



# **MEDUSA MINING LIMITED**

ACN 099 377 849

## **NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM**

For the Annual General Meeting to be held on  
Tuesday, 29 November 2005 at 10.00 am (WST)  
at The Parmelia Hilton Hotel (Pinnacles Room),  
Mill Street, Perth, Western Australia

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 (the "Company") will be held in the Pinnacles Room, Parmelia Hilton Hotel, Mill Street, Perth, Western Australia on Tuesday, 29 November 2005 at 10.00 am (WST) for the purpose of transacting the following business.

The attached Explanatory Memorandum is provided to supply shareholders with information to enable shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Memorandum is to be read in conjunction with this Notice.

## **AGENDA**

### **BUSINESS**

#### **1. Accounts and Reports**

To receive and consider the financial statements and reports of the Directors and Auditors for the year ended 30 June 2005.

#### **2. Resolution 1: Re-election of Director - Simon Cato**

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

*"That, Mr Simon Kenneth Cato, who retires by rotation in accordance with the Constitution of the Company, and being eligible, offers himself for election, is hereby re-elected as Director of the Company."*

#### **3. Resolution 2: Re-election of Director - Kevin Tomlinson**

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

*"That, Mr Kevin Tomlinson, who was appointed a Director of the Company by the Board on 10 October 2005 and in accordance with the Constitution of the Company holds office until the next annual general meeting, and being eligible, offers himself for election, is hereby re-elected as Director of the Company."*

#### **4. Resolution 3: Ratification of previous issue of ordinary shares and listed options**

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 Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company ratifies the allotment and issue on or about 22 September 2005 of 2,342,440 fully paid ordinary shares in the capital of the Company at 60 cents per share and 585,610 free attaching listed 20 cent options with an expiry date of 31 January 2007 to clients of State One Stockbroking Limited within the meaning of section 708 of the Corporations Act 2001."*

#### **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 ASX Listing Rule 7.4 to the issue of shares and options on 22 September 2005, 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.

#### **Voting Exclusion Statement:**

The Company will disregard any votes cast on this Resolution 3 by an allottee of the issue the subject of this Resolution 3 (an "allottee") and any of the associates of such an allottee. However, the Company will not disregard a vote cast on this Resolution 3:

- 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.

---

**5. Resolution 4: Grant of options to Mr Kevin Tomlinson**

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 and Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to grant to Mr Kevin Tomlinson or his nominee up to 1,000,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Memorandum 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 Tomlinson is a related party of the Company.

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution 4 by Mr Kevin Tomlinson or any of his associates or any person who may obtain a benefit if this Resolution 4 is passed other than in their capacity as shareholder. However, the Company need not disregard a vote cast on this Resolution 4 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.

**6. Resolution 5: Increase aggregate pool of Directors' remuneration from \$100,000 to \$200,000**

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 Rule 10.17 of the Listing Rules of the Australian Stock Exchange Limited, clause 11.15 of the Company's Constitution and for all other purposes, for the financial year commencing 1 July 2005 and in respect of each financial year thereafter and until otherwise determined by a resolution of shareholders, the maximum aggregate remuneration payable out of the funds of the Company to Non-Executive Directors of the Company for their services as Directors including their service on a committee of Directors be increased from \$100,000 per annum to \$200,000 per annum and such amount, or such lesser amount as the Directors determine shall be divided amongst the Directors as directors fees in such proportions and manner as the Directors may determine."*

Short Explanation:

Approval is sought under ASX Listing Rule 10.17 and clause 11.15 of the Company's Constitution to enable the aggregate remuneration payable to the Directors to be increased. Information about this resolution appears in the Explanatory Memorandum that forms part of, and accompanies this Notice of Annual General Meeting.

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution 5 by all of the Directors of the Company or any of their associates or any person who may obtain a benefit, except a benefit solely in the capacity of a shareholder. However, the Company need not disregard a vote cast on this Resolution 5 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.

# NOTICE OF ANNUAL GENERAL MEETING

---

## 7. Resolution 6: Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following in accordance with section 250R(2) of the Corporations Act:

*"That, the Remuneration Report in the Annual Report of the Company for the financial year ended 30 June 2005 be adopted."*

### Short Explanation:

The Remuneration Report is in the Directors Report section of the Company's 2005 Annual Report. Listed companies are required to put the Remuneration Report to the vote for adoption at the Company's Annual General Meeting. The vote on this resolution is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

## VOTING AND PROXIES

1. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. 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.
3. 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 10.00 am (WST) on 27 November 2005.
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

## By Order of the Board

Roy Daniel  
Company Secretary

# EXPLANATORY MEMORANDUM

---

This Explanatory Memorandum should be read in its entirety. If shareholders are in doubt as to how they should vote on the resolutions to be proposed at the Annual General Meeting, they should seek advice from their accountant, solicitor or other professional adviser.

## 1. Introduction

This Explanatory Memorandum has been prepared for the information of shareholders of Medusa Mining Limited (the "**Company**") in connection with the business to be conducted at the Annual General Meeting to be held in the Pinnacle Room, Parmelia Hilton Hotel, Mill Street, Perth, Western Australia on Tuesday, 29 November 2005 at 10.00 am and should be read in conjunction with the Notice of General Meeting.

## 2. Resolution 1: Re-election of Director

Mr Simon Kenneth Cato retires by rotation pursuant to clause 11.3 of the Company's Constitution.

In accordance with clause 11.3 of the Company's Constitution, and being eligible, Mr Cato offers himself for re-election as a Director of the Company.

Shareholder approval is sought to re-elect Mr Cato as a Director of the Company.

## 3. Resolution 2: Re-election of Director

Mr Kevin Tomlinson was appointed by the Board of the Company on 10 October 2005 and pursuant to clause 11.12 of the Company's Constitution holds office until the next annual general meeting.

In accordance with clause 11.12 of the Company's Constitution and the ASX Listing Rules, and being eligible, Mr Tomlinson offers himself for re-election as a Director of the Company.

As Mr Tomlinson is standing for re-election, Dr Jeffrey Schiller will chair the meeting for this item.

Shareholder approval is sought to re-elect Mr Tomlinson as a Director of the Company.

## 4. Resolution 3: Ratification of previous issue of ordinary shares and listed options

Under ASX Listing Rule 7.1, the Company is permitted to issue up to 15% of its securities within a twelve month period without the requirement to obtain shareholder approval.

Whilst shareholder approval for the issue of the ordinary shares was not required at the time of the issue, the effect of the issue is to reduce the Company's capacity to issue additional securities in the future without shareholder approval.

ASX Listing Rule 7.4 allows an issue made by the Company without shareholder approval under ASX Listing Rule 7.1, to be treated as having been made with approval for the purposes of ASX Listing Rule 7.1 if it is subsequently approved by shareholders and did not breach ASX Listing Rule 7.1 at the time of issue.

The Company wishes to seek approval for the purposes of ASX Listing Rule 7.4 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 of 2,342,440 ordinary Shares on or about 22 September 2005 and 585,610 free attaching listed 20 cent options 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:

- (a) the number of shares allotted was 2,342,440 and the number of free attaching listed 20 cent options allotted was 585,610;
- (b) the allotted shares were issued at a price of 60 cents per share and the options were allotted on the basis of 1 option for every 4 shares allotted;
- (c) the shares rank equally with the Company's existing issued shares and the general terms and conditions of the options are set out in Annexure "A". Otherwise, the terms and conditions of the options are they have an exercise price of 20 cents, an expiry date of 31 January 2007 and the options are freely transferable;
- (d) the allottees of the securities were investors entitled to accept offers of securities under section 708 of the Corporations Act being clients of State One Stockbroking Limited. None of the allottees are related parties or associates of the Company; and
- (e) the funds raised from the issue of the shares of \$1,405,464, (before expenses) will be used to provide working capital to fund the advancement of the Company's mineral properties and general corporate overheads.

# EXPLANATORY MEMORANDUM

## 5. Resolution 4: Grant of options to Mr Kevin Tomlinson

### Background:

Resolution 4 seeks shareholder approval for the grant of up to 1,000,000 options to Mr Kevin Tomlinson or his nominee. Mr Tomlinson is the Non-Executive Chairman of the Company.

Shareholder approval is sought for the purposes of Chapter 2E of the Corporations Act (section 208) and ASX Listing Rule 10.11 because Mr Tomlinson as a Director, is a related party of the Company.

### 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:

- (i) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (ii) prior shareholder approval is obtained to the giving of the financial benefit to the related party.

For the purposes of Chapter 2E, the grant of options to Mr Kevin Tomlinson is a financial benefit and Mr Tomlinson is a related party of the Company as a Director.

Resolution 4 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 up to 1,000,000 options to Mr Tomlinson or his nominee.

### (b) The nature of the financial benefit

The proposed financial benefit to be given is the grant of up to 1,000,000 options for no cash consideration to Mr Tomlinson or his nominee. The financial benefit will constitute part of Mr Tomlinson's remuneration package.

The options to be granted to Mr Tomlinson and details of the exercise price and expiry date are set out in the table below:

Tranche	Number of options	Vesting criteria	Exercise price	Expiry date
1 <sup>st</sup>	250,000	Full vesting upon issue	\$0.72	02 Oct 2008
2 <sup>nd</sup>	500,000	Full vesting upon issue	\$0.90	02 Oct 2008
3 <sup>rd</sup>	250,000	Full vesting upon issue	\$1.50	02 Oct 2008

The options are not transferable except with the prior approval of the Board of the Company. Otherwise than as set out above, the general terms and conditions of all the options are set out in Appendix "A".

The options will be granted within one month of the date of the Meeting and will be fully vested upon issue. It is not the current intention of the Company for the options to be quoted.

The exercise price of the options represents the following premiums to the issue price of the Company's recent prospectus rights issue at \$0.60 per share:

- (i) 1<sup>st</sup> tranche - \$0.72 represents a premium of 20%;
- (ii) 2<sup>nd</sup> tranche - \$0.90 represents a premium of 50%; and
- (iii) 3<sup>rd</sup> tranche - \$1.50 represents a premium of 150%.

**(c) Directors recommendation and basis of financial benefit**

The purpose of the options is to give Mr Tomlinson an incentive to provide dedicated and ongoing commitment and effort to the Company. The number of options to be given to Mr Tomlinson and the terms of the options were negotiated with Mr Tomlinson by the Managing Director, Mr Davis and each of the other Directors being Messrs Schiller, Mein and Cato who each consider the number of options to be granted to be a sufficient number to appropriately incentivise Mr Tomlinson when considered together with his Directors' fees.

Mr Tomlinson abstains from making a recommendation to shareholders as to Resolution 4 as he has a material personal interest in the outcome of the resolution being the recipient of the options.

Messrs Davis, Schiller, Mein and Cato as the independent directors recommend that shareholders vote in favour of the resolution for the reasons set out above and because the options are a cost effective means for the Company to remunerate Mr Tomlinson.

**(d) Dilution**

The passing of Resolution 4 would have the effect of granting Mr Tomlinson (or his nominee) options on the terms and conditions as set out above and in Appendix "A".

If any options granted as proposed above are exercised the effect would be to dilute the shareholding of existing shareholders. The market price of the Company's shares during the period of the options will normally determine whether or not option holders exercise the options. At the time any options are exercised and shares are issued pursuant to the exercise of the options, the Company's shares may be valued at a price that is higher than the exercise price of the options. At the date of this notice of meeting, the shares are trading at a price less than the exercise price of the options.

If all of the options to be granted under Resolution 4 were to be exercised, the effect would be to dilute the shareholding of existing shareholders by approximately 1.87 % on an undiluted basis.

**(e) Total remuneration package of Mr Tomlinson**

Mr Tomlinson will receive \$50,000 in fees in his capacity as Non-Executive Chairman of the Company.

**(f) Existing relevant interest of Mr Tomlinson in the Company**

Mr Tomlinson currently holds 12,500 ordinary shares and 6,250 listed 20 cent Medusa options expiring 31 January 2007.

**(g) Trading history**

The following table gives details of the highest, lowest and the latest closing price of the Company's share trading on the ASX over the last 12 months.

<i>Description</i>	<i>Date</i>	<i>Closing price</i>
Highest price	14 Feb 2005	85 cents
Lowest price	10 Aug 2004	30 cents
Latest price	04 Oct 2005	60 cents

**(h) Valuation of options**

The Company's independent advisers, BDO Consultants (WA) Pty Ltd, have valued the options by reference to the Black and Scholes option pricing model based on the following assumptions:

<i>Input</i>		<i>Note</i>
Underlying security spot price	60 cents	1.
Exercise price	1 <sup>st</sup> tranche - \$0.72; 2 <sup>nd</sup> tranche - \$0.90; and 3 <sup>rd</sup> tranche - \$1.50.	
Dividend rate	Nil	2.
Standard deviation of returns (annualized)	70%	3.
Risk free rate	5.30%	4.
Valuation date	03 October 2005	
Expiration date	02 October 2008	5.
Expiration period (years)	3	

# EXPLANATORY MEMORANDUM

- Note 1. The underlying security spot price used for the purposes of this valuation is based on the closing price as at 04 October 2005;
- Note 2. As at the date of the valuation, the Company had not forecast any future dividend payments. For the purposes of the valuation it is therefore assumed that the Company's share price is "ex-dividend". If dividend payments were forecast, the value of the options would be reduced.
- Note 3. The anticipated standard deviation over the life of the options is based on comparable companies historical data from the Australian Graduate School of Management's Risk Measurement Service.
- Note 4. The risk free rate is the Commonwealth Government securities rate with a maturity date approximately that of the expiration period of the options as at 02 October 2005.
- Note 5. The expiration date for the purpose of this valuation is the date of expiration that is proposed by the Company.

Based on the above assumptions, the options have been valued as follows:

<i>Tranche</i>	<i>Number of options</i>	<i>Value per option</i>
1 <sup>st</sup>	250,000	26.9 cents
2 <sup>nd</sup>	500,000	23.4 cents
3 <sup>rd</sup>	250,000	15.6 cents

## (i) Other Information

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.

## ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires the Company to obtain shareholder approval by ordinary resolution prior to issue of securities (including an option) to a related party of the Company.

For the purposes of ASX Listing Rule 10.11, Mr Tomlinson is a related party of the Company.

Accordingly, in order to grant the options to Mr Tomlinson (or his nominee), the Company must obtain shareholder approval pursuant to ASX Listing Rule 10.11.

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

ASX 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 Resolution 4. This information is as follows:

- (i) the options will be granted to Mr Tomlinson or his nominee;
- (ii) the maximum number of options the Company will grant to Mr Tomlinson or his nominee is 1,000,000;
- (iii) the options will be issued no later than one (1) month after the date of this meeting (or such later date as permitted by the ASX);
- (iv) the options will be granted for nil cash consideration and the terms and conditions of the options are set out in the table in this section and in Appendix "A" of this Explanatory Memorandum;
- (v) there will be no funds raised from the issue of the options to Mr Tomlinson (or his nominee); and
- (vi) the purpose of the grant of options to Mr Tomlinson is to give him an incentive to provide dedicated and ongoing commitment and effort to the Company. The Company acknowledges that the issue of options to a Non-Executive Director is contrary to recommendation 9.3 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

However the Board considers the grant of options under Resolution 4 is reasonable in the circumstances given the Company's size and stage of development and the necessity to attract and retain a high calibre person to the role of Non-Executive Chairman whilst maintaining the Company's cash reserves.



# EXPLANATORY MEMORANDUM

---

## **6. Resolution 5: Increase aggregate pool of Directors' remuneration from \$100,000 to \$200,000**

ASX Listing Rule 10.17 and clause 11.15 of the Company's Constitution provides that the remuneration Directors receive as director's fees will not exceed a fixed sum determined by shareholders in a general meeting without shareholder approval and/ or any increase to such remuneration requires shareholder approval.

The current maximum aggregate level of Directors' fees payable to Non-Executive Directors for their services as Directors (including service on a committee of Directors) is \$100,000 per annum.

The Board considers that for the financial year commencing 1 July 2005 and each financial year thereafter, until otherwise determined by a resolution of shareholders, the maximum aggregate level of Directors' fees payable to Non-Executive Directors should be increased to \$200,000 per annum.

The proposed increase to the maximum aggregate fee pool will provide the Company with the capacity to appoint additional Directors in the future as and when required as the Company develops and set Director's fees at a level consistent with market benchmarks. The sum of \$200,000 or such lesser amount as the Directors determine each year, will be divided amongst the Directors in such proportions and manner as the Directors determine.

The Board considers that a maximum aggregate fee pool of \$200,000 compares favourably with the fee pools of Australian companies of a similar size and stature.

The Directors of the Company being Messrs Schiller, Davis, Cato, Tomlinson and Mein each have a material person interest in the outcome of Resolution 5 and therefore abstain from making a recommendation as to Resolution 5.

## **7. Resolution 6: Adoption of Remuneration Report for year ended 30 June 2005**

The Corporation Act requires that the Directors put forward a resolution to shareholders each and every year that the Remuneration Report is adopted. The Remuneration Report is in the Directors Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended 30 June 2005.

There will be a reasonable opportunity for shareholders to comment on and ask questions about the Remuneration Report.

The Directors recommend that shareholders vote in favour of Resolution 6. Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on the proposed resolution is advisory only and will not bind the Board or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

# ANNEXURE “A”

---

## GENERAL TERMS AND CONDITIONS OF OPTIONS

The general terms and conditions of the issue of each of the options the subject of Resolution 3 and Resolution 4 are to the effect that:

- (a) The options will be issued for no consideration.
- (b) Each option entitles the holder to one Share (ordinary share) in the capital of the Company.
- (c) 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.
- (d) 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.
- (e) All Shares issued upon the exercise of the options will rank *pari passu* in all respects with the Company’s then issued Shares.
- (f) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues or pro-rata 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 ASX Listing Rules before the record date to determine entitlements to the offer to exercise their options.
- (g) 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.
- (h) 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 ASX Listing Rules.
- (i) 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 ASX Listing Rule 6.22.

# PROXY FORM

I/We  
(name and address)

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

appoint

Name of proxy

or failing the person so named or, 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 Annual General Meeting to be held in the Pinnacle Room, Parmelia Hilton Hotel, Mill Street, Perth Western Australia on Tuesday, 29 November 2005 at 10.00 am (WST) and at any adjournment thereof.

**If no directions are given on how to vote, the Chairman will vote in favour of all of the Resolutions.**

Voting on Business of the Annual General Meeting:	<u>For</u>	<u>Against</u>	<u>Abstain</u>
<b>Resolution 1:</b> Re-election of Mr Simon Cato	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2:</b> Re-election of Mr Kevin Tomlinson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3:</b> Ratification of the previous issue of ordinary shares and options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4:</b> Grant of options to Mr Kevin Tomlinson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5:</b> Increase of aggregate pool of Directors remuneration to \$200,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 6:</b> Adoption of Remuneration Report	<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, Unit 7, 11 Preston Street, Como, Western Australia or fax to (08) 9367 0602 **by** 10.00 am (WST) on 27 November 2005.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005

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 Proxy Form

1. A member of the Company who is entitled to attend and cast two or more votes at a general meeting of shareholders is entitled to appoint two proxies. Where more than one proxy is appointed, such proxy must be allocated a 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 duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. 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:
  - 2 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 Act, 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 conform 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. To vote by proxy, please complete and sign this proxy form and return the proxy form (by post, delivery or fax) to the Company Secretary:

Registered Office: Unit 7  
11 Preston Street  
Como WA 6152

Facsimile Number: (08) 9367 0602

Postal Address: PO Box 860  
Canning Bridge WA 6153

by no later than 48 hours prior to the time of the commencement of the General Meeting.

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 **10.00 am (WST) on Sunday, 27 November 2005.**