account)	John Smith (Deceased)
Partnerships	Mr John David Smith and Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith (ABC Tennis Association Account)	Smith Investment Club or ABC Tennis Association
Superannuation Funds	John Smith Pty Ltd (Super Fund Account)	John Smith Superannuation Fund