

## Regulatory Story

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**Company** Medusa Mining Limited  
**TIDM** MML  
**Headline** Board Restructure  
**Released** 11:47 09-Jun-2011  
**Number** 163811

RNS Number : 1638I  
Medusa Mining Limited  
09 June 2011

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### ANNOUNCEMENT

09 June 2011

## BOARD RESTRUCTURE FOLLOWING TSX DELISTING TO OVERSEE THE NEXT PHASE OF MEDUSA'S GROWTH & DEVELOPMENT

Following the Board's decision to delist from the Toronto Stock Exchange, and to oversee the next phase of the Company's growth and development, the Directors of Medusa Mining Limited ("Medusa" or the "Company") are pleased to announce the following changes to the composition and structure of the Board which are to take effect immediately:

- Mr Peter Jones to stand down as Chairman and retire as Non-Executive Director.
- Mr Geoff Davis to stand down as Managing Director but be re-appointed as Non-Executive Chairman to replace Mr Jones.
- Mr Peter Hepburn-Brown to be appointed as Managing Director of the Company to replace Mr Davis.
- Mr Roy Daniel to retire as Finance Director and Joint Company Secretary of the Company but will continue in his role as Chief Financial Officer of the Company.

The restructured Board will be well positioned to oversee the next phase of the Company's growth and development and the retention of Messrs Davis, Hepburn-Brown and Daniel in key positions within the restructured Board and senior

management team ensures that Medusa and its stakeholders will enjoy continued access to the significant experience and knowledge of the Company's business that these individuals provide.

The Board of Medusa is committed to good corporate governance and intends to appoint an additional independent Non-Executive Director as soon as a suitable candidate has been identified in order to comply with the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

#### **Additional information about the Board restructure**

Further details about the specific changes to the composition of the Board are set out below.

#### **Mr Peter Jones to stand down as Chairman and retire as Non-Executive Director**

Mr Jones was appointed to the Board on 8 July 2010. During this term, he has made many contributions to the Company and has demonstrated a commitment to good corporate governance. Being Canadian based, Mr Jones has played a role in facilitating the Company's presence in the Canadian market.

The Directors would like to sincerely thank Mr Jones for his efforts and commitment to the Company.

#### **Comments from Geoff Davis:**

*"The Board of Medusa joins me in thanking Peter Jones, for his contribution as Chairman to the Company which commenced when we listed on the Toronto Stock Exchange in November 2009.*

*Peter has been with the Company while it has bedded down its production at the current 100,000 ounces per year level, and has provided valuable guidance during this period. We wish him well in his future endeavours."*

#### **Mr Geoff Davis to stand down as Managing Director but be re-appointed as Non-Executive Chairman**

Mr Davis has been the Managing Director of the Company since its inception on 5 February 2002. His leadership and vision has been a driving force behind the many achievements of the Company and has contributed to Medusa being recognised as a significant gold producing company.

Mr Geoff Davis will take on the position as Chairman in order to oversee a smooth transition of the board changes. The Board is pleased that Mr Davis will continue to be involved with the Company in his new position as Chairman.

The Directors would like to sincerely thank Mr Davis for his dedicated leadership and invaluable contributions over the years in his role as Managing Director which have been instrumental to the growth of the Company and has placed Medusa in great stead for the future.

#### **Comments from Geoff Davis:**

*"My goal as the founding Managing Director of Medusa was to acquire gold and gold/copper assets with the aim of developing a cash flow from mining within 2 years as well as explore for high grade deposits in areas with good access and where infrastructure is available for processing the ore should the Company's exploration prove successful. We achieved our first modest cash flow in 2005 less than two years after the floating of the Company in 2003.*

*In over 30 years of experience working in Southeast Asia, I have always regarded the Philippines as a favourable jurisdiction for deposit discovery and mining investment. The world class Co-O Mine bears testament to that and it is only the beginning of a pipeline of projects on the Company's contiguous tenement package of 820 sqkm.*

*The Company has witnessed unprecedented growth in the last couple of years. The Board agrees with me that now is the most appropriate time to hand over the reins of managing the*

*Company to the current Executive Director of Operations, Mr Peter Hepburn-Brown as Medusa heads through its next phase of growth and development which is now focused on developing new mines and building new production facilities.*

*To ensure a smooth transition and continuity, I am pleased to take on the role as Chairman and to be available to provide any advice or assistance required by Peter and his team. Finally, a special thanks to all our staff and shareholders for their continued support over the years."*

#### **Mr Peter Hepburn-Brown to be appointed as Managing Director**

Mr Hepburn-Brown joined Medusa in September 2009 and was appointed as Executive Director - Operations on 27 July 2010. In this role, Mr Hepburn-Brown has been responsible for managing all operational and technical aspects of the Company's operations in the Philippines. Mr Hepburn-Brown is a mining engineer with 28 years of experience in a wide range of mining situations. He has held senior management positions, such as Executive Director Operations for Harmony Gold Australia and General Manager Operations for Great Central Mines, as well as other executive, operational and consulting positions.

The Directors welcome Mr Hepburn-Brown as Managing Director of the Company and look forward to working with him in his new position as he guides the Company through the next phase of its growth and development.

A summary of the key terms and conditions of Mr Hepburn-Brown's employment arrangement with the Company is set out in the schedule to this announcement.

#### **Comments from Geoff Davis:**

*"We are very pleased that Peter Hepburn-Brown has accepted the role of Managing Director at a pivotal time in the Company's growth and development which is now focused on developing new mines and building new production facilities. Peter who is a mining engineer, joined the Board in September 2009 and his operational experience for this role is very appropriate having earned his early stripes in the industry as a shaft sinker, jumbo operator and narrow vein stope miner. His appointment as Director Operations in July 2010, has had a marked impact on all aspects of the Company's operations, in particular the areas of mine planning and development, and the upgrading of ancillary programs at both mine and mill, which are all providing positive results.*

*We are extremely confident in Peter's ability to guide the Company, through the many challenges, commencing with the expansion of the Co-O operations, followed closely by the development of a new mine at Bananghilig and others beyond that, as the Company self-funds its organic growth."*

#### **Comments from Peter Hepburn-Brown:**

*"It is a privilege to accept my appointment as Managing Director of Medusa as it embarks on an expansionary program to become a 400,000 ounce per annum gold producer within the next 5 years.*

*With the current business model of self-funding all capital requirements and continued dividend payments working effectively, my immediate focus is to ensure that the current operations at the Co-O Mine continue to operate safely and in an efficient manner as the planned expansion takes shape. I will not be making any changes to existing policies and operating models but will be concentrating on building upon them.*

*I firmly believe there are exciting times ahead, not only with two projects in the pipeline but others that will follow and I look forward to working with the Board, senior management team and all employees as we move into the next phase of Medusa's growth and development as it strives to be a respected gold producer in the Philippines."*

#### **Retirement of Mr Roy Daniel as Finance Director and Joint Company Secretary**

Mr Daniel was appointed Finance Director on 13 April 2006 and has been the Joint Company Secretary since 6 December 2004. Although Mr Daniel is stepping down from the Board, he will continue in his role as Chief Financial Officer of the Company, still with responsibilities for all day-to-day financial, administrative and corporate functions of the Company.

**Comments from Geoff Davis:**

*"The Board joins me in thanking Roy for his valuable contribution as a Director for the last five years. He has voluntarily offered to step down at this time of change so that the Board's composition is consistent with good corporate governance and to preserve the relatively modest Board size.*

*Roy has been instrumental in the corporate development of the Company and forging the excellent relationships we have within our management and external advisors in the Philippines. In his continuing capacity as CFO, Roy will ensure that we maintain this continuity as the Company grows and develops."*

**For further information please contact:**

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**SCHEDULE 1**

Below is a summary of the key terms and conditions of Mr Peter Hepburn-Brown's employment arrangement with the Company. These terms and conditions are the same as those attaching to Mr Hepburn-Brown's existing employment arrangement with the Company, save for the additional responsibilities that he will assume as Managing Director and the proposed grant of performance rights.

Item	Description
<b>Term</b>	An initial term ending on 9 June 2016 (subject to earlier termination) ("Initial Term"). If not terminated before this time, the agreement will continue until terminated.
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>• <b>Base salary</b> A fixed base salary of \$650,000 per annum plus a superannuation contribution which is the greater of: <ol style="list-style-type: none"> <li>1. \$50,000 per annum; and</li> <li>2. the minimum statutory superannuation contribution requirements</li> </ol> </li> <li>• <b>Short term incentive</b> Mr Hepburn-Brown may be entitled to an annual bonus at the discretion of the Board. In determining eligibility for and the quantum of such a bonus, the Board will consider, without limitation, the performance of the Company, the performance of Mr Hepburn-Brown and prevailing market conditions</li> <li>• <b>Long term incentive</b> <i>Performance rights</i> - subject to shareholder approval at the upcoming annual general meeting, the issue of 250,000 performance rights to Peter Hepburn-Brown to acquire fully paid ordinary shares in the Company on the terms and conditions as determined by the Board. The performance rights would vest as follows: <ol style="list-style-type: none"> <li>(a) 40% of the performance rights (ie 100,000 performance rights) would vest on successful commissioning of the new Co-O Plant, within the budget and timeframe approved by the Board; and</li> <li>(b) thereafter, 20% of the performance rights (ie 50,000 performance rights) would vest in each year that Mr Hepburn-Brown remains employed by the Company.</li> </ol> </li> </ul>
<b>Termination</b>	<ul style="list-style-type: none"> <li>• <b>Termination by the Company</b> The Company may terminate Mr Hepburn-Brown's employment at any time by giving a period of notice in writing, or payment in lieu of a period of notice, equal to: <ol style="list-style-type: none"> <li>1. the number of whole months remaining in the initial term; or</li> <li>2. 12 months, if the number of whole months remaining is less than 12 months.</li> </ol> <p>The Company may terminate Mr Hepburn-Brown's employment immediately for misconduct. If this occurs, the Company is only liable to pay Mr Hepburn-Brown up to the date of termination.</p> </li> <li>• <b>Termination by Mr Hepburn-Brown</b> Mr Hepburn-Brown may terminate his employment at any time by giving not less than 3 months' written notice. Mr Hepburn-Brown may terminate his employment immediately if the Company is in default of its obligations, enters liquidation or has a receiver appointed over any of its assets. If this occurs, the Company will be liable to pay Mr Hepburn-Brown's salary for: <ol style="list-style-type: none"> <li>1. the number of whole months remaining in the initial term; or</li> <li>2. 12 months, if the number of whole months remaining is less than 12 months.</li> </ol> </li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Termination by reason of Material Diminution</b></li> </ul> <p>A "Material Diminution" is a change in Mr Hepburn-Brown's status as Managing Director of the Company, including without limitation:</p> <ol style="list-style-type: none"> <li>1. a material change in his authority in respect of the business of the Company; or</li> <li>2. a change in his reporting relationship with the Board.</li> </ol> <p>If a Material Diminution occurs, within 3 months of this occurring, Mr Hepburn-Brown may give the Company 2 weeks written notice of termination.</p> <p>If this notice is given, the Company will be liable to pay Mr Hepburn-Brown's salary for:</p> <ol style="list-style-type: none"> <li>1. the number of whole months remaining in the initial term at the end of the 2 week notice period; or</li> <li>2. 12 months, if the number of whole months remaining in the initial term at the end of the 2 week notice period is less than 12 months.</li> </ol>
<p><b>Other</b></p>	<p>The Employee's contract also contains provisions for the protection of the Company's interest in such areas as confidentiality, conflict of interests and business dealings.</p>

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