



Mining Limited
ACN: 099 377 849

MEDUSA MINING LIMITED
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24 September 2004

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

Dear Sir/Madam

NOTICE OF ANNUAL GENERAL MEETING

Please find attached Notice of Annual General Meeting to be held on 11 November 2004, together with Proxy Form, to be sent to shareholders.

Yours faithfully

Bruce Acutt
Company Secretary

MEDUSA MINING LIMITED
ACN 099 377 849

**NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT**

**For the Annual General Meeting to be held at 10.00am (Western Standard Time)
on Thursday 11 November 2004
at The Broadwater Pagoda Resort Hotel
112 Melville Parade
Como WA 6152**

*This is an important document. Please read it carefully and in its entirety.
If you do not understand it please consult with your professional advisers.*

*If you are unable to attend the Meeting, please complete the form of proxy enclosed and return it in
accordance with the instructions set out on that form.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Medusa Mining Limited will be held at The Broadwater Pagoda Resort Hotel, 112 Melville Parade, Como, Western Australia at 10.00am on Thursday 11 November 2004 for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable them to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with and forms part of this Notice.

Certain terms and abbreviations used in this Notice and the accompanying Explanatory Statement have defined meanings, which are explained in the Glossary in the accompanying Explanatory Statement.

AGENDA

GENERAL BUSINESS

Accounts and Reports

To receive and consider the Financial Reports of the Company and the consolidated entity for the financial year ended 30 June 2004 and the reports of the Directors and Auditors thereon.

1. Re-Election of Director – Mr Edward Stuart Mackey Mein

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, Mr Edward Stuart Mackey Mein, who retires by rotation in accordance with the Constitution of the Company, and being eligible offers himself for election, is hereby re-elected a Director of the Company."

Short Explanation: Pursuant to the Company's Constitution, Directors must retire by rotation at least once every three years. Mr Mein has been a Director of the Company since 13 September 2002. Mr Mein is presented for re-election in accordance with the rotation requirements of the Company's Constitution.

SPECIAL BUSINESS

2. Appointment of Auditors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 327 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the Company to appoint Bentleys MRI as the Company's auditor on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit if the Resolution is passed other than in their capacity as Shareholder. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Ratification of Previous Share and Attaching Option Issue

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rules 7.1 and 7.4 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company approves and ratifies the allotment and issue of 2,375,000 fully paid ordinary shares in the capital of the Company at an issue price of \$0.40 per share with 1,187,500 attaching options to acquire fully paid ordinary shares in the capital of the Company at an issue price of \$0.01 per attaching option in or about June and July 2004 to investors within the meaning of section 708 of the Corporations Act 2001 (Cth)."

Short Explanation: ASX Listing Rule 7.1 allows the Company to issue up to 15% of its ordinary share capital in any 12 month rolling period without shareholder approval. By obtaining ratification of shareholders under Listing Rule 7.4 to the issue of shares on or about June or July 2004, the Company will obtain relevant approval for the purposes of ASX Listing Rule 7.1 and thereby refresh the Company's capacity to make future issues of securities up to the 15% threshold.

The Company will disregard any votes cast on this Resolution by an allottee of the issue the subject of the Resolution (an "allottee") and any of its associates of such an allottee. However, the Company will not disregard a vote cast on this Resolution:

- a) if it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

4. Grant of Options to Mr Geoffrey Davis

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of Chapter 2E of the Corporations Act 2001 (Cth) and Listing Rule 10.11 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to grant to Mr Geoffrey Davis or his nominees 3,000,000 options to acquire fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under the related party provisions of the *Corporations Act* (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the *Corporations Act*. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr Davis is a related party of the Company.

The Company will disregard any votes cast on this Resolution by Mr Geoff Davis or any of his associates or any person who may obtain a benefit if the Resolution is passed other than in their capacity as a shareholder. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

BY ORDER OF THE BOARD

Mr Bruce Acutt
Company Secretary
Dated: 24 September 2004

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that shareholders read this Explanatory Statement in full before making any decision in relation to a Resolution.

1. RESOLUTION 1 – RE-ELECTION OF DIRECTOR

In relation to Resolution 1, information relating to experience and qualifications of Mr Edward Mein who offers himself for election is contained in the Company's annual report.

2. RESOLUTION 2 – APPOINTMENT OF AUDITORS

The recommendation to appoint Bentleys MRI as the Company's auditors comes about as a requirement for Medusa to have an international firm of auditors with offices in the Philippines, particularly in Davao City and Manila. Bentleys MRI meets these requirements and have submitted a competitive tender to carry out the audit of the Company.

The Company's existing auditor, Mack & Co, intends to resign as auditor of the Company effective from the date of the Annual General Meeting and has notified the ASIC of its intention to do so. The ASIC has consented to the proposed resignation of Mack & Co.

The Board recommends that the tender by Bentleys MRI be accepted. A letter of nomination from the Company's managing director, Mr Geoff Davis, is attached to this Explanatory Statement as Annexure "A".

3. RESOLUTION 3 – RATIFICATION OF SHARE AND ATTACHING OPTION ISSUE

ASX Listing Rule 7.1 restricts the issue of new securities by a listed company. A company cannot increase securities on issue by more than 15% in any 12 month period unless the increase falls within certain exceptions.

One exception is an issue of securities which has the approval of shareholders in general meeting. ASX Listing Rule 7.4 provides that an issue made within the 15% limit will be treated as having been made with prior shareholder approval for the purpose of ASX Listing Rule 7.1 if it is subsequently approved by shareholders in general meeting.

The Company wishes to seek approval for the purposes of ASX Listing Rule 7.1 by ratification in order to renew the Company's capacity to issue up to 15% of the securities of the Company on issue in a 12 month period. The Company is requesting Shareholders to ratify the allotment and issue 2,375,000 fully paid ordinary shares in the Company ("**Shares**") and 1,187,500 attaching options to acquire Shares ("**Attaching Options**") in or about June and July 2004 to investors within the meaning of section 708 of the *Corporations Act*.

For the purposes of ASX Listing Rule 7.5, the following information is provided to Shareholders:

1. The number of Shares allotted was 2,375,000;
2. The number of Attaching Options allotted was 1,187,500;
3. The Shares were issued at a price of 40 cents per Share;
4. The Attaching Options were issued at a price of 1 cent per Attaching Option;
5. The Shares shall rank equally with the Company's existing issued Shares;
6. The Attaching Options were issued on the terms and condition set out in Schedule 1 to this Explanatory Statement;

7. The allottees of the Shares were investors entitled to accept offers of securities under section 708 of the *Corporations Act* being "sophisticated investors" and clients of State One Capital Group, Triton Equities Limited and Intersuisse Limited, as directed at the discretion of these licenced dealers. None of the allottees are related parties or associates of the Company.
8. The funds raised from the issue of the Shares being \$961,875 before costs are being used to provide working capital and to fund the exploration of the Company's Saugon exploration project.

4. RESOLUTION 5 – GRANT OF OPTIONS TO MR GEOFFREY DAVIS

4.1 Background

For the purposes of Chapter 2E of the *Corporations Act* and ASX Listing Rule 10.11, the Company seeks the approval of shareholders for the grant of 3,000,000 options to acquire Shares ("**Options**") in the Company to Mr Geoffrey Davis or his nominee.

Mr Davis is the managing director of the Company, and so is a "related party" of the Company. Mr Davis was appointed as a Director and the managing director from 5 July 2002.

The Company has entered into a consultancy services contract with Harvest Services Aust Pty Ltd ("**Harvest Services**") and Mr Davis effective from December 2003 by which Harvest Services and Mr Davis agree that Mr Davis will provide services to the Company commensurate with a managing director for a period of 5 years for which Harvest Services will receive \$15,000 per month exclusive of any GST and, subject to any necessary regulatory approval, the grant of options as detailed below ("**Consultancy Services Agreement**"). Harvest Services must maintain and effect relevant insurances in respect of providing the services of Mr Davis.

4.2 Chapter 2E of the Corporations Act

Related Party Transaction

Chapter 2E of the *Corporations Act* prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Davis is a related party of the Company as a Director.

Resolution 1 provides for the grant of options to a related party, which is a financial benefit requiring shareholder approval in the absence of a specified exception applying. For the purpose of Chapter 2E of the *Corporations Act* the following information is provided.

(a) The Related Party to Whom the Proposed Resolution would Permit the Financial Benefit to be Given

Subject to shareholder approval, it is proposed to grant a total of 3,000,000 Options to Mr Geoff Davis, the Company's managing director, or his nominee or nominees.

(b) The Nature of the Financial Benefit

The proposed financial benefit to be given is the grant of a total of 3,000,000 Options for no consideration to Mr Davis or his nominee. The financial benefit will constitute part of the remuneration package of Mr Davis and Harvest Services.

The Options to be granted will have an exercise price of 1.1 times (or 110% of) the average closing price of the Company's Shares on the Australian Stock Exchange ("**ASX**") during the 5 trading days prior to the relevant vesting date. The expiry date of each of the options is 72 months after the date of first quotation of the shares of the Company on the ASX ("**IPO Listing Date**") being 23 December 2009.

For the first tranche of Options, the average closing price of the Company's Shares on the ASX during the 5 trading days prior to the relevant vesting date of 23 June 2004 was 39.4 cents. Thereby the exercise price of the first tranche of Options will be 43.34 cents (1.1 x 39.4 cents).

Tranche	Number of Options	Vesting Date/Service Period	Expiry Date
1 st	600,000	*6 months after IPO Listing Date being 23 June 2004	72 months after IPO Listing Date being 23 December 2009
2 nd	600,000	*18 months after IPO Listing Date being 23 June 2005	72 months after IPO Listing Date being 23 December 2009
3 rd	600,000	*30 months after IPO Listing Date being 23 June 2006	72 months after IPO Listing Date being 23 December 2009
4 th	600,000	*42 months after IPO Listing Date being 23 June 2007	72 months after IPO Listing Date being 23 December 2009
5 th	600,000	54 months after IPO Listing Date being 23 June 2008	72 months after IPO Listing Date being 23 December 2009

*The Options will only fully vest and be capable of exercise if Mr Davis and Harvest Services are engaged by the Company under the Consultancy Services Agreement at the time of the vesting date. If the Consultancy Services Agreement is terminated the rights of Mr Davis to any Options not fully vested will cease. Otherwise, the general terms and conditions of the Options are set out in Schedule 2.

(c) Directors Recommendation

Dr Jeffrey Schiller, Ted Mein and Simon Cato are the Directors of the Company excluding Mr Davis. These 3 Directors all recommend that shareholders vote in favour of the Resolution because they consider that the grant of the Options, when added to the cash remuneration equate to an appropriate remuneration package to Harvest Services and Mr Davis for a person of Mr Davis' experience and calibre. The remuneration package has previously been agreed (subject to shareholder approval) by the Board with Mr Davis and Harvest Services and the remuneration package was disclosed by the Company in its IPO prospectus dated 20 November 2003. Further, the staged vesting dates of the options will provide appropriate incentives to Mr Davis.

Under the Company's current circumstances the Directors consider that the incentives to Harvest Services and Mr Davis represented by the issue of these options are a cost effective and efficient reward for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to Harvest Services or Mr Davis.

None of Messrs Schiller, Mein and Cato have any material personal interest in the outcome of the Resolution.

Mr Davis makes no recommendation as to the Resolution as he has a material personal interest in the outcome, namely the issue of 3,000,000 Options to him.

Other Information that is Reasonably Required by Members to Make a Decision and that is Known to the Company or any of its Directors.

(d) Dilution

The passing of the Resolution would have the effect of giving power to the Directors to grant 3,000,000 Options on the terms and conditions as set out in the table above and in Schedule 1 to this Explanatory Statement.

If any options granted are exercised the effect would be to dilute the shareholding of existing shareholders and the holders of the Company's listed options.

The market price of the Company's Shares during the period of the Options will normally determine whether or not an option holder exercises its Options. At the time any options are exercised and Shares

are issued pursuant to the exercise of the Options, the Shares may be trading at a price that is higher than the exercise price of the Options.

If all Options were to be exercised the number of Shares on issue (assuming no further Share issues and no other options are exercised) would increase by 3,000,000 to 39,803,600 representing a dilution of 7.53% of the Company's current Shares.

This dilution effect is based on the Company's current share capital although, as set out above, Mr Davis or his nominee may not receive some of the Options until future dates.

The Company has 18,397,293 listed options exercisable at 20 cents each by 31 January 2007 and 1,600,000 unlisted options with the same terms and conditions as the listed options. The issue of 3,000,000 Options to Mr Davis or his nominee will increase the number of unlisted options on issue to 4,600,000.

(e) Total Remuneration Package of Mr Davis and Associates

The Consultancy Services Agreement between the Company, Harvest Services and Mr Davis sets out the total remuneration package of Mr Davis and his associates. Namely, Harvest Services will be paid \$15,000 per month exclusive of GST, be entitled to be reimbursed for reasonable expenses in providing the services and will be entitled, subject to shareholder approval, to the Options the subject of this Resolution.

(f) Existing Relevant Interest of Mr Davis in the Company

Mr Davis currently has a relevant interest in 3,240,000 Shares and 1,492,500 listed options in the Company.

(g) Trading History

The following table gives details of the highest, lowest and a recent closing price of the Company's Shares trading on the ASX since listing on 23 December 2003.

Highest Price	11 March 2004	57 cents
Lowest Price	23 December 2003	19.24 cents
Closing Price	31 August 2004	39 cents

(h) Valuation of Options

The Company's advisers, Stanton Partners Corporate Pty Ltd, have valued the options as at 1 September 2004 by reference to the Black and Scholes methodology, based on the following assumptions:

- Current Share Price – 39 cents (as at 1 September 2004)
- Volatility Factor – 50% to 100%, mid range 75%

The Share price has traded between a low of 19.24 cents on the first day of trading on 23 December 2003 to a high of 57 cents on 11 March 2004. This implies a volatility of well over 100%. However, over the past six months, the Shares have traded in a more narrow range of 32 cents to 57 cents for a volatility of 78.125%. Over the last 3 months the Shares have traded between 32 cents and 42 cents for a volatility of 31.25%. As the Company is a mineral explorer, and it is not uncommon to have mineral exploration companies' volatilities at 25% to over 100% in relatively short periods of time, the valuation considers that a 50% to 100% volatility range is appropriate for the Company.

- Exercise Price –Tranche 1: 43.34 cents; Tranches 2 to 5: 36.63 cents.

The exercise price of the Options is based on the formula outlined above.

For Tranche 1, the 5 day average closing price of the Shares as at 23 June 2004 was 39.4 cents and thus the exercise price is 1.1 times 39.4 cents, being 43.34 cents.

For Tranches 2 to 5, it is not possible to determine the future prices. However, the share price of a Share as at 31 August 2004 was 39 cents and the last 5 days average closing price of a Medusa share was calculated at 33.30 cents (traded between 31.0 cents and 39.0 cents). Thus, the assumed exercise price of the Tranche 2 to 5 Options has been set at 1.1 times 33.30 cents, which is 36.63 cents. The actual exercise prices may be lower or higher than these price as this depends upon the actual average closing price over 5 days immediately before the relevant vesting date.

- Interest Rate – 5.435% (5 year bond rate at 30 August 2004)
- No of Options Granted – 3,000,000
- The expiry date of the Options will be as set out in the table above.
- No discount has been applied for the delayed vesting dates and the conditions attached relating to employment of Mr Davis and Harvest through the Consultancy Services Agreement.

Based on the above assumptions and comments, the ranges of value of the Options as at 1 September 2004 are as follows:

Tranche	50% Volatility (cents per Option)	75% Volatility (cents per Option)	100% Volatility (cents per Option)
1	14.73	20.57	25.16
2	16.31	21.62	25.81
3	16.31	21.62	25.81
4	16.31	21.62	25.81
5	16.31	21.62	25.81

If the Tranche 1 Options were valued as at 23 June 2004, the range of values using the above volatilities would be 19.74 cents (50% volatility), 26.01 cents (75% volatility) and 30.92 cents (100% volatility). This assumes a market value of a Share at 23 June 2004 of 39.4 cents.

Based on the assumptions set out in the valuation, the value of each tranche of Options is:

Vesting Date	Value of 600,000 Options		
	50% Volatility	75% Volatility	100% Volatility
First Tranche – 23 June 2004	\$88,380	\$123,420	\$150,960
Second Tranche – 23 June 2005	\$97,860	\$129,720	\$154,860
Third Tranche – 23 June 2006	\$97,860	\$129,720	\$154,860
Fourth Tranche – 23 June 2007	\$97,860	\$129,720	\$154,860
Fifth Tranche – 23 June 2008	\$97,860	\$129,720	\$154,860
TOTAL VALUE:	\$479,820	\$642,300	\$770,400

- (i) The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolution.

4.3 ASX Listing Rule 10.11

For the purpose of ASX Listing Rule 10.11, Mr Davis is a related party of the Company.

Accordingly, in order to grant the Options to Mr Davis (or his nominees), the Company must obtain shareholder approval pursuant to Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to grant the Options to Mr Davis as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the grant of the Options to Mr Davis will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting convened to consider shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to shareholders in relation to this Resolution. This information is as follows:

- (a) the Options will be granted to Mr Davis or his nominee;
- (b) the number of Options the Company will grant to Mr Davis or his nominee is 3,000,000;
- (c) the Options will be issued no later than one (1) month after the date of this Meeting (or such later date as permitted by ASX);
- (d) the Options will be granted for nil cash consideration and the terms and conditions of the Options are set out in the table in Section 5.2 and in the terms and conditions in Schedule 2 to this Explanatory Statement; and
- (e) there will be no funds raised from the issue of the Options to Mr Davis (or his nominees).

SCHEDULE 1

ATTACHING LISTED OPTION TERMS AND CONDITIONS

- (a) The options will be issued at an issue price of \$0.01 each.
- (b) Each option exercised will entitle the holder to one Share in the capital of the Company.
- (c) The options are excisable at any time before 31 January 2007 ("**Expiry Date**").
- (d) The exercise price of the options will be \$0.20 ("**Exercise Price**").
- (e) The options will be quoted on the ASX.
- (f) 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.
- (g) All Shares issued upon exercise of the options will rank pari passu in all respects with the Company's then existing Shares.
- (h) 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. However, the Company will send a notice to each holder of options at least nine business days before the record date. This will give options holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- (i) 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) that 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.
- (j) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, on or prior to the Expiry Date, the options will be reorganised in accordance with the Listing Rules of ASX at the time of reorganisation.

SCHEDULE 2

GEOFF DAVIS INCENTIVE OPTION TERMS AND CONDITIONS

- (a) The options will be issued for no consideration.
- (b) Each option exercised will entitle the holder to one Share in the capital of the Company.
- (c) The options are, subject to the relevant service period, excisable at any time 72 months after the IPO Listing Date (23 December 2009) ("**Expiry Date**").

- (d) The exercise price of the options will be 1.1 times (or 110% of) the average closing price of the Company's shares on the ASX during the five trading days prior to the relevant vesting date ("**Exercise Price**").
- (e) The options will not be quoted on the ASX.
- (f) The options may be exercised at any time prior to the Expiry Date subject to vesting requirements, in whole or in part, upon payment of the Exercise Price per option.
- (g) 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.
- (h) All Shares issued upon exercise of the options will rank pari passu in all respects with the Company's then existing Shares.
- (i) The options are transferable upon written notification to the Secretary of the Company, subject to the requirements of the Listing Rules of ASX concerning any options classified as restricted securities.
- (j) 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 (k), 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 for subscription on a pro rata basis. Option holders will be provided written notice of the terms of the pro rata offer to shareholders and afforded that period of time as required by the Listing Rules of ASX before the record date to determine entitlements to the offer to exercise their options.
- (k) 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) that 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.
- (l) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, on or prior to the Expiry Date, the options will be reorganised in accordance with the Listing Rules of ASX.

ANNEXURE A
NOMINATION LETTER FOR AUDITOR

Geoffrey John Davis
Unit 3
18 Macleod Road
Applecross WA 6153

10 September 2004

The Board of Directors
Medusa Mining Limited
PO Box 860
Canning Bridge WA 6153

Dear Sirs

For the purpose of Section 328(1) of the Corporation Law, Geoffrey John Davis being the member of Medusa Mining Limited hereby nominate Bentleys MRI as auditor of the Company at the Annual General Meeting to be held on 11 November 2004.

Yours faithfully



GEOFFREY JOHN DAVIS



PO Box 860
Canning Bridge WA 6153
Phone: 618-93670601
Fax: 618-93670602

Email: admin@medusamining.com.au
Web: www.medusamining.com.au

PROXY FORM GENERAL MEETING

I/We

being a Member of Medusa Mining Limited entitled to attend and vote at the Meeting, hereby

appoint
(Name of Proxy)

or failing the person so named, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at The Broadwater Pagoda Resort Hotel, 112 Melville Parade, Como WA 6152 at 10.00am (WST) on 11 November 2004 and at any adjournment thereof. **If no directions are given, the Chairman will vote in favour of all of the resolutions.**

Voting on Business of the General Meeting

	For	Against	Abstain
Resolution 1 : Re-election of Director – Mr E S M Mein	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 : Appointment of Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 : Ratification of Previous Share and Attaching Option Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 : Grant of Options to Mr G Davis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the Resolutions if no directions are given.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is

Please return this Proxy Form to the Company Secretary, Medusa Mining Limited, PO Box 860, Canning Bridge WA 6153, Western Australia or fax to (08) 9367 0602 by 5.00pm (WST) on 25 October 2004.

Signed this day of 2004

By:

Individuals and joint holders

Signature

Signature

Signature

Companies (affix common seal if appropriate)

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote on their behalf.

Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2. A proxy need not be a member of the Company.

In the case of joint holders, signatures are required by the first named and one other joint holder.

3. Corporate shareholders should comply with the execution requirements as out on the Proxy Form or otherwise with the provisions of Section 127 of the *Corporations Act 2001 (Cth)*. Section 127 of the *Corporations Act* provides that a company may execute a document without using its common seal if the document is signed by:

- two directors of the company;
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary, that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Law, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and confirm to the requirements of Section 127(1) or (2), as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
7. In accordance with Regulation 7.11.37 of the *Corporations Act*, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is Monday 25 October 2004. Shares in the Company will be taken to be held by the persons who are registered holders at 5.00pm (WST) on 25 October 2004. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.
8. To be effective, this proxy (and the Power of Attorney, if any, under which is signed or a notarially certified copy thereof) must be lodged at the office of the Company, Unit 7, 11 Preston Street, Como, Western Australia, 6152, or sent by facsimile to (08) 9367 0602 or by email to admin@medusamining.com.au not less than forty eight (48) hours before the time for holding the Annual General Meeting.