



MEDUSA

MEDUSA MINING LIMITED

ACN 099 377 849

NOTICE OF GENERAL MEETING

AND

EXPLANATORY MEMORANDUM

For the General Meeting to be held on Wednesday, 28 January 2015 at 10.00 am (Perth time) at the Pagoda Room A, Esplanade River Suites, 112 Melville Parade, Como, 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 General Meeting, please complete the Proxy Form enclosed and return it in accordance with the instructions set out on that form.

MEDUSA MINING LIMITED

ACN 099 377 849

NOTICE OF GENERAL MEETING

Medusa Mining Limited (**Company**) gives notice that a general meeting of the Company will be held on Wednesday, 28 January 2015 at 10.00 am (Perth time) at the Pagoda Room A, Esplanade River Suites, 112 Melville Parade, Como, Perth, Western Australia (**General Meeting**).

ITEMS OF BUSINESS

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice.

Terms and abbreviations used in this Notice (including in the Explanatory Memorandum and the Proxy Form) are defined in Schedule 1 to this Notice (or elsewhere in the body of this Notice).

1. RESOLUTION 1 - APPROVAL OF MEDUSA MINING LIMITED SHARE OPTION PLAN

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That the Medusa Mining Limited Share Option Plan, the principal terms of which are summarised in the Explanatory Memorandum accompanying this Notice, and the issue of Options under that plan (including the issue of Shares upon the exercise of those Options), be approved for all purposes, including for the purposes of ASX Listing Rule 7.2 Exception 9 and sections 200B and 200E of the Corporations Act."

Note: A voting exclusion statement for Resolution 1 is set out after Resolution 3 below.

2. RESOLUTION 2 - APPROVAL OF MEDUSA MINING LIMITED PERFORMANCE RIGHTS PLAN

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That the Medusa Mining Limited Performance Rights Plan, the principal terms of which are summarised in the Explanatory Memorandum accompanying this Notice, and the issue of Shares under that plan (including the issue of Shares upon vesting of those Performance Rights), be approved for all purposes, including for the purposes of ASX Listing Rule 7.2 Exception 9 and sections 200B and 200E of the Corporations Act."

Note: A voting exclusion statement for Resolution 2 is set out after Resolution 3 below.

3. RESOLUTION 3 - APPROVAL OF THE GRANT OF OPTIONS TO MR RAUL VILLANUEVA

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, the grant of 500,000 Options to Mr Raul Villanueva (and the acquisition of Shares by Mr Villanueva upon the exercise of any such Options), in accordance with the Medusa Mining Limited Share Option Plan and otherwise in accordance with the terms and conditions summarised in the Explanatory Memorandum accompanying this Notice, be approved."

Voting exclusion statement - Resolutions 1, 2 and 3: The Company will disregard any votes cast on Resolutions 1, 2 or 3:

- by, or on behalf of, Mr Villanueva (being the only Director currently entitled to participate in either the Share Option Plan or the Performance Rights Plan) and any associate of Mr Villanueva; and
- by a member of the key management personnel (and their closely related parties) acting as a proxy,

unless the vote is cast by:

- a person as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form; or
- the Chairperson of the General Meeting as proxy for a person entitled to vote in accordance with a direction on the Proxy Form to vote as the Chairperson sees fit and exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

4. **RESOLUTION 4 - APPROVAL OF THE GRANT OF OPTIONS MR GARY POWELL**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11, sections 200B and 200E of the Corporations Act, and for all other purposes, the grant of 500,000 Options to Mr Gary Powell (and the acquisition of Shares by Mr Powell upon the exercise of any such Options), in accordance with the Medusa Mining Limited Share Option Plan and otherwise in accordance with the terms and conditions summarised in the Explanatory Memorandum accompanying this Notice, be approved."

Voting exclusion statement - Resolution 4: The Company will disregard any votes cast on the Resolution 4:

- by, or on behalf of, Mr Powell and any associate of Mr Powell; and
- by a member of the key management personnel (and their closely related parties) acting as a proxy,

unless the vote is cast by:

- a person as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form; or
- the Chairperson of the General Meeting as proxy for a person entitled to vote in accordance with a direction on the Proxy Form to vote as the Chairperson sees fit and exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

5. **RESOLUTION 5 - RATIFICATION OF OPTIONS GRANTED TO CERTAIN EMPLOYEES**

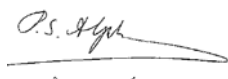
To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue of 3,200,000 Options (and the issue of any Shares upon the exercise of such Options) to certain employees of the Company, in accordance with the Medusa Mining Limited Share Option Plan and otherwise in accordance with the terms and conditions summarised in the Explanatory Memorandum accompanying this Notice, be approved and ratified."

Voting exclusion statement - Resolution 5: The Company will disregard any votes cast on Resolution 5 by a person who participated in the issue and any associates of those persons, unless the vote is cast by:

- a person as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form; or
- the Chairperson of the General Meeting as proxy for a person entitled to vote in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board



Peter Alphonso

Company Secretary
24 December 2014

EXPLANATORY MEMORANDUM

The Explanatory Memorandum has been prepared to provide Shareholders with information about the items of business to be considered at the General Meeting of the Company to be held on Wednesday, 28 January 2015 at 10.00 am (Perth time) at the Pagoda Room A, Esplanade River Suites, 112 Melville Parade, Como, Perth, Western Australia.

This Explanatory Memorandum is important and should be read carefully, in its entirety, by all Shareholders. This Explanatory Memorandum (and Schedules to this Explanatory Memorandum) form part of the Notice.

1. RESOLUTIONS 1 AND 2 - APPROVAL OF SHARE OPTION PLAN AND PERFORMANCE RIGHTS PLAN

1.1 Background to Resolutions 1 and 2

After a review of the Company's remuneration framework in late 2014, the Board approved the adoption of the Share Option Plan and Performance Rights Plan.

Importantly, the Plans enable the Company to make grants to senior executives and other employees, which the Board believes will assist with both retaining and incentivising those employees, and also focussing those employees on future Shareholder value generation.

The Plans have not previously been considered or approved by Shareholders.

3,200,000 Options have been issued to certain employees of the Company pursuant to the Share Option Plan. Prior Shareholder approval was not required for the grant of those Options, however, Resolution 5 seeks approval from Shareholders to approve and ratify the issue of those Options for the purposes of ASX Listing Rule 7.4.

No Performance Rights have been granted under the Performance Rights Plan.

1.2 ASX Listing Rule approval

Shareholder approval is being sought to approve the issue of Options and Performance Rights under the Plans so that the Company will satisfy ASX Listing Rule 7.2 Exception 9 (as an exception to ASX Listing Rule 7.1).

ASX Listing Rule 7.1 provides that, without the approval of Shareholders, an entity must not issue or agree to issue equity securities which amount to more than 15% of its issued share capital in any rolling 12 month period. ASX Listing Rule 7.2 sets out a number of exceptions to ASX Listing Rule 7.1. These exceptions include Exception 9, which relates to an issue under an employee incentive scheme if, within three years before the date of issue, Shareholders have approved the issue of securities under the scheme.

If Resolutions 1 and 2 are approved, all Options and Performance Rights subsequently issued by the Company under the Plans (including the Shares issued on the exercise of such Options or vesting of such Performance Rights) will be excluded from the 15% limit imposed by ASX Listing Rule 7.1 for a period of three years from the date of the approval.

Without these approvals, the issue of Options and Performance Rights (and the Shares issued on the exercise of such Options or vesting of such Performance Rights) could still occur for the purposes of Chapter 7 of the ASX Listing Rules, but those Options and Performance Rights would be counted as part of the 15% limit in ASX Listing Rule 7.1 which would otherwise apply during the relevant twelve month period.

Approval of Resolutions 1 and 2 will not relieve the Company from the need to seek specific approval for any issue of equity securities to a related party (eg a Director).

1.3 Share Option Plan details

Pursuant to the Share Option Plan, the Board is vested with a discretion to issue Options to employees (full time or part time) of the Company or its subsidiaries.

An Option is a contractual right to be issued or transferred shares at a future point in time, subject to satisfaction of any vesting conditions and payment of the applicable exercise price.

Some other key rules of the Share Option Plan to note are the following:

- (a) No issue price is payable in connection with Options issued under the plan and eligibility to participate is otherwise at the Board's discretion.
- (b) Options issued under the Plan will only vest after a certain time period (set by the Board at the time of issue) has elapsed. The Options may be subject to further vesting conditions at the Board's discretion.
- (c) Options must have an exercise price which cannot be less than the prevailing Market Price of a Share.
- (d) The issue of Options to executive Directors is permitted, but prior Shareholder approval must first be obtained.
- (e) The Board is prohibited from granting an Option if the Board has reasonable grounds to believe that to do so would cause the aggregate of the following to exceed 5% of the total number of Shares on issue:
 - (i) the number of Shares that may be issued should the Options the subject of the proposed grant be exercised; plus
 - (ii) the number of Shares issued or that may be issued as a result of offers made at any time during the previous three year period under:
 - (A) the Share Option Plan;
 - (B) an employee incentive scheme covered by the Class Order (including the Performance Rights Plan); or
 - (C) an ASIC exempt arrangement of a similar kind to an employee incentive scheme.

It is proposed that any future Options will be issued to participants in accordance with the rules of the Share Option Plan. A copy of the Share Option Plan will be made available for inspection at the Company's registered office before the Meeting and at the Meeting. A summary of the principal rules of the Share Option Plan is set out in Schedule 2 of this Explanatory Memorandum.

1.4 Performance Rights Plan details

Under the Performance Rights Plan, the Board is vested with a discretion to issue Performance Rights to employees (full time or part time) of the Company or its subsidiaries.

A Performance Right is a contractual right to be issued or transferred Shares at a future point in time, subject to satisfaction of any performance criteria.

Some other key rules of the Performance Rights Plan to note are the following:

- (a) No issue price (and, unless otherwise specified by the Board, no exercise price) is payable in connection with the Performance Rights issued under the plan and eligibility to participate is otherwise at the Board's discretion.
- (b) Performance Rights issued under the Plan will only vest after a certain time period (set by the Board and which must be at least 12 months from the date the Performance Right is granted) has elapsed. The Board also has a discretion to make the vesting of some or all of the Performance Rights subject to the satisfaction of performance criteria to be assessed over specified periods.
- (c) The issue of Performance Rights to executive Directors is also permitted, but prior Shareholder approval must first be obtained.
- (d) The Board is also prohibited from granting a Performance Right if the Board has reasonable grounds to believe that to do so would cause the "share limit" mentioned in paragraph 1.3(e) above to be exceeded.

It is proposed that any Performance Rights will be issued to participants in accordance with the rules of the Performance Rights Plan. A copy of the Performance Rights Plan will be made available for inspection at the Company's registered office before the Meeting and at the Meeting. A summary of the principal rules of the Performance Rights Plan is set out in Schedule 3 of this Explanatory Memorandum.

1.5 Section 200B and 200E of the Corporations Act

The Corporations Act provides that the Company may only give a person a benefit in connection with their ceasing to hold a "managerial or executive office" if it is approved by Shareholders or an exemption applies (for example, where the benefit together with other benefits does not exceed the payment limits set out in the Corporations Act, including whether the aggregate benefits do not exceed one year's average base salary). This restriction applies to all key management personnel.

The term "benefit" in this context is broad, and would likely extend to the accelerated vesting of Options or Performance Rights. As outlined in the respective summaries of the Plans in Schedules 2 and 3 of this Explanatory Memorandum, the Board has the discretion to early vest some or all of the Options or Performance Rights (as the case may be):

- in certain specific circumstances, upon the cessation of employment of the relevant security holder; or
- if there is a change of control of the Company.

Shareholder approval is also sought so that the accelerated vesting of any Options or Performance Rights and the issue of any resulting Shares in the above circumstances (**Plan Benefits**) does not count towards the maximum termination benefits payable without Shareholder approval.

Shareholder approval of Resolutions 1 and 2 will allow the Company, where appropriate, to exercise its discretion under the Plans in an equitable manner for all employees equally.

If Resolutions 1 and 2 are not approved, employees who are key management personnel may not be able to receive Plan Benefits that are available to all other employees unless subsequent Shareholder approval is obtained.

Further, equity linked benefits such as the equity securities issued under the Plans align the interests of senior executives and Shareholders, and the Directors believe obtaining the approvals set out in Resolutions 1 and 2 is better for Shareholders than, for example, the Company increasing cash awards in future in lieu of Share benefits. Shareholder approval is also expected to assist the Company to retain, motivate and attract key employees.

For both Options and Performance Rights, the value of the benefit will depend on the number of securities that may vest and the market value of Shares at the time of vesting. Accordingly, the precise value of the Plan Benefits cannot be ascertained at the present time. Apart from the future Share price being unknown, the following matters which will or are likely to affect the value of the Plan Benefits are also unknown:

- the number of unvested Options and/or Performance Rights held by the relevant key management personnel prior to the cessation of their employment;
- reasons for cessation of employment; and
- the exercise of the Board's discretion at the relevant time.

Details of the Options that may vest in 2015, 2016 and 2017 are set out below.

It should be noted that, notwithstanding an approval by Shareholders of Resolutions 1 and 2, any future grant of equity securities to a Director will remain subject to Shareholder approval under ASX Listing Rule 10.14 and any issue to a "related party" will remain subject to Shareholder approval under ASX Listing Rule 10.11.

1.6 Recommendation of Directors

The Directors (other than Mr Villanueva) recommend that Shareholders vote in favour of both Resolution 1 to approve the Share Option Plan and Resolution 2 to approve the Performance Rights Plan. Mr Villanueva, as an executive Director, may be interested in the outcome of these Resolutions and therefore does not consider it appropriate to make a recommendation to Shareholders.

2. RESOLUTIONS 3 AND 4 - APPROVAL OF GRANT OF OPTIONS TO MR VILLANUEVA AND MR POWELL

2.1 Background to Resolutions 3 and 4

Resolutions 3 and 4 seek approval for the issue of 500,000 Options each to Mr Villanueva and Mr Powell in accordance with the Share Option Plan.

The purpose of the issue of these Options is principally intended to give both executives additional incentive to increase the value of the Company and its Share price and maintain a stable leadership team.

2.2 ASX Listing Rule approval

ASX Listing Rule 10.11 provides a general restriction against issuing equity securities (including Options) to "related parties" (which includes a Director) without shareholder approval.

ASX Listing Rule 10.14 provides that a Company must not issue equity securities to a Director of the Company under an employee incentive scheme unless the issue has been approved by shareholders.

If approval is given by Shareholders under either ASX Listing Rule 10.11 or 10.14, separate Shareholder approval is not required under ASX Listing Rule 7.1.

As Mr Villanueva is a Director, Resolution 3 seeks approval for the purposes of ASX Listing 10.14 for the issue of the relevant Options to him under the Share Option Plan.

Even though Mr Powell is not a Director, he is considered a "related party" of the Company on the basis that he was a Director within the last six months. Accordingly, Resolution 4 seeks approval for the purposes of ASX Listing Rule 10.11 for the issue of the relevant Options to him under the Share Option Plan.

2.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of "financial benefits" to "related parties" by a public company.

For the purposes of Chapter 2E of the Corporations Act (and as flagged above), Mr Villanueva and Mr Powell are "related parties" of the Company and the grant of the above Options will constitute the giving of a "financial benefit".

The Board (other than Mr Villanueva because of his interest in Resolutions 3) considers that the grant of those securities to Mr Villanueva and Mr Powell is an appropriate and reasonable component of their remuneration, and that the financial benefit represented by the grant of the securities falls within the "reasonable remuneration" exception in section 211 of the Corporations Act.

For this reason, it is not considered necessary for Resolutions 3 and 4 to also seek Shareholder approval for the purposes of Chapter 2E of the Corporations Act.

2.4 Sections 200B and 200E of the Corporations Act

As noted in paragraph 0 above in relation to Resolutions 1 and 2, the Corporations Act provides that the Company may only give a person a benefit in connection with their ceasing to hold a "managerial or executive office" if it is approved by Shareholders or an exemption applies (for example, where the benefit together with other benefits does not exceed the payment limits set out in the Corporations Act, including where the aggregate benefits do not exceed one year's average base salary).

The term "benefit" in this context is broad, and may include the accelerated vesting of Options. As outlined in the summary of the Share Option Plan in Schedule 2, the Board has the discretion to early vest some or all of the Options (as the case may be):

- in certain specific circumstances, upon the cessation of employment of the relevant security holder; or
- if there is a change of control of the Company.

Upon termination of employment, all unvested Options will be treated in accordance with the rules of the Share Option Plan. For example, where a participant ceases employment or office as:

- a "bad leaver" (eg resignation, fraudulent or dishonest conduct, etc), all unvested Options held by that participant will automatically lapse (unless the Board determines otherwise in its absolute discretion); and
- a "good leaver" (eg upon death, disability or the Company selling its business, etc), the Board may, in its absolute discretion, allow some or all of the unvested Options held by that participant to vest.

If the Board were to exercise its discretion to vest some or all of the Options early in the circumstances referred to above, this may amount to the giving of a termination benefit requiring Shareholder approval in accordance with the Corporations Act. Accordingly, Shareholder approval is also being sought for any such benefit which Mr Villanueva and Mr Powell may receive due to the accelerated vesting of their respective Options.

Details of Mr Villanueva's remuneration, including other termination benefits, are set out in the Company's 2014 Remuneration Report (contained in the 2014 annual report).

The value of the benefit will depend on the number of Options that may vest and the market value of Shares at the time of vesting. Accordingly, the precise value of the benefits cannot be calculated at the present time. Apart from the future Share price being unknown, the following matters which will or are likely to affect the value of the benefits are also unknown:

- the number of unvested Options held by Mr Villanueva or Mr Powell prior to the cessation of their employment or occurrence of a change of control;
- the reasons for cessation of employment; and
- the exercise of the Board's discretion at the relevant time.

2.5 Resolution 3 - ASX Listing Rule 10.15 information requirements

In compliance with the information requirements in ASX Listing Rule 10.15, the following information is provided in relation to Resolution 3.

- Mr Villanueva is a Director of the Company.
- The maximum number of securities to be issued by the Company pursuant to Resolution 3 is 500,000 Options which, if vested and exercised, will result in the issue or transfer to Mr Villanueva of 500,000 Shares.
- The Options will be granted to Mr Villanueva for nil cash consideration. To exercise any vested Options, Mr Villanueva will be required to pay the exercise price specified below.
- Should Resolution 3 be approved, it is expected that the Options will be granted to Mr Villanueva as soon as practicable after the date of this Meeting and in any event within twelve months from the date of this Meeting.
- The Options will be issued in accordance with the Rules of the Share Option Plan. A summary of Rules of that Plan is set out in Schedule 2 of this Explanatory Memorandum.

The Options to be issued to Mr Villanueva will expire four years after the date of their issue. Vesting of the Options will be staggered according to the number of years elapsed since the date those securities were initially issued (**Issue Date**), as specified in the table below.

Number of Options	Vesting dates	Expiry date	Exercise price
500,000	<ul style="list-style-type: none"> • 150,000 Options on the 1st anniversary of the Issue Date • 150,000 Options on the 2nd anniversary of the Issue Date • 200,000 Options on the 3rd anniversary of the Issue Date 	On the 4 th anniversary of the Issue Date	\$1.00

- (f) The Share Option Plan has not previously been approved by Shareholders.

After the Share Option Plan was approved by the Board (and before the date of this Notice), 3,200,000 Options were issued to certain employees of the Company.

Specific Shareholder approval was not required for the grant of those Options pursuant to the ASX Listing Rules or the Corporations Act. Resolution 5, however, seeks approval from Shareholders to approve and ratify the issue of those Options for the purposes of ASX Listing Rule 7.4.

- (g) Mr Villanueva is the only person of the kind referred to in ASX Listing 10.14 who is entitled to participate in the Share Option Plan. Any future grants to an executive Director under the Share Option Plan will remain subject to member approval under ASX Listing Rule 10.14.
- (h) No loans will be advanced to Mr Villanueva in respect of the acquisitions of the Options.

2.6 Resolution 4 - ASX Listing Rule 10.13 information requirements

In compliance with the information requirements in ASX Listing Rule 10.13, the following information is provided in relation to Resolution 4.

- (a) Mr Powell is to be issued the Options the subject of Resolution 4.
- (b) Mr Powell is not a Director of the Company. Mr Powell is a "related party" of the Company because he was a Director within the last six months.
- (c) The maximum number of securities to be issued by the Company pursuant to Resolution 4 is 500,000 Options which, if vested and exercised, will result in the issue or transfer to Mr Powell of 500,000 Shares.
- (d) The Options will be granted to Mr Powell for nil cash consideration. To exercise any vested Options, Mr Powell will be required to pay an exercise price of \$1.00 per Option.
- (e) Should Resolution 4 be approved, it is expected that the Options will be granted to Mr Powell as soon as practicable after the date of this Meeting and in any event within one month after the date of the Meeting.
- (f) The Options will be issued in accordance with the rules of the Share Option Plan. A summary of the rules of that Plan is set out in Schedule 2 of this Explanatory Memorandum.

Mr Powell will be issued with the same number of Options as Mr Villanueva. His Options will also have the same vesting dates, expiry date and exercise price as Mr Villanueva's Options. See paragraph 2.5(e) above for further details.

- (g) No funds will be raised from the issue of the Options to Mr Powell. The Company expects that any funds raised in the future from the payment of the exercise price on the exercise of any of the Options will be used for general working capital purposes.

2.7 Recommendation of Directors

The Board (other than Mr Villanueva in respect of Resolution 3 because of his interest in Resolution 3) has formed the view that the grant of the Options to Mr Villanueva and Mr Powell on the terms and conditions set out in this Explanatory Memorandum is reasonable and not excessive in light of recent market practice, the Company's key objectives and the importance of Mr Villanueva and Mr Powell.

The Board (other than Mr Villanueva because of his interest in Resolution 3) unanimously recommends that Shareholders vote in favour of Resolution 3 to approve the grant of Options under the Share Option Plan to Mr Villanueva.

The Board unanimously recommends that Shareholders vote in favour of Resolution 4 to approve the grant of Options under the Share Option Plan to Mr Powell.

3. RESOLUTION 5 - RATIFICATION OF OPTIONS ISSUED TO CERTAIN EMPLOYEES

3.1 Background to Resolution 5

As noted above, 3,200,000 Options have already been issued under the Share Option Plan to certain employees of the Company.

3.2 ASX Listing Rule approval

Shareholder approval is being sought to ratify the prior issue of 3,200,000 Options before the date of this Notice for the purposes of ASX Listing Rule 7.4 so that those Options (and any Shares issued on the exercise of those Options) will be excluded from the 15% limit imposed by ASX Listing Rule 7.1.

More specifically, ASX Listing Rule 7.1 provides that, without the approval of Shareholders, an entity must not issue or agree to issue equity securities which amount to more than 15% of its issued share capital in any rolling 12 month period. ASX Listing Rule 7.4 then provides an issue of equity securities without approval under ASX Listing Rule 7.1 is treated as having been made with that approval if it is subsequently approved by Shareholders and that issue did not breach ASX Listing Rule 7.1 at the time of issue.

3.3 ASX Listing Rule 7.5 information requirements

In compliance with the information requirements in ASX Listing Rule 7.5, the following information is provided in relation to Resolution 5.

- (a) 3,200,000 Options have been issued by the Company.
- (b) The Options were granted for nil cash consideration. To exercise any vested Options, the holder will be required to pay an exercise price which will be equal to or greater than the Market Price of a Share.
- (c) The Options have been issued in accordance with the rules of the Share Option Plan. A summary of that rules of that Plan is set out in Schedule 2 of this Explanatory Memorandum.

The Options will expire on 16 December 2018, being the date that is four years after their date of issue. The vesting of the Options will be staggered according to the number of years elapsed since their issue date as specified in the table below.

Number of Options	Vesting dates	Expiry date	Exercise price
3,200,000	<ul style="list-style-type: none">960,000 Options on 16 December 2015960,000 Options on 16 December 20161,280,000 Options on 16 December 2017	16 December 2018	\$1.00

- (d) The Options have been issued to certain key members of the Company's executive management team and selected senior Philippines based employees in recognition for past service and to further incentivise those employees to increase the future value of the Company and its Share price.
- (e) No funds have been raised from the issue of the Options. The Company expects that any funds raised in the future from the payment of the exercise price on the exercise of the Options will be used for general working capital purposes.

3.4 Recommendation of the Board

The Board unanimously recommends that Shareholders vote in favour of Resolution 5 to ratify the grant of the Options to certain employees of the Company.

SCHEDULE 1

DEFINITIONS

Definition	Meaning
ASX	ASX Limited (ABN 98 008 624 691) or the financial market conducted by it (the Australian Securities Exchange), as the context requires
ASX Listing Rules	The official listing rules of ASX, as from time to time amended or waived in their application to a party
Board	The board of Directors of the Company
Chairperson	The chairperson of the General Meeting appointed in accordance with the Constitution
Class Order	ASIC Class Order [CO 14/1000]
Closely related party	Closely related party of a member of the key management personnel means: <ul style="list-style-type: none"> • a spouse or child of the member; or • a child of the member's spouse; or • a dependant of the member or of the member's spouse; or • anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or • a company that the member controls; or • a person prescribed by the <i>Corporations Regulations 2001</i> (Cth)
Company	Medusa Mining Limited (ACN 099 377 849)
Constitution	The constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Director	A director of the Company
Employee Incentive Scheme	Has the meaning given to that term in the Class Order
Explanatory Memorandum	The explanatory memorandum enclosed with and forming part of this Notice
General Meeting or Meeting	The general meeting of the Company notified to Shareholders by this Notice
Key Management Personnel	Key management personnel has the same meaning as in the accounting standards. The term broadly includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Director of the Company
Market Price of a Share	The price determined by the Board to be the weighted average closing price of Shares sold on ASX on the five trading days immediately preceding the date of the invitation to apply for the relevant Options under the Share Option Plan
Notice	This notice of meeting incorporating the Explanatory Memorandum and the Proxy Form
Option	An option issued under the Share Option Plan to certain employees to subscribe for one Share in the Company
Performance Right	Rights issued under the Performance Rights Plan to certain employees, which entitle the holder to a contractual right to acquire one Share in the Company, subject to satisfying the requisite criteria
Performance Rights Plan	The Company's Performance Rights Plan, which is summarised in Schedule 3 and is the subject of Resolution 2 (as amended from time to time)
Plans	The Performance Rights Plan and Share Option Plan.
Proxy Form	The proxy form enclosed with and forming part of this Notice
Resolutions	The resolutions referred to in this Notice, and Resolution means the applicable resolution referred to in this Notice or any of the resolutions referred to in this Notice (as the context requires)
Share	A fully paid ordinary share in the capital of the Company
Share Option Plan	The Company's Share Option Plan, which is summarised in Schedule 2 and is the subject of Resolution 1 (as amended from time to time)
Share Registry	Computershare Investor Services Pty Limited
Shareholder	The registered holder of a Share
\$ or A\$	A reference to "\$" or "A\$" is to Australian currency, unless otherwise indicated

SCHEDULE 2

SUMMARY OF SHARE OPTION PLAN

A summary of the principal rules of the Share Option Plan is set out below.

	Summary
Object	The object of the Share Option Plan is to assist in the recruitment, reward, retention and motivation of eligible participants (Participants) as determined by the Board.
Eligibility	<p>The Board may from time to time in its absolute discretion decide that any of the following persons are eligible to participate in the Share Option Plan:</p> <ul style="list-style-type: none"> • full time or part time employees of the Company and its subsidiaries (Group), including executive directors; and • prospective full time or part time employees of the Group, including executive directors. <p>Eligibility will be determined by the Board in its discretion and in accordance with the Rules and any applicable laws.</p>
Share limit restriction	<p>The Board must not invite an application for, or grant, an Option if the Board has reasonable grounds to believe that the issue of Shares pursuant to the exercise of those Options would result in the aggregate of any one or more of the following exceeding 5% of the total number of issued Shares:</p> <ul style="list-style-type: none"> • the number of Shares to which the invitation relates; and • the number of Shares issued or that may be issued as a result of offers made during the previous three years under the Share Option Plan, an employee incentive scheme covered by the Class Order or a similar ASIC exempt arrangement.
Grant of Options	The Board may from time to time, in its absolute discretion, invite an eligible Participant to accept an offer and apply for Options (Invitation). Upon receiving a duly completed acceptance form, the Company must grant the Options to the Participant.
Issue price and exercise price	<p>No amount is payable by Participants for the grant of Options, unless otherwise determined by the Board and set out in the Invitation.</p> <p>The Invitation will set out the exercise price of the Options, which must be not less than the Market Price of a Share at the date of the Invitation.</p>
Nature of Options	The Participant's rights under a granted Option are purely personal and contractual. The Participant does not have any legal or beneficial interest in any Share or any entitlement to participate in or receive any dividends or other shareholder benefits by virtue of acquiring or holding an Option.
Disposal restrictions	<p>Options granted under the Share Option Plan cannot be:</p> <ul style="list-style-type: none"> • transferred without the Board's prior written consent except by force of law upon the Participant's death or bankruptcy; and • encumbered or otherwise disposed or dealt with without the Board's prior written consent.
Lapse of Options	<p>A Participant's Options will automatically lapse:</p> <ul style="list-style-type: none"> • if subject to vesting conditions (Vesting Conditions) which have not been satisfied, at the end of the period set for satisfying those vesting conditions (Condition Period); • if the Participant purports to transfer, encumber or otherwise dispose of or deal with those Options contrary to the Rules (unless the Board in its absolute discretion determines otherwise); • if the Participant ceases to be employed by a member of the Group (subject to the rules governing cessation of employment summarised below); • if, in the Board's opinion, the Participant has acted fraudulently, dishonestly or in a manner which is in breach of the Participant's obligations to a member of the Group; • if those Options have not been exercised by 5:00 pm (Perth time) on the last day of the period during which those Options are exercisable; and • if the Company commences to be wound up.

Vesting of Options	<p>Options that have not lapsed will vest, and the Participant will be entitled to exercise those Options in accordance with the Rules:</p> <ul style="list-style-type: none"> • on or after the vesting date for those Options stated in the Invitation (subject to satisfaction of any applicable Vesting Conditions during the Condition Period); or • if determined by the Board in its absolute discretion: <ul style="list-style-type: none"> ◦ following a specific change of control event (eg a takeover bid is made for all of the Company's Shares, a court orders a scheme meeting to be convened for the purposes of Part 5.1 of the Corporations Act, etc); or ◦ a Participant ceases to be employed by a member of the Group due to a specified reason (eg due to death, disability, redundancy or the Group selling its business, etc).
Exercise of Options	To exercise a vested Option, the holder must give the Company notice in the form prescribed accompanied by the certificate in respect of that Option and payment of the full amount of the exercise price.
Issue of Shares	The Company must issue to a Participant Shares in respect of which the Participant has validly exercised Options within a reasonable time after the completion of the valid exercise of the Options.
Rights attaching to Shares	Shares issued on exercise of an Option rank equally in every way with issued fully paid Shares whose holders are entitled to participate in full in any dividend.
Cessation of employment	If a Participant ceases to be employed by a member of the Group other than due to a specified reason (see above) then all of the Participant's unvested Options will automatically lapse.
Adjustments	<p>Participant's rights: A Participant is not entitled to participate in or receive any dividends or other Shareholder benefits in respect of an Option until that Option has vested and has been duly exercised and a Share has been issued to the Participant and the Participant is the registered holder of that Share.</p> <p>Notice of rights issues: If, after the vesting date of an Option and before the expiry date of an Option, the Company makes a pro rata offer to Shareholders, the Company must give the Participant notice of that offer not less than nine Business Days before the record date to determine entitlements to enable the holder to exercise the Option and receive that offer in respect of the Shares allotted on the exercise of the Option.</p> <p>If, prior to the expiry date of Options, the Company:</p> <ul style="list-style-type: none"> • (new issues) makes a pro rata offer to Shareholders, the Options' exercise price after the issue of the relevant securities is to be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2; • (bonus issues) makes a pro rata bonus issue to Shareholders, the number of securities to be issued on the exercise of those Options (if not exercised prior to the record date of the bonus issue) will include the number of securities that would have been issued to the holder had the Options been exercised before the record date; • (sub-division) subdivides or consolidates its Shares, the Options must be subdivided or consolidated in the same ratio as the Shares and their exercise price must be amended in inverse proportion to that ratio; • (return of capital) makes a return of capital, the number of Options remain the same and their exercise price is reduced by the same amount as the amount returned per Share; • (cancellation of capital) makes a cancellation of any paid up share capital that is lost or not represented by available assets, the number of Options and their exercise price is unaltered; and • (reorganisation) reorganises its issued share capital in any way not otherwise contemplated above, the number of Options or their exercise price, or both, must be reorganised so that the holders will not receive a benefit that Shareholders do not receive. <p>Other than as set out above, a holder has no further rights to a change in the exercise price of their Options or to a change to the number of Shares to be issued on the exercise of those Options.</p> <p>The Company must give notice to a holder of any adjustment above if there is a change to the number of Options held by the holder, the number of Shares to be issued on the exercise of those Options or the exercise price. No adjustment above must be made unless it is consistent with the ASX Listing Rules. The Company may amend the terms of any Option, or the rights of any holder under the Share Option Plan to comply with the ASX Listing Rules applying at that time to any reorganisation of capital of the Company.</p>
Other Rules	The Share Option Plan also contains customary and usual Rules for dealing with the administration, amendment and suspension of the Share Option Plan.

SCHEDULE 3

SUMMARY OF PERFORMANCE RIGHTS PLAN

A summary of the principal rules of the Performance Rights Plan is set out below.

	Summary
Object	The object of the Performance Rights Plan is to assist in the recruitment, reward, retention and motivation of eligible participants (Participants) as determined by the Board.
Eligibility	<p>The Board may from time to time in its absolute discretion decide that any of the following persons are eligible to participate in the Performance Rights Plan:</p> <ul style="list-style-type: none"> • full time or part time employees of the Company and its subsidiaries (Group), including executive directors; and • prospective full time or part time employees of the Group, including executive directors. <p>Eligibility will be determined by the Board in its discretion and in accordance with the Rules and any applicable laws.</p>
Share limit restriction	<p>The Board must not invite an application for, or grant, a Performance Right if the Board has reasonable grounds to believe that the issue of Shares on the vesting of those Performance Rights would result in the aggregate of any one or more of the following exceeding 5% of the total number of issued Shares:</p> <ul style="list-style-type: none"> • the number of Shares to which the invitation relates; and • the number of Shares issued or that may be issued as a result of offers made during the previous three years under the Share Option Plan, an employee incentive scheme covered by the Class Order or a similar ASIC exempt arrangement.
Grant of Performance Rights	The Board may from time to time, in its absolute discretion, invite an eligible Participant to accept an offer and apply for Performance Rights (Invitation). Upon receiving a duly completed acceptance form, the Company must grant the Options to the Participant.
Issue price and exercise price	No amount is payable by Participants for the grant of Performance Rights. Unless otherwise determined by the Board and specified in the Invitation, the exercise price in relation to a Performance Right is also nil.
Nature of Performance Rights	The Participant's rights under a granted Performance Right are purely personal and contractual. The Participant does not have any legal or beneficial interest in any Share or any entitlement to participate in or receive any dividends or other shareholder benefits by virtue of acquiring or holding a Performance Right.
Disposal restrictions	<p>Performance Rights granted under the Share Option Plan cannot be:</p> <ul style="list-style-type: none"> • transferred without the Board's prior written consent except by force of law upon the Participant's death or bankruptcy; and • encumbered or otherwise disposed or dealt with without the Board's prior written consent. <p>The Board may impose restrictions on a Participant disposing of or dealing with Shares issued to the Participant in respect of a Performance Right.</p>
Performance Criteria and notifications	The vesting of a Performance Right is conditional upon satisfaction of any performance criteria determined by the Board (Performance Criteria). As soon as reasonably practicable after the period for performance of the Performance Criteria (Performance Period), the Board must determine, and notify the Participant of, the number of unvested Performance Rights held by the relevant Participant in respect of which the Performance Criteria have been satisfied (Notification).
Lapse of Performance Rights	<p>A Participant's unvested Performance Rights lapse:</p> <ul style="list-style-type: none"> • if the Performance Criteria (if any) relating to those Performance Rights have not been satisfied at the end of the Performance Period; • if the Participant purports to transfer, encumber or otherwise dispose of or deal with those Performance Rights contrary to the Rules (unless the Board in its absolute discretion determines otherwise); • if the Participant ceases to be employed by a member of the Group (subject to the rules governing cessation of employment summarised below); • if, in the Board's opinion, the Participant has acted fraudulently, dishonestly or in a manner which is in breach of the Participant's obligations to a member of the Group; • seven years after the grant of the Performance Right.

Vesting of Performance Rights	<p>Performance Rights that have not lapsed will vest, and the Participant may exercise the Performance Rights in accordance with the Rules:</p> <ul style="list-style-type: none"> • only on or after the vesting date for those Performance Rights stated in the Invitation and if the Board has provided the relevant Participant with a Notification in respect of those Performance Rights; or • if determined by the Board in its absolute discretion: <ul style="list-style-type: none"> ○ following a specific change of control event (eg a takeover bid is made for all of the Company's Shares, a court orders a scheme meeting to be convened for the purposes of Part 5.1 of the Corporations Act, etc); or ○ a Participant ceases to be employed by a member of the Group due to a specified reason (eg due to death, disability, redundancy or the Group selling its business, etc).
Exercise of Performance Rights	Performance Rights with a nil exercise price are deemed to have been automatically exercised upon vesting.
Issues of Shares	The Company must issue Shares to a Participant in respect of which the Participant has validly exercised a Performance Right within a reasonable time after the completion of the valid exercise of the Performance Right.
Rights attaching to Shares	Shares acquired by Participants upon the exercise of Performance Rights will rank equally in every way with other Shares then on issue.
Cessation of employment	If a Participant ceases to be employed by a member of the Group other than due to a specified reason (see above) then all of the Participant's unvested Performance Rights will automatically lapse.
Other Rules	<p>The Plan will also contain customary and usual terms for dealing with:</p> <ul style="list-style-type: none"> • adjustments in the Company's capital structure; and • the administration, amendment and suspension of the Plan.

NOTES

These Notes form part of the Notice of General Meeting.

RIGHT TO VOTE

The Directors have determined that, for the purpose of voting at the General Meeting, the persons who are eligible to vote are those who are registered as Shareholders at 4.00pm (Perth time) on Monday, 26 January 2015.

HOW TO VOTE

Voting in person

A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring the enclosed Proxy Form to the Meeting to assist in registering your attendance and number of votes. Please arrive 20 minutes prior to the start of the Meeting to facilitate this registration process.

Voting by proxy

If you do not wish to attend the Meeting, you may appoint a proxy to attend and vote on your behalf. A body corporate may also appoint a proxy. A proxy need not be a Shareholder and can be an individual or a body corporate.

You are entitled to appoint up to two proxies to attend the Meeting and vote on your behalf and may specify the proportion or number of votes that each proxy is entitled to exercise. If you do not specify the proportion or number of votes that each proxy is entitled to exercise, each proxy may exercise half of the votes. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Share Registry or you may copy the enclosed Proxy Form. To appoint a second proxy, you must follow the instructions on the Proxy Form.

Sections 250BB and 250BC of the Corporations Act apply to voting by proxy. Shareholders and their proxies should be aware of these provisions, as they will apply to this Meeting. Broadly, the effect of the provisions is that:

- (a) if proxy holders vote, they must cast all directed proxies as directed; and
- (b) any directed proxies which are not voted will automatically default to the Chairperson, who must vote the proxies as directed.

If the proxy has two or more appointments that specify different ways to vote on a Resolution, the proxy must not vote on a show of hands.

To vote by proxy, please complete and sign the enclosed Proxy Form and return that form to the

Share Registry in accordance with the methods set out below so that it is received at least 48 hours before the Meeting (that is, not later than 10.00 am (Perth time) on Monday, 26 January 2015) (**Proxy Deadline**):

- **By mail to:**
Medusa Mining Limited
C/- Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
- **By mobile:**
scan the QR Code on your Proxy Form and follow the prompts
- **By facsimile to the Share Registry on:**
 - 1800 783 447 (within Australia)
 - +61 3 9473 2555 (outside Australia)

You may also vote online at www.investorvote.com.au. For custodians that are subscribers to Intermediary Online, you may visit www.intermediaryonline.com to submit your voting intentions. If you choose to vote online, you must vote by the Proxy Deadline.

Proxy Forms or proxy instructions (as the case may be) received after the Proxy Deadline will be invalid.

If your Proxy Form is signed by your attorney on your behalf, if not already previously lodged, that power of attorney or a certified copy of it must be received by the Share Registry by the Proxy Deadline in accordance with the applicable methods set out above.

Voting by corporate representative

A body corporate which is a Shareholder or a proxy, may appoint an individual as its representative to exercise any of the powers the body at the Meeting. The appointment may be a standing one and must comply with section 250D of the Corporations Act. The corporate representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed (unless it has previously been given to the Company). A form of the certificate may be obtained from the Share Registry.

Voting by attorney

If a Shareholder has appointed an attorney to attend and vote at the General Meeting, the power of attorney (or a certified copy of the document) must be sent using one of the methods listed above for the receipt of Proxy Forms and received by the deadline for receiving Proxy Forms (unless it has previously been given to the Company).