



MEDUSA

ANNUAL REPORT

2015



CONTENTS

Contents	Page number
Results for announcement to the market (Appendix 4E)	3
Corporate Directory	4
Highlights of Financial Year	5
Chairman's Review	7
Review of Operations	8
Corporate Governance Statement	49
Directors' Report	58
Auditor's Independence Declaration	75
Statement of Profit or Loss and other Comprehensive Income	76
Statement of Financial Position	77
Statement of Changes in Equity	78
Statement of Cash Flows	79
Notes to the Financial Statements	80
Directors' Declaration	115
Independent Audit Report	116
Additional Shareholder Information	119
Tenement Schedule	121

RESULTS FOR ANNOUNCEMENT TO THE MARKET (APPENDIX 4E)

Appendix 4E

Preliminary final report
Period ending 30 June 2015

Name of entity

MEDUSA MINING LIMITED

ABN or equivalent company
reference

60 099 377 849

Half yearly
(tick)

☐

Preliminary
final (tick)

☒

Half year/ financial ended ("current period")

30 June 2015

Results for announcement to the market

Revenues and profits:

		<u>US\$'000</u>	<u>US\$'000</u>
Revenues from ordinary activities	Up 46%	84,196	to 123,204
Profit from ordinary activities after tax attributable to members	down 806%	30,871	to (218,109)
Net profit for the period attributable to members	down 806%	30,871	to (218,109)

(All comparisons to the previous period ended 30 June 2014)

Dividends:

	<u>Amount per security</u>	<u>Franked amount per security</u>
Interim dividend	Nil	N/A
Final dividend	Nil	N/A
Total dividend paid for the year	Nil	N/A

No dividends were declared and paid for period ended 30 June 2015.

Net tangible assets per share:

The net tangible assets per share as at 30 June 2015 was US\$0.909 (30 June 2014: US\$2.055)

Change in control of entities:

There has been no change in control, either gained or loss during the current period.

Associates and Joint Venture entities:

The Consolidated Group did not have a holding in any associates or joint venture entities during the current period.

Other information:

This report is based on accounts which are audited.

Except for matters noted above, all disclosure requirements pursuant to ASX Listing Rule 4.3A are contained within the Company's consolidated financial statements for the year ended 30 June 2015 which accompany this report.

CORPORATE DIRECTORY

DIRECTORS

Andrew Boon San Teo

Non-Executive Chairman

Raul Conde Villanueva

Executive Director

Dr Robert Maurice Weinberg

Non-Executive Director

Ciceron Angeles

Non-Executive Director

Gary Raymond Powell

Non-Executive Director

COMPANY SECRETARY

Peter Stanley Alphonso

EXECUTIVE MANAGEMENT

Geoffrey John Davis

Chief Executive Officer

Robert Gordon Gregory

Chief Operating Officer

Peter Stanley Alphonso

Chief Financial Officer

AUSTRALIAN BUSINESS NUMBER (ABN)

60 099 377 849

PRINCIPAL & REGISTERED OFFICE

Suite 7, 11 Preston Street

Como WA 6152

Postal address:

PO Box 860

Canning Bridge WA 6153

Telephone: + 618 9367 0601

Facsimile: + 618 9367 0602

Email: admin@medusamining.com.au

Website: www.medusamining.com.au

STOCK EXCHANGE LISTING

Australian Stock Exchange Limited (ASX)

Trading Code: MML

AUDITORS

Australia:

Grant Thornton Audit Pty Ltd.

Level 1

10 Kings Park Road

West Perth WA 6005

Philippines:

RSB & Associates

18 Floor Cityland Condominium 10 - Tower 1

Makati City Philippines 1200

SOLICITORS

Australia:

Ashurst Australia

Level 32, Exchange Plaza

2 The Esplanade

Perth WA 6000

Philippines:

BMD Law Offices

18 Floor Cityland Condominium 10 - Tower 1

Makati City Philippines 1200

BANKERS

Commonwealth Bank

150 St George's Terrace

Perth WA 6000

SHARE REGISTRY

Computershare Investor Services

Level 11, Reserve Bank Building

172 St George's Terrace

Perth WA 6000

Telephone: + 618 9323 2000

Facsimile: + 618 9323 2033

Investor enquiries: 1300 557 010

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the Company's share registry.

HIGHLIGHTS OF FINANCIAL YEAR

HIGHLIGHTS OF THE FINANCIAL YEAR:

Financials

- ❑ Revenues of US\$123.0 million compared to US\$84.2 million for the previous year, an increase of 46%.
Medusa is an un-hedged gold producer and received an average gold price of US\$1,220 per ounce from the sale of 97,200 ounces of gold for the year (2014: 65,943 ounces at US\$1,299 per ounce);
- ❑ Earnings before interest, tax, depreciation and amortisation (“EBITDA”) of (US\$186.8 million), and includes asset impairment losses totalling US\$259.6 million (2014: EBITDA of US\$48.3 million), a decrease in EBITDA of approximately 487%;
- ❑ Basic earnings per share (“EPS”) of (US\$1.050) on a weighted average basis, based on NPAT of (US\$218.1 million) (2014: EPS of US\$0.154 based on NPAT of US\$30.9 million), a decrease of 782%;
- ❑ The Company had total cash and cash equivalent in gold on metal account of US\$14.6 million at year end (2014: US\$13.68 million);

Description	Unit	30 June 2015	30 June 2014	Variance	(%)
Revenues	US\$	US\$123.0M	US\$84.2M	US\$38.8M	46%
EBITDA ⁽¹⁾	US\$	(US\$186.8M)	US\$48.3M	(US\$235.1M)	(487%)
NPAT ⁽¹⁾	US\$	(US\$218.1M)	US\$30.9M	(US\$249.0M)	(806%)
EPS (basic)	US\$	(US\$1.050)	US\$0.154	(US\$1.204)	(782%)
(1) includes asset impairment losses totalling US\$259.6 million					

- ❑ Depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US\$31.7 million (2014: US\$17.5 million);
- ❑ US\$11.2 million was expended on capital works associated with the new mill construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2014: US\$23.6 million).
- ❑ Exploration expenditure, inclusive of underground diamond drilling was US\$11.3 million (2014: US\$15.8 million)
- ❑ Capitalised mine development costs totalled US\$37.7 million for the year (2014: US\$36.3 million);

Operations

Description	Unit	30 June 2015	30 June 2014
Tonnes mined	WMT	659,495	521,899
Ore milled	DMT	582,311	460,004
Head grade	gpt	5.61	4.76
Recovery	%	93%	85%
Gold produced	ounces	98,359	59,904
Cash costs ⁽¹⁾	US\$/oz	\$385	\$418
(1) Net of development costs and includes royalties and local business taxes but no by-product credits			

- ❑ The Company produced 98,359 ounces of gold for the year, compared to the previous year’s gold production of 59,904 ounces, at an average recovered grade of 5.61 g/t gold (2014: 4.76 g/t gold);
- ❑ The average cash cost for the year of US\$385 per ounce, was marginally lower than the previous year’s average cash costs of US\$418 per ounce.

Production Guidance to 30 June 2016

The production guidance for the fiscal year to 30 June 2016 is expected to be between 120,000 to 130,000 ounces.

HIGHLIGHTS OF FINANCIAL YEAR

Reserves and Resources

New Resource and Reserve estimates for 2015 have been reported in accordance with JORC 2012 during September 2015 and are included in this report.

Exploration

Budgeted exploration, inclusive of underground diamond drilling for fiscal year 2016 of US\$11 million (2015 FY actual: US\$11.3 million);

Corporate

Resignation of Managing Director

On 19 August 2014, Mr Peter Hepburn-Brown tendered his resignation as Managing Director and as a Board member of Medusa.

Appointment of Interim Chief Executive Officer

Mr Geoffrey Davis agreed to the role of Chief Executive Officer for an interim period following the resignation of Peter Hepburn-Brown and officially commenced his interim role on 1 September 2014.

Dividend:

No dividends were declared nor paid during the year.

CHAIRMAN'S REVIEW

Dear Shareholders,

I am pleased to report that the Company produced 98,359 ounces of gold for the year ended 30 June 2015, which was well within the production guidance for the year. This was our first full year of production since the new mill was eventually commissioned in the March 2014 quarter and the increased production was attained via a combination of the following factors:

- Improved mine tonnage from efficiencies and shaft hoisting upgrades;
- Improved mine grades from the reduction of dilution;
- Improved mine stope designs and contract mining arrangements;
- Improved geological understanding and control; and
- Improved mill recoveries.

For the current financial year we have provided production guidance of between 120,000 to 130,000 ounces of gold.

With a view towards improving our ore hoisting systems for the future, the Board in April approved the construction of a Service Shaft to Level 8 which we anticipate will greatly improve the efficiency of the Co-O Mine with respect to the transport of men and materials, supervision, safety and ore hoisting. This Service Shaft, due for completion around mid-2016, will be dedicated to the movement of men and materials, thus freeing up the L8 Shaft which will then be used solely for hoisting of ore and waste.

Looking further ahead, we are also undertaking an extensive underground drilling programme to determine future hoisting requirements for the mine as the mineralised bodies continue to depths of around 750 metres below surface where they are currently only sparsely drilled, but with encouraging results so far.

The year just completed was the first full year under the new JORC 2012 standards for resources and reserves. Whilst our resources suffered under the new guidelines (like many other companies), we have managed for the last 7 years to maintain our annual reserves figure at around 450-500,000 ounces mark, and are confident this trend will continue. The annual replacement of the mined reserves through the conversion of resources to reserves, and the addition of new resources is typical for underground narrow vein gold mines, and underground nickel sulphide, copper-lead-zinc and many other underground mining situations.

Outside of Co-O in this current year, we anticipate a new resource estimate soon for the Company's other major asset, the Bananghilig (or B1) Deposit, following which mining studies will commence. We are also programming our first scout drilling on another promising prospect about 7 kilometres south of Bananghilig, called Guinhalinan.

Our safety statistics for the year are at the lower end of the scale in terms of comparison with other mining jurisdictions. This is particularly pleasing as Co-O is a labour intensive mine, however we are always vigilant in making sure we provide as safe a working environment for our employees and contractors as possible.

We continue to provide a wide range of educational programmes for a large number of students and other services for our host communities, as well as regularly engaging them through on-site meetings and tours of our operations. Their input is always welcome.

On the financial side, the Company on 27 August 2015 reported a statutory after tax loss of US\$218.1 million which included asset impairment losses of approximately US\$260 million. Whilst it is never good to report losses per se, it is very important to note that this impairment loss is essentially a non-cash charge to the accounts, done in accordance with Accounting Standards and has no effect whatsoever on the Company's operations and in particular the resources and reserves of the Co-O Mine going forward. On a positive note, the impairment will decrease future depreciation and amortisation charges.

The underlying operating result of the Company for the year was actually a profit amount of US\$41.5 million (after taking out the impairment charge of US\$260 million) which was higher than the previous year's profit result of US\$30.9 million.

In closing, I wish to express my appreciation for the efforts of our dedicated Filipino team, my fellow Directors and our Perth office staff for a successful production year.

REVIEW OF OPERATIONS

Contents of Review of Operations	Page number
Highlights	9
Co-O Project	14
- Co-O Gold Production	14
- Co-O Mill	14
- Co-O Mine	15
- Co-O Mine Operations	16
- Co-O Mine Geology	21
- Group Ore Reserves and Mineral Resources	24
- Co-O Mine Mineral Resources	25
- Co-O Mine Ore Reserves	28
- Co-O Exploration	30
Tambis Project	32
- Bananghilig (B1) Gold Deposit	32
- B2 Discovery Area	33
- Guinhalinan Gold Prospect	34
Lingig Copper Project	36
Saugon Gold Deposit	37
Apical Project	37
Corplex Project	37
Usa Porphyry Copper-Gold Project	38
Coal Project	38
Tenements and Exploration Pipeline	39
Sustainability	40
- Health and Safety	40
- Environmental Management and Monitoring	41
- Workforce	43
- Community Participation, Programmes and Benefits	44
Philippine Government	47
- Executive Order on Mining in the Philippines	47
- Executive Order on Extractive Industries Transparency in the Philippines	47
JORC 2012 Compliance - Consents of Competent Persons	48
Tenement Schedule	121

REVIEW OF OPERATIONS

HIGHLIGHTS

“The Company achieved production of 98,359 ounces within guidance of 95-100,000 ounces for the FY ending 30 June 2015, and has provided guidance of 120-130,000 ounces for FY 2015-16.”

“The Company has also maintained its ore reserves at 427,000 ounces, after mining depletion, compared to FY2014 reserve ounces of 446,000 ounces”.

Mineral Resources and Ore Reserves:

Table I. Group Mineral Resources and Ore Reserves as at 30 June 2015

Deposit	Category	Tonnes (million)	Grade (g/t gold)	Gold Ounces (million)
MINERAL RESOURCES ^{1,2}				
Co-O Resources ¹ (JORC Code 2012)	Indicated	1.55	12.2	0.60
	Inferred	1.96	8.6	0.55
Total Co-O Resources	Indicated & Inferred	3.50	10.2	1.15
Bananghilig Resources ² (JORC Code 2004)	Indicated	16.06	1.5	0.77
	Inferred	8.46	1.4	0.37
Total Bananghilig Resources	Indicated & Inferred	24.52	1.4	1.14
Saugon Resources ² (JORC Code 2004)	Indicated	0.05	7.0	0.01
	Inferred	0.03	4.6	0.01
Total Saugon Resources	Indicated & Inferred	0.08	6.0	0.02
Total Resources	Indicated	17.65	2.4	1.38
Total Resources	Inferred	10.45	2.7	0.92
TOTAL RESOURCES	Indicated & Inferred	28.16	2.6	2.30
ORE RESERVES ¹				
Co-O Reserves ¹	Probable	1.81	7.3	0.43
TOTAL RESERVES	Probable	1.81	7.3	0.43

Notes:

1 Mineral resources are reported inclusive of ore resources.

2 Co-O mineral resources and ore reserves estimated under guideline of JORC Code 2012.

3 Bananghilig and Saugon Mineral Resources were previously prepared and first disclosed under the JORC Code 2004, and have not been updated to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported (08 August 2013).

4 Rounding of data may result in some apparent discrepancies in totals.

Mineral Resources:

Co-O:

- a minimum lower cut-off of 3.2 gram*metres/tonne accumulation, which incorporates a minimum mining width above cut-off grade;
- various upper cut-off grades up to 300 g/t gold have been applied to different veins, and
- a gold price of US\$1,500 has been applied

Bananghilig:

- a lower cut-off grade of 0.8 g/t gold has been applied, and various upper cuts

Saugon:

- a lower cut-off grade of 2.0 g/t gold has been applied

Ore Reserves:

Ore Reserves are a subset of Mineral Resources, and includes recoverable pillars, broken ore and ROM stockpiles.

Co-O:

REVIEW OF OPERATIONS

- minimum mining widths of 1.25 metres (stopes $\geq 50^\circ$) and 1.5 metres (stopes $< 50^\circ$) have been applied, and where the vein width was equal to, or greater than the minimum mining width, an extra 0.25 metres dilution was added to the hangingwall.
- a further 10% dilution has been allowed for slabbing in mining of low angle stopes under draw,
- A 30% dilution was added to stopes on Levels 4 and 5 to allow for discontinuities,
- shape dilution of 5% of extra tonnage at 2 g/t gold, for extra development and to reflect pinch and swell of veins,
- 85% mining recovery for stopes < 10 g/t gold,
- 90% mining recovery for stopes ≥ 10 g/t gold,
- 25% recovery factor for sill pillars in empty stopes are included in reserve at a grade of 7g/t gold, to reflect current selective mining practice,
- 30% recovery factor has been applied to remnant ore, at their respective stope grades,
- a cut-off grade of 2.0 g/t gold has been applied for development ore,
- a cut-off grade of 3.8 g/t gold has been applied to developed stopes,
- a cut-off grade of 4.5 g/t gold has been applied to un-developed stopes,
- a gold price of US\$1,150 per ounce has been applied.

Co-O Operations:

- ❖ Annual production of 98,359 ounces of gold at a cash cost of US\$385 per ounce;
- ❖ The new CIL mill operated satisfactorily for the full year with recovery averaging 93%;
- ❖ The L8 Shaft hoisting capacity was increased in January 2015 to 60,000 dry tonnes per month:
 - Extensive additional development was commenced in January 2015 on Level 8 to provide additional stopes to meet the increased haulage capacity;
 - Improvements in the transporting of ore to the shaft are in progress through de-bottle necking and increased transporting capacity;
- ❑ The Service Shaft to Level 8 was approved and commenced in April 2015 with an approximate cost of US\$10 million. It will:
 - Move all men and materials in and out of the mine, and
 - Free up the L8 Shaft to hoist rock only, increasing its capacity to 1,700 tonnes per day.
- ❑ Changes to stope designs and protocols and contract payment systems are reducing dilution and improving stope grades and safety; and
- ❑ Development of Levels 9 and 10 is underway.

Tambis Region - Bananghilig Deposit and Guinhalinan:

- ❑ A complete re-logging of all diamond drill holes in conjunction with detailed underground mapping is close to being completed, resulting in improved interpretations of mineralisation types and structural domains;
- ❑ The current resource is anticipated to be updated to JORC 2012 compliance by end December 2015;
- ❑ Field work advancing the prospective Guinhalinan Prospect.

SUMMARY OF EXPLORATION ACTIVITIES

Co-O MINE

- Underground drilling primarily focussed on upgrading Inferred Resources to the Indicated category, with lesser amounts of drilling aimed at delineating additional resources peripheral to current mining operations; and
- Preparations are advanced for a major 'deeps' drilling programme to commence from Level 8 to delineate down-plunge extensions to the resources, primarily between Levels 8-16.

REVIEW OF OPERATIONS

Co-O REGIONAL

- Induced Polarization, Resistivity and Ground Magnetics surveys were completed and preliminary evaluation carried out; and
- Surface work outside of Co-O Mine environs concentrated on the Road 17 West veins and South Agsao areas with minor work on the North Tinago veins.

BANANGHILIG DEPOSIT

- Surface and underground detailed mapping to link surface and underground observations with drill hole interpretations were undertaken.

GUINHALINAN PROSPECT

- Extensive corridor of high-order 'gold in soil' anomalies outlined over approximately 5 kilometres of strike, and
- Mapping continues to establish strike continuity of silica-gold 'carbonate replacement' style of mineralisation in stratabound calcareous horizons over at least 1.8 kilometres to date.

COAL PROJECT

- Two Coal Operating Contracts awarded in December 2014, with scout drilling to commence during the December 2015 quarter; and
- Surface mapping identified several shallow-dipping zones of multiple sub-bituminous coal seams up to 2.3 metres thick, and strike lengths of up to 3 km.

The Company has reduced its exploration area to approximately 596 square kilometres.

REVIEW OF OPERATIONS

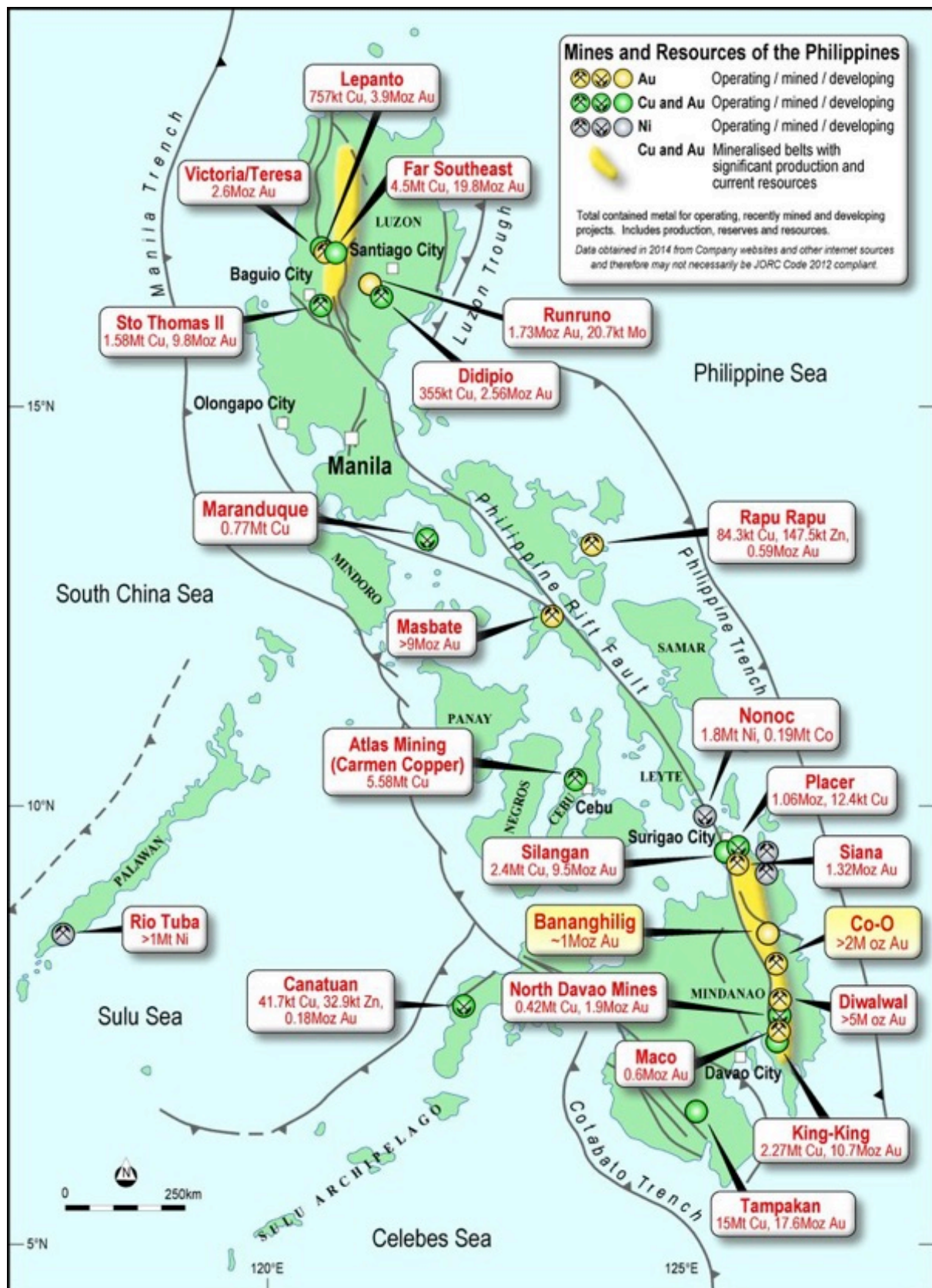


Figure 1: Location diagram of the Company's main project areas in relation to the significantly mineralised belts of the Philippines as at 2014.

REVIEW OF OPERATIONS

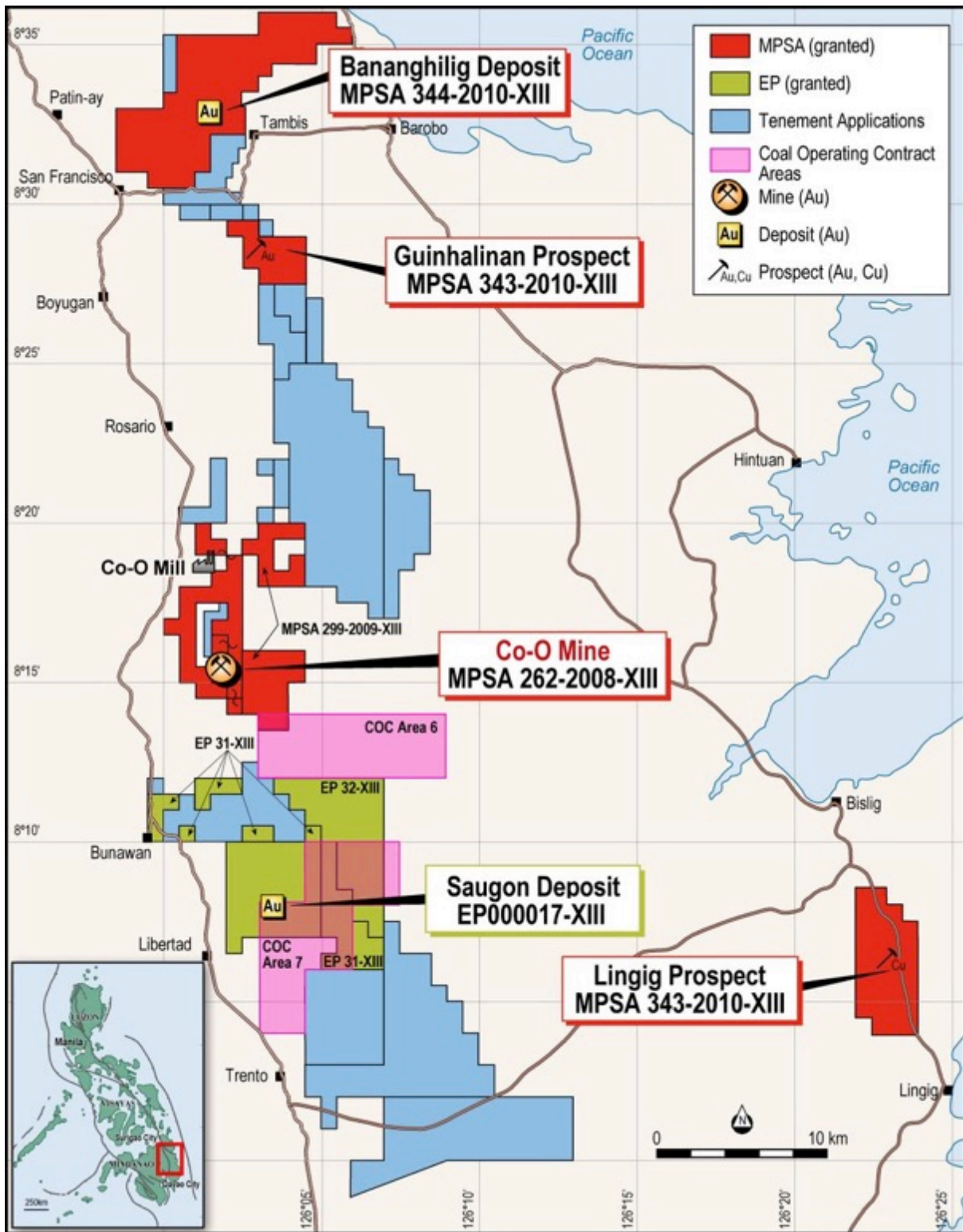


Figure 2: Eastern Mindanao tenement location plan, showing consolidated tenement outlines, mines, deposits and prospects.

REVIEW OF OPERATIONS

Co-O PROJECT

The Co-O Gold Mine (Figs 1 and 2) is operated by Philsaga Mining Corporation under Mineral Production Sharing Agreement ("MPSA") 262-2008-XIII, which covers 2,539 hectares.

Co-O GOLD PRODUCTION

“The Co-O Mine produced 98,359 ounces of gold during the year at cash cost of US\$385 per ounce”

Table II. Co-O gold production statistics for financial years ended 30 June 2014 and 2015.

Period	Unit	Year ended 30 June 2015	Year ended 30 June 2014
Tonnes mined	wet tonnes	659,495	521,899
Ore milled	dry tonnes	582,311	460,004
Head grade	gpt	5.61	4.76
Recovery	%	93%	85%
Gold produced	ounces	98,359	59,904
Cash costs ⁽¹⁾	US\$	\$385	\$418
Gold sold	ounces	97,200	65,943
Average gold price received	US\$	\$1,220	\$1,299

Note:

(1) Net of development costs and includes royalties and local business taxes but no by-product credits

The Co-O Mine produced 98,359 ounces of gold at an average recovered grade of 5.61 g/t gold for the year, compared to the previous year's gold production of 59,904 ounces of gold at an average recovered grade of 4.76 g/t gold.

The average cash cost for the year of US\$385 per ounce, was lower than the previous year's average cash costs of US\$418 per ounce due primarily to the increased ounces, improved mine productivity, and improved mill recoveries.

FY2015-16 Production Guidance

The Co-O Mine guidance for 2015-16 financial year is 120,000 to 130,000 ounces.

The AISC guidance will remain at an elevated level until all mine medium term waste infrastructure projects are completed and the cost efficiencies they produce materialise. In the longer term, once full hoisting capacities are achieved in the mine, the AISC should lower to competitive industry levels.

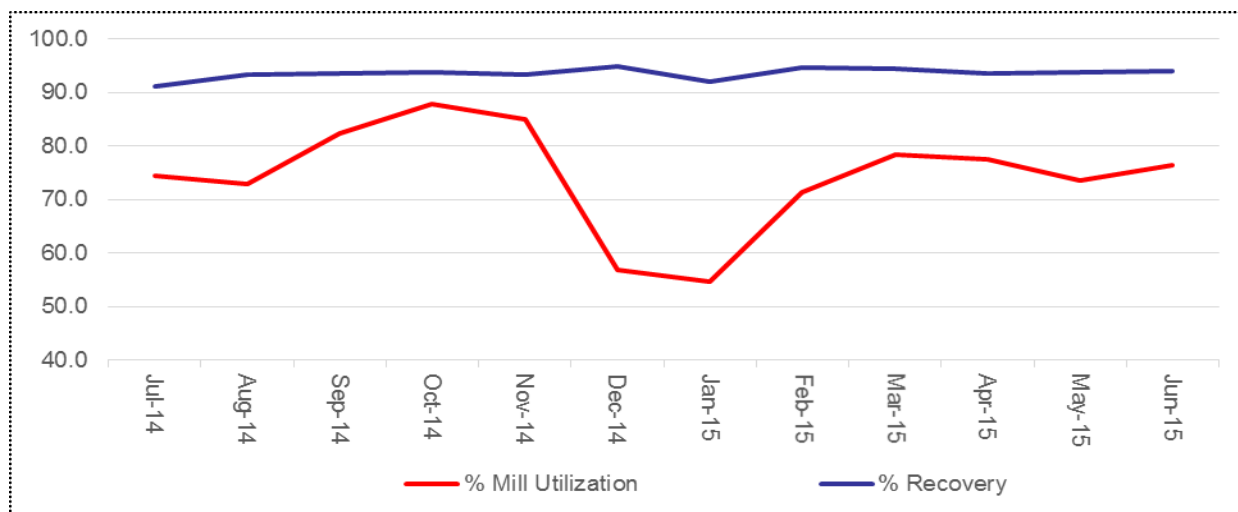
Co-O MILL

Following commissioning of the Co-O Mill in the March quarter of 2014, during the FY2015 the mill has improved recoveries from 85% to 93-94%, completed all major capital works and has performed satisfactorily as shown in Graph 1. The low utilisation in December 2014 /January 2015 was due to the L8 Shaft upgrade.

The mill will likely remain under-utilized at the current lower gold prices as the mine concentrates on producing profitable ounces by adjusting cut-off grades accordingly. Medusa is in the fortunate position of being able to take advantage of increasing gold price and/or reduced operating cost to increase tonnages to the mill without further capital outlay.

A new tailings storage facility is currently being constructed and will be completed in Q1 FY2016. This will provide storage capacity for at least 4 years at full mill capacity.

REVIEW OF OPERATIONS



Graph 1 showing the mill utilization and recoveries for the FY 2015.

Co-O MINE

The Co-O Mine is an underground rail mine, utilising battery powered electric locomotives and 1.2 tonne mine cars. Ore and waste is mined using air-leg mining and is extracted from the mine via two horizontal portals (Marathon and Main Adits), four inclined 60° internal shafts (8E, 3W, 7W and 10W shafts), two vertical external shafts (Ventilation and L8 Shafts) and two inclined external shafts (Agsao and Baguio shafts) as shown on Figure 5. Waste is used to backfill empty stopes wherever possible to reduce hoisting to the surface.

In September 2014 a major review of the mine commenced which resulted in a number of changes as summarised below:

- Reduce dilution by changing stope designs and protocols and change payment systems for contract mining;
- Complete the upgrade to the L8 Shaft capacity over the December 2014-January 2015 period to 1,400 tpd;
- Complete the planning of the Service Shaft and commence construction as soon as possible;
- Improve mine support services such as mine planning, geological functions, engineering, mechanical and electrical services;
- Improve the ventilation and pumping systems; and
- Plan the long term shaft haulage.

The mine now has the flexibility to adjust cut-off grades as required according to the gold price so it can continue producing profitable ounces. Stope panels that are below cut-off grade, mainly in the upper levels of the mine, will not be extracted at present. This may result in less tonnes, but more profitable ounces as costs are reduced in line with reduced tonnes mined and milled. Should the gold price increase in the future, the cut-off grade will be decreased and the un-mined stopes can be readily mined as development drives are already in place.

The milestones with respect to cost reductions over the 2015-16 FY are anticipated to be:

- Completion of the new ventilation system in the December quarter 2015 which will reduce power consumption;
- Completion and operation of the Service Shaft mid-CY 2016 which will vastly improve mine supervision, access for men and materials as well as health and safety aspects of the operation. Once operational, the L8 Shaft will be used exclusively for lower levels ore hoisting, increasing its capacity to 1700 tpd;
- Steady state stope inventories following build up in 2014-15 FY; and
- Improved primary ventilation increasing efficiencies and reducing electrical costs.

REVIEW OF OPERATIONS

Co-O MINE OPERATIONS

Stoping methods

Two mining methods are currently utilised at the Co-O Mine:

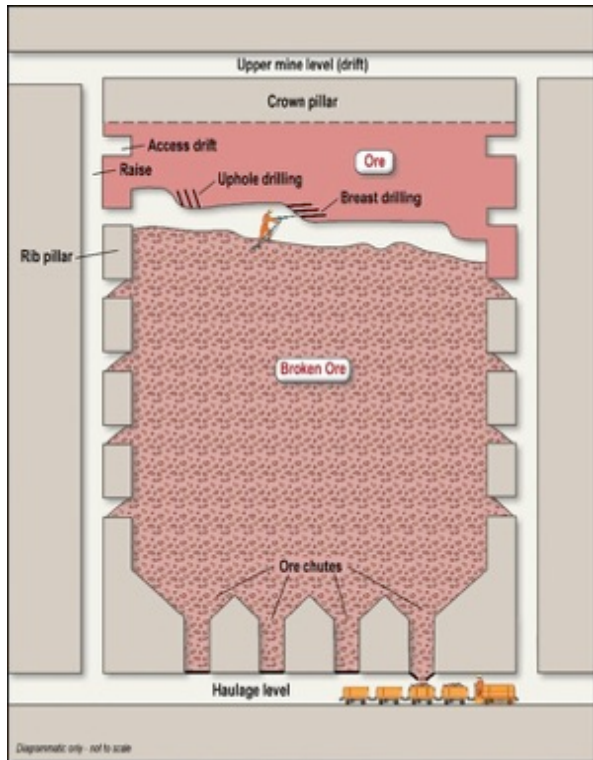


Figure 3: Schematic diagram of a shrink stope.

(i) *Shrink stope mining*

This method is predominantly used on steeply dipping veins with a minimum mining width of 1.25 metres. (Fig. 3) Mining commences from the bottom and progresses upwards and the broken ore is left in the stope to provide ground support. The volume of ore expands after blasting by about 30% and this material needs to be progressively drawn from the stope during operation. Once blasting has reached the crown pillar, the remaining 70% of ore can be drawn quickly at low cost.

(ii) *Room and pillar (slot) mining*

This method is used on the low-angle veins where the ore would not naturally flow to the draw points. (Fig. 4). The broken ore needs to be scraped to the haulage level by mechanical slushers, and pillars need to be left behind for ground support. The minimum mining width for low angle veins is 1.5 metres, hence the higher dilution is partly responsible for the overall lower than average grade achieved from the upper parts of the mine where the low angle veins are prominent. The ratio of room and pillar stopes to shrink stopes will likely decrease with depth.

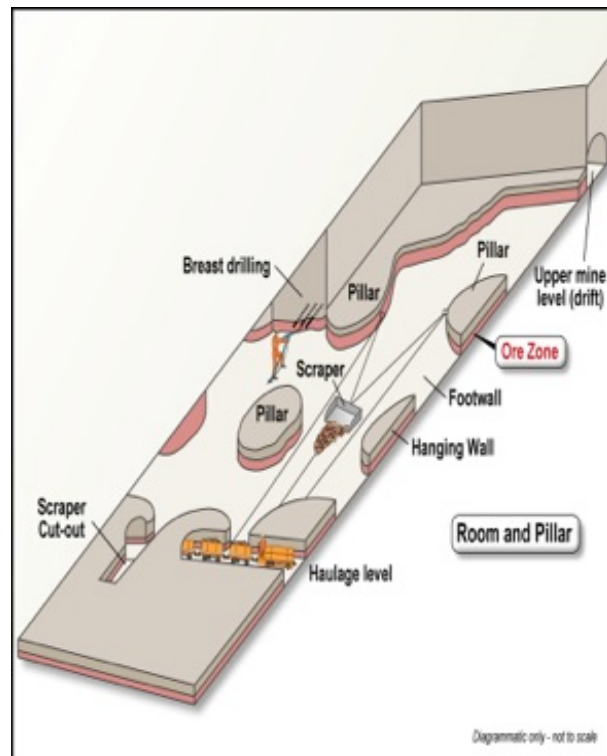
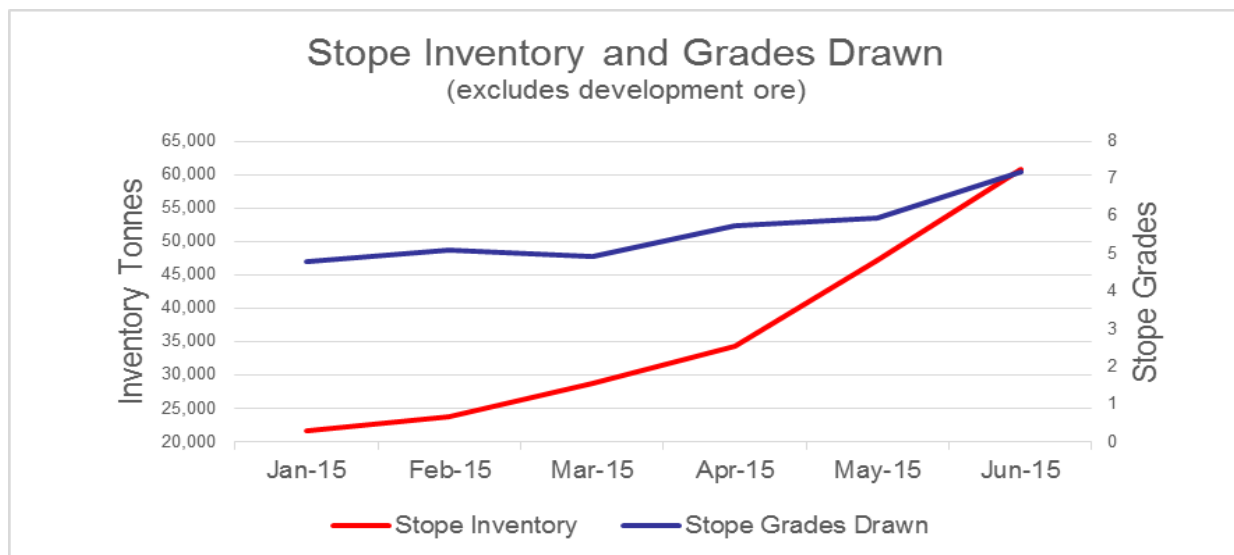


Figure 4: Schematic diagram of a room and pillar (slot) stope.

New stope protocols and a new contract mining payment system were introduced in the December 2014 quarter to promote better mining practices. The effects of these measures are shown on Graph 2 where the dilution has been reduced as shown by rising grades, and the broken ore inventory in the stopes has been replenished. The replenishment of inventory has resulted in short term higher costs and will reduce once steady state conditions are maintained.

REVIEW OF OPERATIONS



Graph 2 showing the increases in stope broken ore inventories and the stope drawn grades.

Development

Development and stoping continued on all levels (Levels 1 to 8) during the year, as well as winzing (sinking a sub-vertical shaft, called a winze, to a lower level) down to Levels 9 and 10 to establish internal shaft haulage to these levels where horizontal on-vein development has recently commenced. Nearly all development is conducted on ore with waste development being confined to ventilation raises, internal shafts and incidental infrastructure.

A total of 21,150 metres of horizontal and vertical development was completed in FY15. Currently the mine production is achieved from approximately 60 development headings and approximately 100 to 110 stopes at an approximate 50:50 ratio.

L8 Shaft

The L8 Shaft continues to operate satisfactorily since the upgrade was completed in January 2015. However the increased movement of materials, required for greater production from the lower levels, competes with skip ore hoisting time. This will continue until such time as the construction of the Service Shaft is completed, commissioned and operational. The additional hoisting capacity to 1700 tpd will be fully utilised regardless of increased cut-off grade due to the centre of gravity of the mine operations moving downwards. The Level 8 Shaft hoisted 53% of total production for the June quarter and this percentage will rise over time.

The current haulage capacity following the L8 Shaft upgrade is shown in Figure 5.

REVIEW OF OPERATIONS

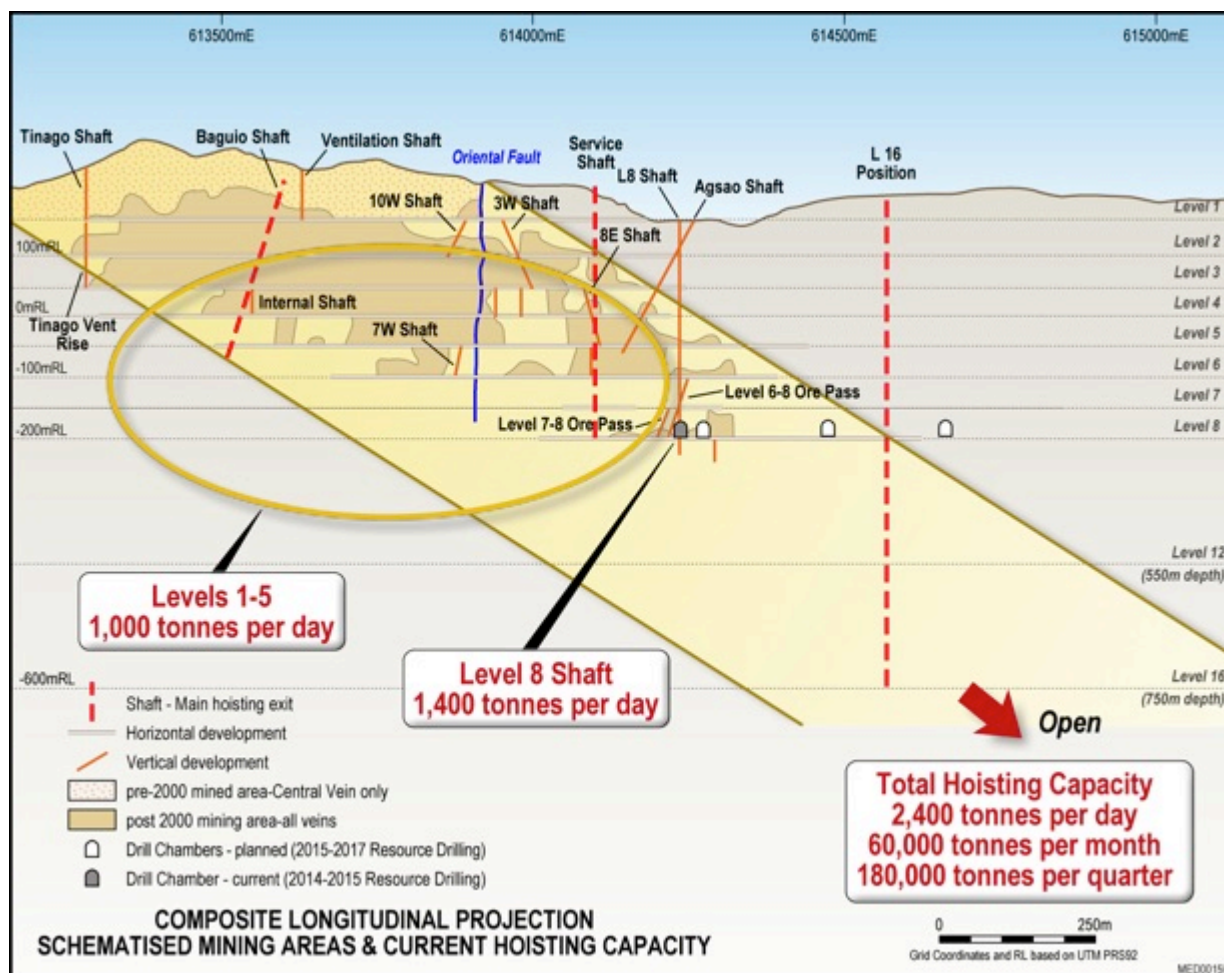


Figure 5: Co-O Mine current haulage capacity.

Primary Ventilation

The primary ventilation circuit is being upgraded by installing a parallel 85kW Axial Fan adjacent to the existing sole 85kW Axial Fan. A new 225kW Centrifugal Fan has been ordered and will be delivered Q4 CY2015. This fan will provide for a separate ventilation district for levels 6 – 10, increasing the overall volume of air flow through the mine by 300%. The increased airflow will allow greater worker efficiency and reduce the use of secondary ventilation by compressed air, hence reducing electrical demand on compressors.

Service Shaft

A Service Shaft for transporting men and materials to Levels 3 to 8 is progressing on schedule as shown schematically on Figure 6.

The Alimak⁽ⁱ⁾ (2 metres x 2 metres) raise has completed 250 metres of the 350 metres from Level 8 up to Level 3 where a new Alimak nest⁽ⁱⁱ⁾ has been excavated at Level 3, and will continue for 50 metres to Level 2.

The shaft collar has been concreted and a blind sink of 83 metres to Level 2 will be undertaken using a crane and kibble⁽ⁱⁱⁱ⁾ as shown in the photo following Figure 7.

The shaft headframe, main winder and sinking equipment are scheduled to arrive during the last quarter of 2015 and once installed, a sinking stage will be used to widen the shaft to its final dimensions (3.2 metres x 3.65 metres)^(iv) from Level 1 to Level 8. Installation of ground support to the walls and equipping the level accesses between Levels 3 to 8 will be done simultaneously. The rope guided man-cage is scheduled to be installed in the second quarter CY2016.

On commissioning, all men and material movement will be transferred to the Service Shaft from the L8 Shaft, and the latter will then be used exclusively to hoist ore, to attain its planned capacity of 1,700 tonnes per day.

Figure 7 shows the haulage capacity post completion of the Service Shaft.

REVIEW OF OPERATIONS

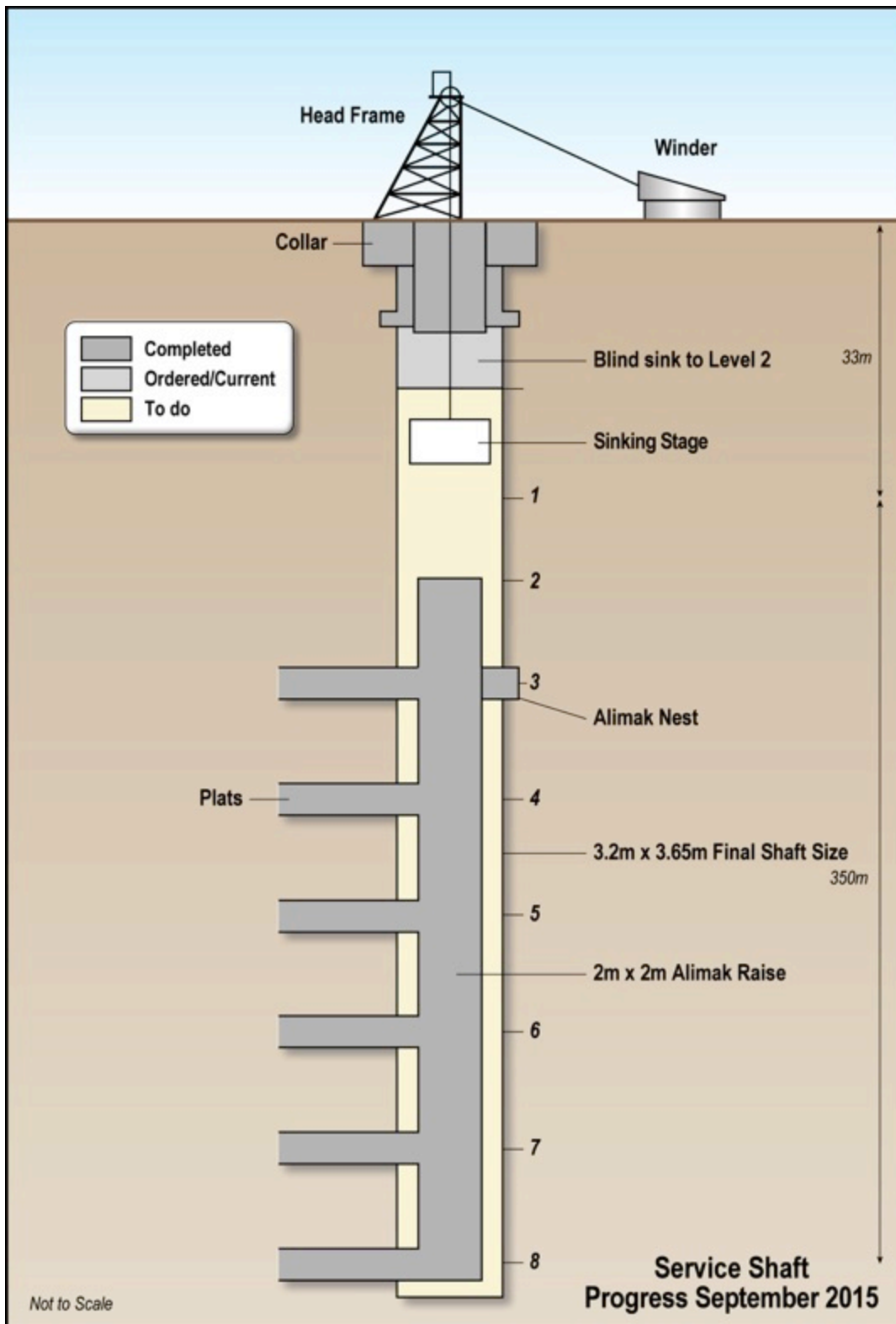


Figure 6: Schematic representation of Service Shaft progress.

Notes:

1. Alimak Raise - a climbing platform that provides miners a safe and efficient method to construct long vertical raises. A cage climbs a vertical raise fastened to the wall of the raise. The miners stand atop of the cage to drill the face, and the cage retreats to a nest at the bottom of the raise during blasting;
2. Alimak Nest - where the Alimak retreats to when blasting;
3. Kibble - an engineered sinking bucket for lowering men and materials as well as hoisting broken rock;
4. The final dimensions have been chosen to allow a locomotive/mine car to be lowered intact, where currently they need to be dis-assembled to be lowered down the L8 shaft.

REVIEW OF OPERATIONS

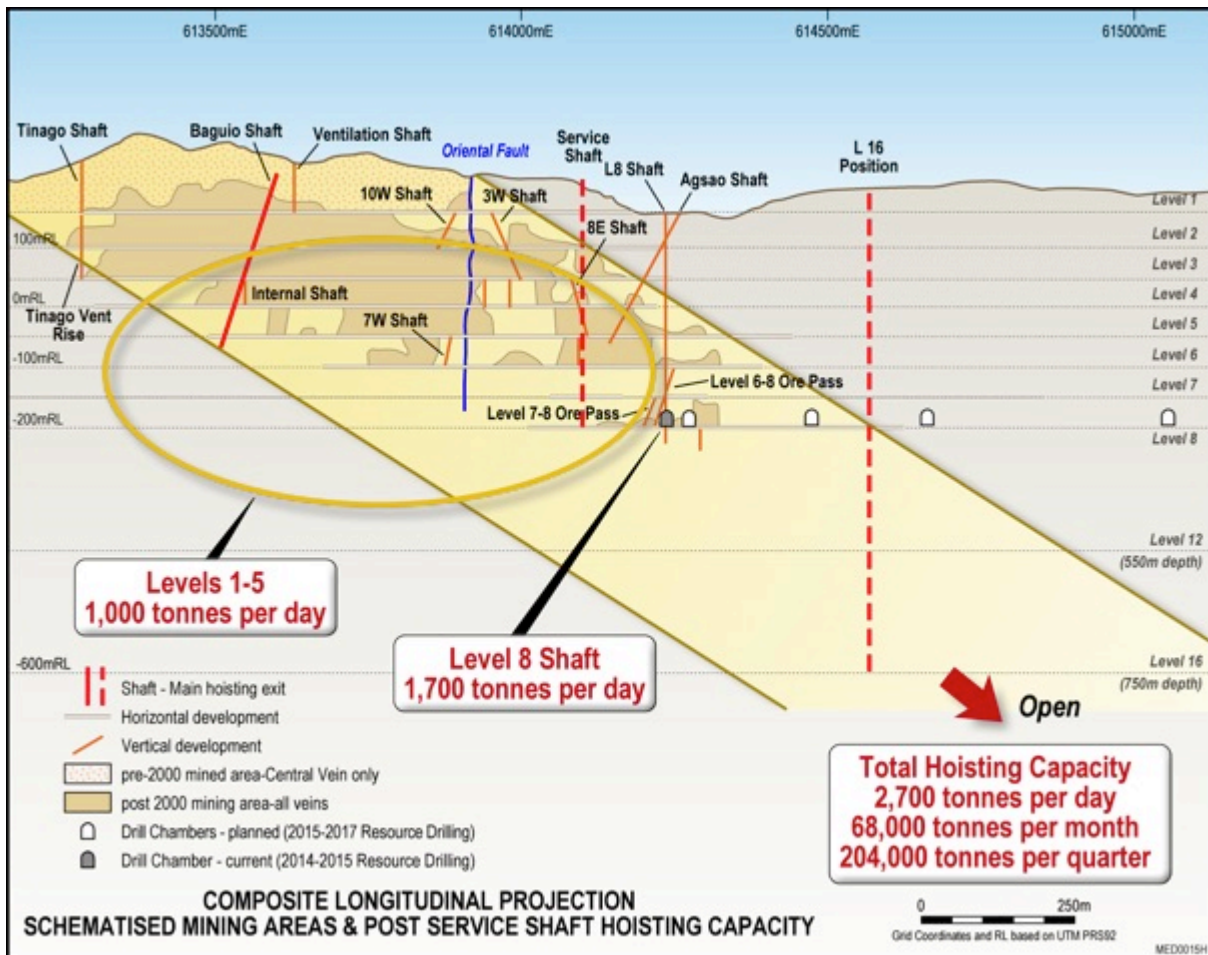


Figure 7: Co-O Mine post –Service Shaft haulage capacity



Photo of Service Shaft collar currently being excavated.

REVIEW OF OPERATIONS

Co-O MINE GEOLOGY

Detailed discussions and interpretations of the Co-O Mine geology and mineralisation were initially reported on 14 August 2012 and are also contained, with plans and sections, in the 2012, 2013 and 2014 Annual Reports.

During the past 12 months, the Company has embarked on an intensive review of the Co-O Mine geology, including identification of structures and mineralisation

The key points from the extensive review, re-interpretations and re-modelling of the underground geology of the Co-O Mine over the last 2 years are:

- (i) The 3 main veins, Central, Jereme and GHV are continuous over a strike length of at least 1.5 kilometres, and are open at depth to the east. For simplicity, Figure 8 shows only the GHV Vein resource model.
- (ii) The horizontal length of the best mineralised core of the vein system is approximately 800 metres, and this core plunges to the east at approximately 30°, as depicted on Figure 8. Economic mineralisation does occur outside the core zone, but is less consistent.
- (iii) The Co-O diatreme breccia disrupts the up-dip sections of some of the north dipping vein mineralisation in some down-plunge positions (Fig. 9). In addition a consistent shatter zone, which is approximately 50-100 metres wide, has now been identified peripheral to the diatreme, within which the veins' continuity and characteristics become less consistent and are generally not economic to mine.
- (iv) Proximal to the eastern part of the Co-O vein system, the near surface underside of the diatreme and shatter zone's flare dips shallowly at approximately 10° to the south, and becomes steeper to approximately 50° dip with increasing depth, diverging away from the north-dipping veins, and hence the veins are interpreted to be open down-plunge, beneath the flare of the diatreme (Fig 9).
- (v) Some resource blocks currently extend (and are open) to beyond Level 12 (550 metres below Level 1). Additional deep capacity drilling rigs are currently being acquired and will be utilised to test the depth extensions to mineralisation from drill chambers on Level 8 by drilling out the zone between Levels 12 and 16 to support the case for an L16 Shaft to Level 16 (750 metres below Level 1).
- (vi) Comparison with other similar epithermal vein systems, such as the Vera Nancy system in North Queensland, currently being mined by Evolution Mining Limited, shows noteworthy similarities as shown in Figure 10. The Vera Nancy system has a 4 kilometre strike length (Co-O has so far been mined over 1.5 kilometres), a similar shallow plunge to its mineralisation, and a similar vertical extent of economic mineralisation.

REVIEW OF OPERATIONS

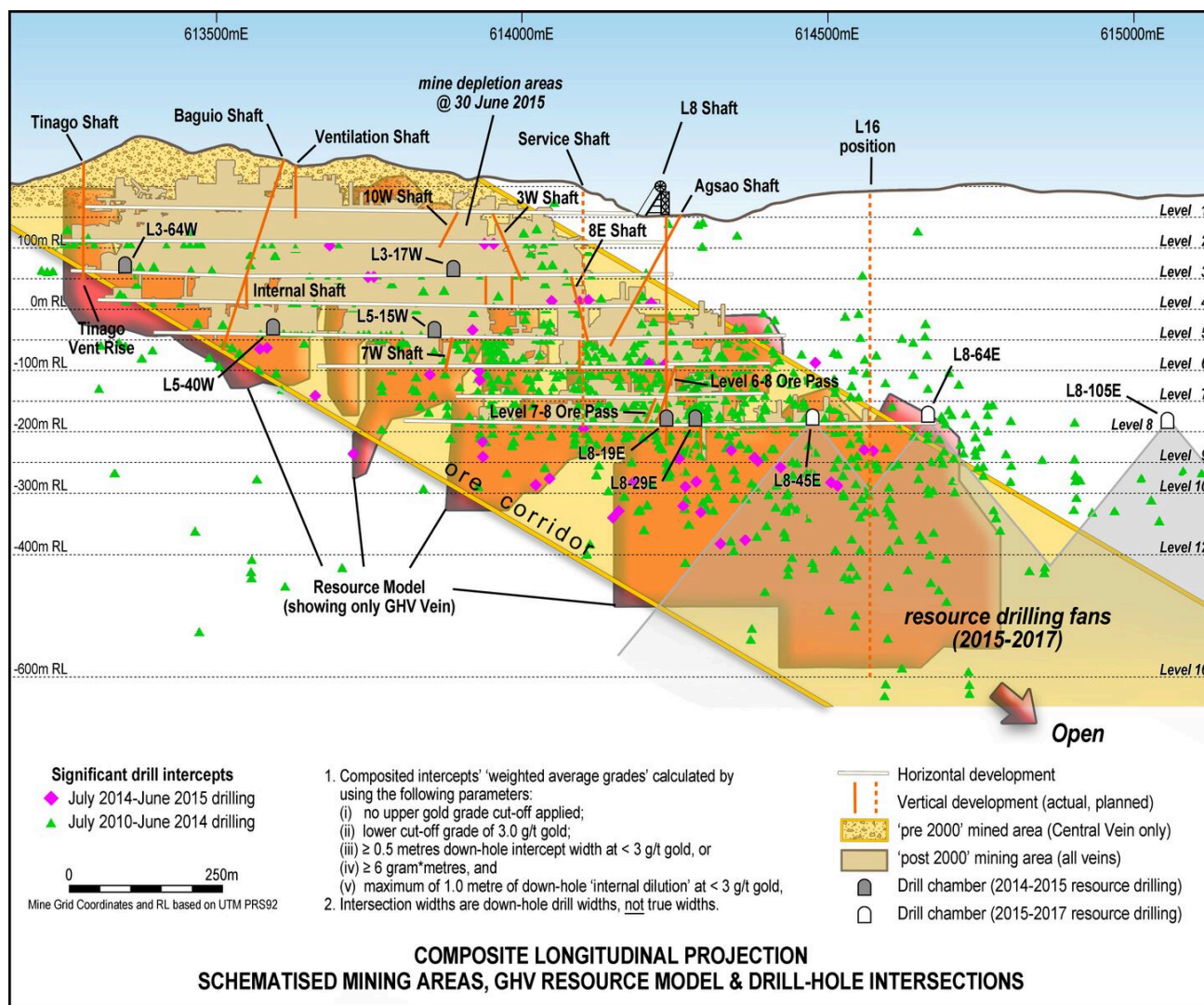


Figure 8: Co-O Mine composite longitudinal projection showing the locations of reported significant drill intercepts (since 2010), underground development, Service Shaft, proposed L16 position, and locations of drill chambers planned for 2015-2017 resource drilling programme. The GHV Vein resource model (red) is also shown, demonstrating the potential for down-plunge extensions at depth.

REVIEW OF OPERATIONS

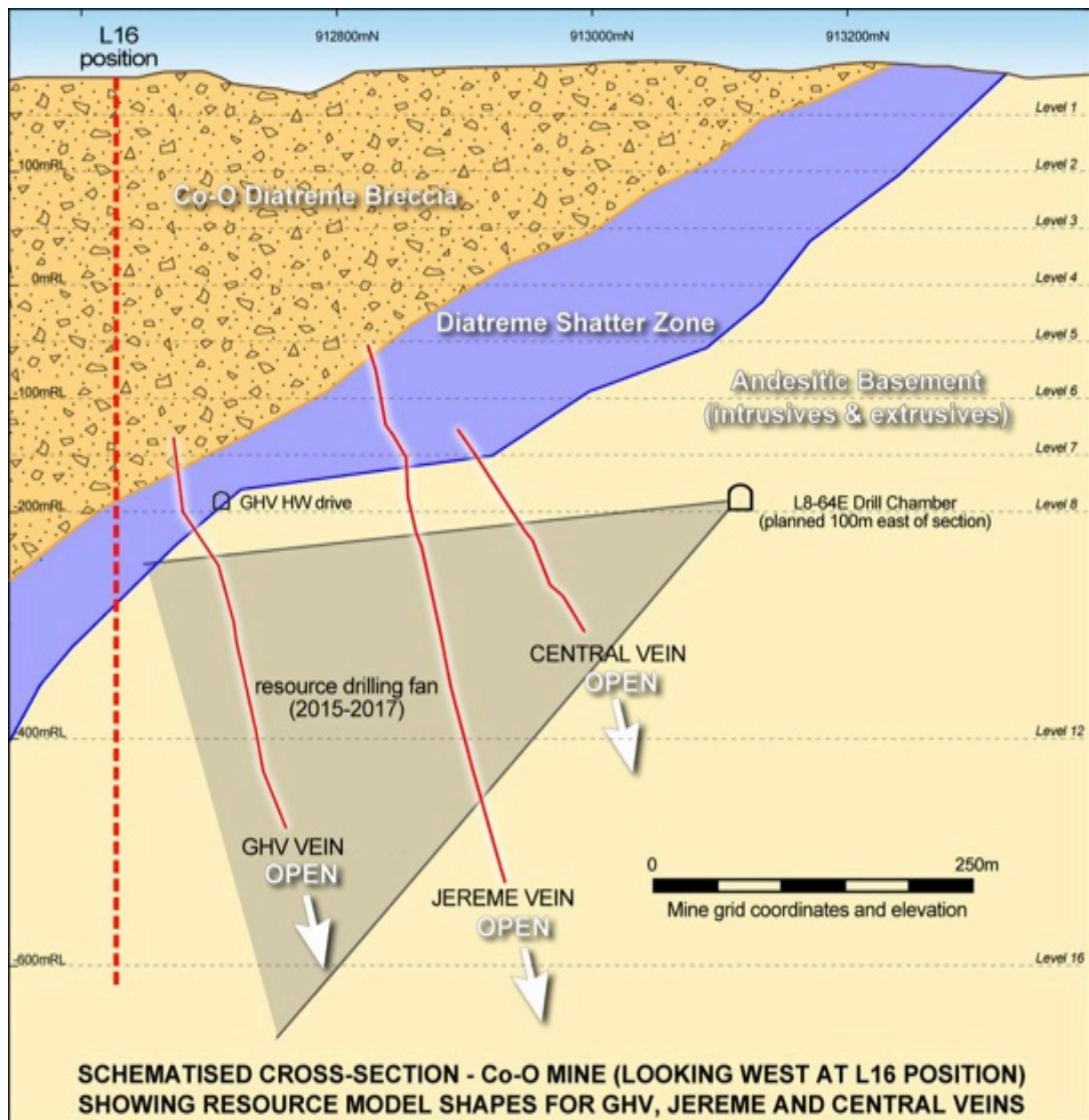


Figure 9: Cross-section through the L16 position

REVIEW OF OPERATIONS

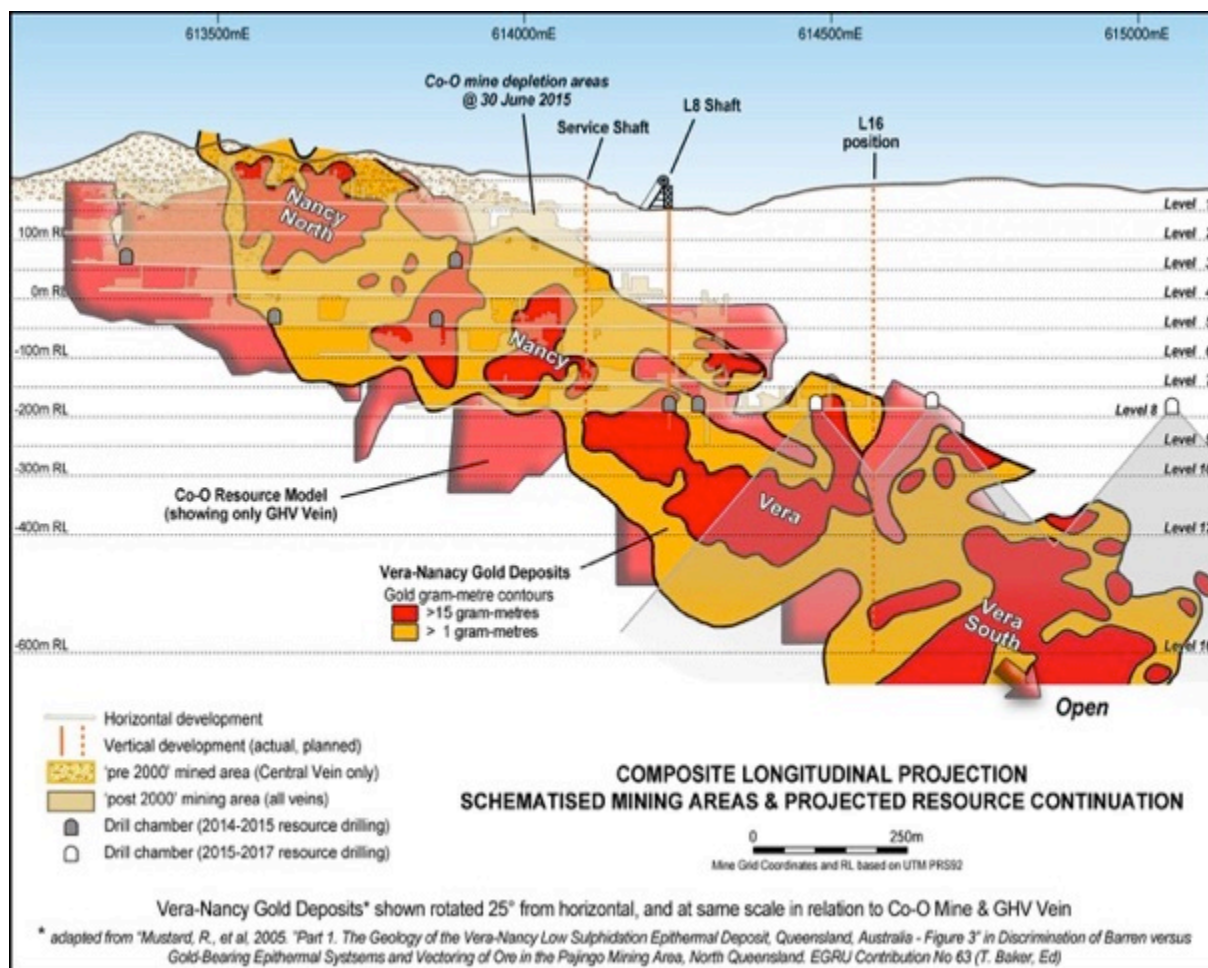


Figure 10: Longitudinal projection showing the Co-O vein system with the superimposed Vera Nancy vein system

GROUP ORE RESERVES AND MINERAL RESOURCES

The Annual Mineral Resources Update Statement and Annual Ore Reserves Update Statements for the Company were released on 4 September 2015 and 25 September 2015 respectively, and include Material Information for the individual deposits, including a Material Information Summary pursuant to ASX Listing Rules 5.8 and 5.9 and the Assessment and Reporting Criteria in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code 2012").

The Mineral Resources and Ore Reserves Statements have been prepared in accordance with the JORC Code 2012 for the Co-O Mine, whereas the Bananghilig and Saugon Mineral Resources were prepared and first disclosed under the JORC Code 2004 and have not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since they were last reported.

The Company conducts regular internal and external reviews of Mineral Resource and Ore Reserve estimation procedures to validate the quality and integrity of these procedures. External consultants are also regularly contracted to conduct independent reviews of Mineral Resource and Ore Reserve estimation procedures and results. The reviews have not identified any material issues with these procedures or results.

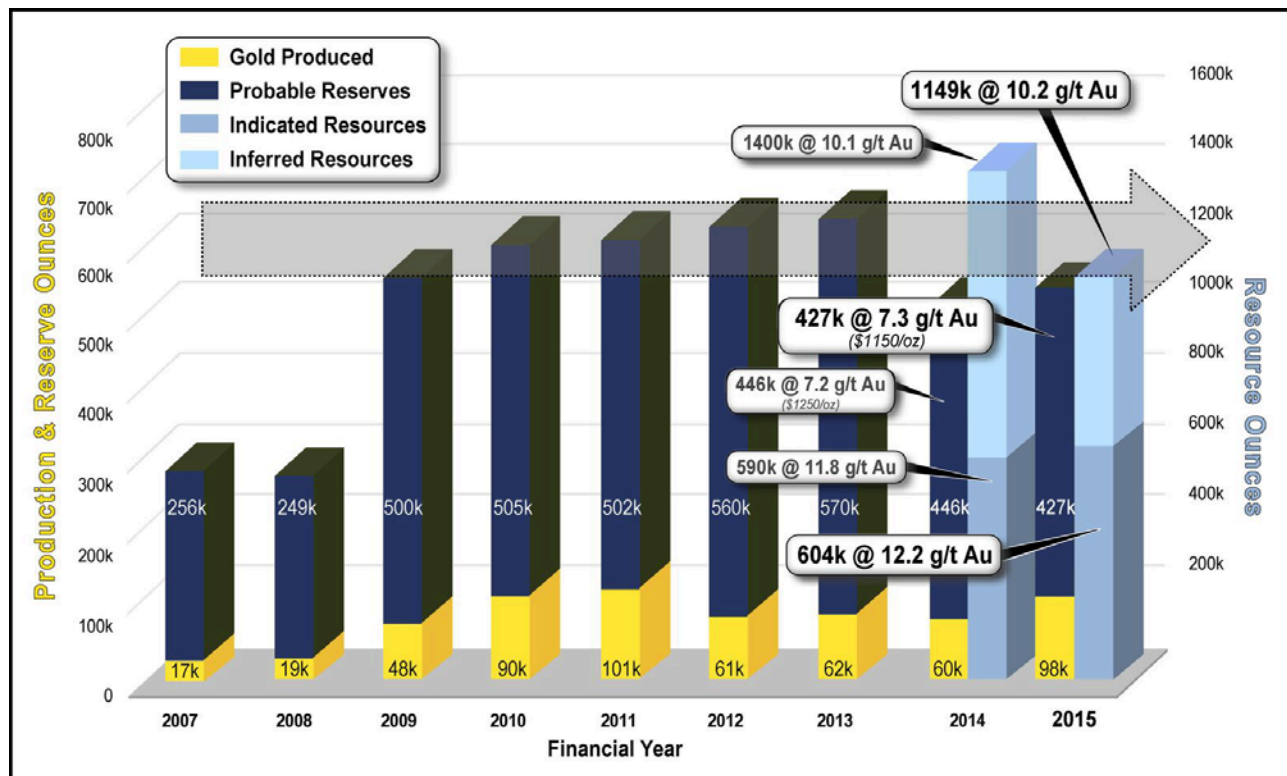
The Co-O Mine has a long history of Ore Reserve replacement by way of diamond drilling and conversion of Indicated Resources (Graph 3). The Company remains confident in the long-term future of the Co-O Mine given the current Mineral Resource inventory, the nature of the geology and the historic high conversion rate (~70%), after allowance for mining recovery, of Indicated Mineral Resources to Ore Reserves. The Co-O Mine continues to maintain a minimum 2.5-year mine plan, for Indicated Resource, but well in excess of a 5-year life, considering the resource endowment. This is typical of the way these types of narrow vein, high-grade gold mines have operated for many years.

REVIEW OF OPERATIONS

Mineral Resource and Ore Reserve Assumptions

Mineral Resources are reported inclusive of Ore Reserves and includes all exploration and resource definition drilling information up to 31 May 2015, and has been depleted for mining to 30 June 2015. Gold price assumptions used to estimate Mineral Resources and Ore Reserves are:

- Mineral Resources: US\$1,500/oz gold
- Ore Reserves: US\$1,150/oz gold



Graph 3 showing Production, Ore Reserves and Mineral Resources status since 2007, demonstrating the Co-O Mine's history of increasing resources and replacing mine depletion.

NOTES: FY2007 to FY2013 – Ore Reserve ounces are classified under JORC Code 2004 guidelines.

FY2014, & FY2015 – Mineral Resource and Ore Reserve ounces are classified under JORC Code 2012 guidelines.

FY2015 reserves estimated using gold price of \$1150/oz (FY2014 reserves at \$1250/oz).

Co-O MINE MINERAL RESOURCES

Total Inferred and Indicated Mineral Resources for the Co-O Mine are now estimated at 3.50 million tonnes at an average grade of 10.2 g/t gold for a total 1.15 million ounces gold, compared to the estimate reported on 25 September 2014 of 4.34 million tonnes at a grade of 10.1 g/t gold for a total 1.41 million ounces gold (Table III).

The changes in the Co-O Mine's Mineral Resources are primarily due to mining depletion, inclusion of further underground drilling results and development, reduction of some interpreted vein thicknesses at depth, addition of a higher proportion of internal waste to reflect the discontinuous nature of some veins, application of a revised lower cut-off grade, using an accumulation of 3.2 gram*metres/tonne to incorporate a minimum mining width above cut-off grade, improved survey practices, resulting in better stope definition, and revision of availability of in-situ pillars due to mining access.

Despite the mining depletion of 105,000 ounces in FY2015, the amount of ounces in the Indicated Resource category remains largely unchanged, at a slightly higher grade. This is a result primarily of conversion from Inferred to Indicated Resources by infill drilling and development, rather than extensional resource drilling.

REVIEW OF OPERATIONS

Table III. Co-O Mine Mineral Resources as at 30 June 2015
(Refer ASX announcement dated 04 September 2015 for JORC Code 2012 – Table 1 Report)

Mineral Resource Category	Tonnes	Grade g/t Gold	Ounces Gold
Indicated resources	1,546,000	12.2	604,000
Inferred resources	1,958,000	8.6	545,000
TOTAL	3,504,000	10.2	1,149,000

Notes:

- a lower cut-off of 3.0 g/t gold, minimum mining widths of 1.2 metres, minimum grade of 2.7 g/t gold, minimum grade x width of 3.2 g.m/t have been applied.
- various upper cuts (up to 300 g/t gold) have been applied to different veins.
- a gold price of US\$1,500 has been applied.
- Rounding to the nearest 1,000 may result in some slight apparent discrepancies in totals.

Underground Drilling

Indicated Category

In FY2015, the focus of underground drilling and development was to upgrade resources, which had previously been classified as Inferred, into the Indicated category. This programme was successful in that the current Indicated Resource is relatively unchanged compared to the FY2014 Indicated Resource, despite the fact that 105,000 ounces have been depleted by mining.

Inferred Category

There was limited drilling to the east and down plunge which focussed on extensions to the deposit. Drilling at the western part of the deposit, did not intercept any additional significant mineralisation. As a consequence of this, there has not been an overall increase in the total resource.

Current development (Figs 5 and 8) has focussed on establishing drill chambers on Level 8, to accommodate the newly acquired deeper capacity drilling rigs, for a programme of deep drilling for strike extensions to the east and down plunge extensions.

It is anticipated that this drilling will commence in the December quarter 2015, and complete 15,000 to 20,000 metres of diamond coring aimed at increasing the total mineral resource.

Mineral Resource Estimation Methodology

The FY2015 Resource estimate was carried out by Philsaga's geological staff under the guidance of Mr Gary Powell, (Manager Geology and Resources). The estimates were checked in detail by Carras Mining Pty Ltd, who acted in the capacity as independent external auditor.

The method was identical to the procedure used by Mr Mark Zammit of Cube Consulting Pty Ltd ("Cube") of Perth, Western Australia, for the FY2014 Mineral Resource estimate update (refer announcement of 25 September 2014).

Mr Zammit also carried out a high level review of the methodology implemented by Philsaga personnel and concluded that "the same general approach used in the past has been adopted for the current updated resource estimate. Differences between the previous 2014 model and the updated model have been attributed to additional information from grade control, depletion and improved survey practices".

Resource Vein Modelling

A wireframe model of the vein system and the mine depletions were based on all available information as at 31 May 2015. A Bulk Density value of 2.62 was used for Mineral Resource estimations.

Philsaga has applied a 2D longitudinal modelling approach (as used in all previous estimates by Cube) based on an accumulation variable incorporating mineralised vein horizontal width and intercept grade. Each sample within a mineralised vein was assigned a unique code. This coding was used to control compositing. Mineralised vein grades were composited across the entire coded interval resulting in a single intercept composite.

Block estimates were based on interpolation into 25mE x 25mRL cells. Block discretisation points, required for block kriging were set to 5 x 5 points in the longitudinal plane.

Variography was used to analyse the spatial continuity of the horizontal width and accumulation variables within the mineralised veins and to determine appropriate estimation inputs to the interpolation process. The accumulation variables were interpolated into blocks using Ordinary Kriging. Various high-grade gold limits were applied to individual veins prior to the calculation of the accumulation variable.

REVIEW OF OPERATIONS

Mining depletions as of 30th June 2015 were stamped into the 3D block model using the 2D string outlines digitised from the Co-O Mine long sections, as provided by Philsaga's survey department.

Figure 11 is a perspective view of the Co-O Deposit resource model showing the major veins (GHV, Jereme and Central Veins) in colour and associated sub-parallel and link veins in grey, plus development as at 30 June 2015.

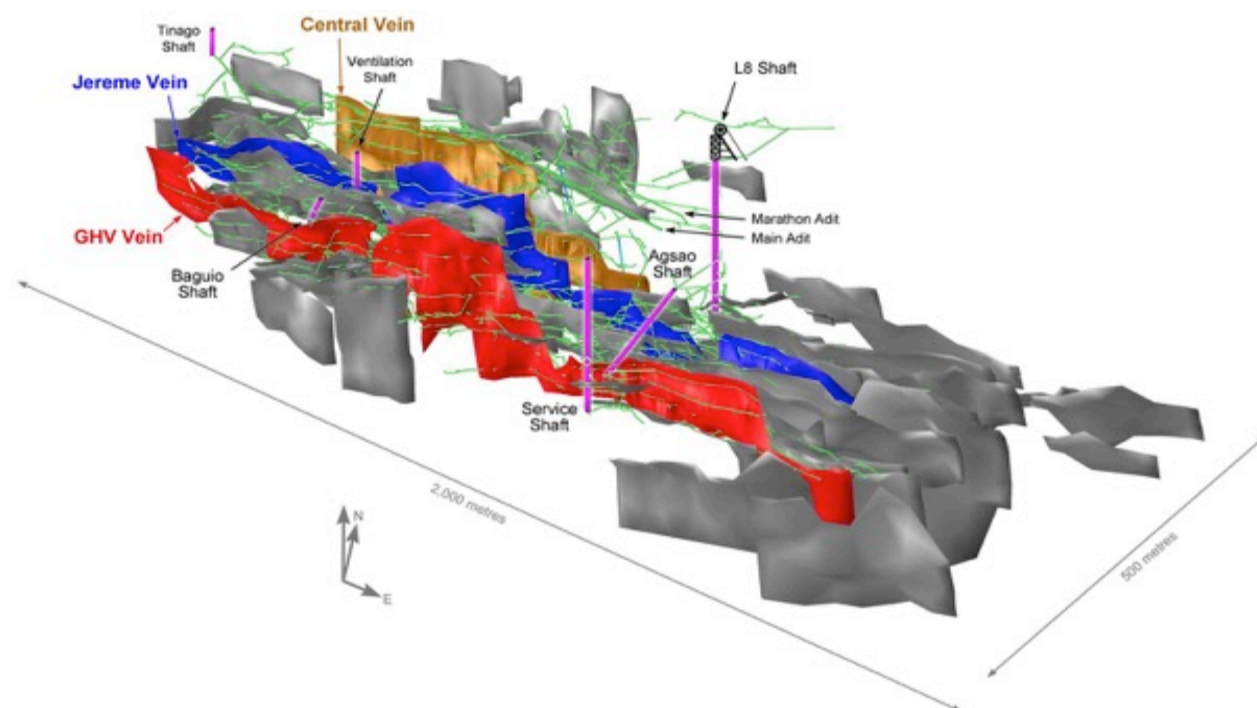


Figure 11: Perspective view of the Co-O Mine's 2015 resource model, major veins and underground development

Mineral Resource Estimation

The Co-O Mineral Resources have been estimated and reported in accordance with the guidelines of the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012).

The criteria used for resource classification include:

- Geological continuity and vein volume;
- Data quality;
- Data spacing and mining information;
- Modelling technique; and
- Estimation properties including search strategy, number of informing composites, average distance of composites from blocks, and Kriging quality parameters such as slope of regression (unchanged from FY2014 resource estimates).

In addition to the above, the following economic parameters were considered when assessing the requirement for reasonable prospects for economic extraction:

- Gold price of USD1,500 per ounce, and
- Minimum diluted grade x width (accumulation) of 3.2 gram*metres/tonne to incorporate a minimum mining width above cut-off grade.

The Indicated Resource boundary was drawn to encompass those blocks with higher estimation qualities, typically within areas defined by drill hole data closer than 50 metres x 50 metres and usually approaching 25 metres x 25 metres and/or with the inclusion of underground mine development where geological and volume continuity is well established.

Inferred Resource areas reflect identified veins where there is no mining information and with limited drill hole data.

There were no Measured Resources defined due to the short scale variability in volume and grade plus the moderate risks identified in the data quality, data spatial location and mined volume definition.

The final reporting of the Mineral Resource is undiluted above a 3.2 gram*metres/tonne cut-off, which incorporates a minimum mining width above cut-off grade.

Variography, search criteria and high grade cutting methodologies were as per those used for FY2014.

REVIEW OF OPERATIONS

Comparison with Previous Resource Statement

A comparison between the current Mineral Resource and that stated for 30 June 2014 in Table IV shows that the Indicated Resource ounces have remained almost unchanged, at a slightly higher grade, despite having mined 105,000 ounces in FY2015. This means that the depletion has been replaced, mainly by upgrading FY2014 Inferred Resources.

The slightly higher grade of the Indicated category is attributable to the application of an accumulation cut-off grade, and development of higher grade stoping areas, particularly in the lower levels of the mine (Levels 6 to 8), confirming the high grade nature of the ore.

The Inferred Resource has been reduced as a consequence of the upgrading of Inferred to Indicated and other factors, including:

- minimal amount of drilling being carried out along strike to the east and down plunge to add resources;
- drilling at the western part of the deposit did not intersect significant mineralisation;
- reduction of some interpreted vein widths to reflect the widths of veins as seen in the upper levels of the mine;
- the addition of a higher proportion of internal waste to reflect the discontinuous nature of some veins;
- some mining of previously stated inferred resources, and
- mining and depletion continuing since the previous resource statement.

Table IV Comparison summary of the total undiluted Co-O Mineral Resources at a block cut-off grade above 3.2 gram*metres/tonne gold (accumulation) for 30 June 2015, and above 3.0 g/t gold for 30 June 2014.

Category	30 June 2014			30 June 2015			Variance		
	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
Indicated	1,561,000	11.8	591,000	1,546,000	12.2	604,000	-1%	+3%	+2%
Inferred	2,778,000	9.2	819,000	1,958,000	8.6	545,000	-30%	-6%	-34%
Total	4,340,000	10.1	1,410,000	3,504,000	10.2	1,149,000	-19%	+1%	-19%

Notes: Mineral Resources are reported inclusive of Ore Reserves

Co-O MINE ORE RESERVES

A summary of the Co-O Ore Reserves was last reported on 25 September 2014. There have been material changes to the reserves since then due to mining depletion, significant underground development, some re-interpretations and re-modelling of geology, as per discussion in the preceding sections, as well as the application of lower recoveries to pillars and remnant ore blocks. The Annual Mineral Resources and Ore Reserves Update Statement announced on 25 September 2015 includes material information relating to the estimations processes.

Carras Mining Pty Ltd ("Carras") of Perth, Western Australia, was contracted to undertake the Co-O Mine Ore Reserves estimate.

The reported Ore Reserves is based on the Mineral Resources model produced by Philsaga's geological division under the supervision of Mr Gary Powell (Manager Geology & Resources). This model was updated in parts to reflect more current observations made in the mine, where they are relevant to the Ore Reserve study. A Bulk Density value of 2.62 was used for mineral resource estimations and 2.4 was used for the waste material.

Cut-off Grades

Cut-off grades used for the Reserve Estimate were derived after making allowances for mining and haulage, hoisting, surface haulage, milling, administration, royalty, development and an extra development factor for mining outside of Reserves, and a cost for all underground drilling.

The following gold price and cut-off grades were applied:

- Gold price of US\$1,150 per ounce gold;
- 2.0 g/t gold for development ore;
- 3.8 g/t gold for developed stopes, and
- 4.5 g/t gold for un-developed stopes.

For Levels 1, 2 and 3 where haulage is minimal, slightly lower cut-off grades were used, consistent with the lower haulage costs. The costs used to arrive at cut-off grades are based on actual validated mine costs.

Mining Factors & Assumptions

The Resource was converted to Reserve, utilising Co-O operations mine design as a basis, following the application of minimum mining widths (MMW), dilution and cut-off grades to panels of size 30m x 50m high based on the Philsaga block model. Costs were then applied to determine those panels within the Indicated category, which were economic. If

REVIEW OF OPERATIONS

economic, they were included in the Probable Reserve. A very small component (5%) of lower grade and Inferred material was included to reflect actual mining practice.

Mining at Co-O utilizes both Shrink and Slot stope mining. Shrink Stope mining has been used at the mine since around 2004 and is well understood.

The MMW and mining dilution factors used are:

- MMW of 1.25 metres is applied to those panels with a dip ≥ 50 degrees.
- MMW of 1.50 metres is applied to those panels with a dip < 50 degrees.
- Where the panel width was equal to, or greater than the MMW, an additional 0.25 metres dilution was then added to the Hanging Wall.
- An additional dilution of 10% was allowed for the mining of the low angle stopes under draw.
- A further 30% dilution was added to stopes on levels 4 and 5 to allow for discontinuities.
- a 30% dilution was added to stopes on Levels 4 and 5 to allow for discontinuities.
- shape dilution of 5% of extra tonnage at 2 g/t gold applied, for extra development and to reflect pinch and swell of veins, and faulting.
- For stopes < 10 g/t gold an 85% mining recovery was used.
- For stopes ≥ 10 g/t gold a 90% mining recovery was used.
- 25% recovery factor for sill pillars in empty stopes are included in reserve at a grade of 7g/t gold, to reflect current selective mining practice,
- 30% recovery factor has been applied to remnant ore blocks, at their respective stope grades,
- stopes containing less than 500 tonnes, were removed to account for ore loss.

Inferred Resources and low grade Indicated Resources (5%), are only utilised in the Ore Reserve estimation when those panels need to be developed in order to access higher grade Indicated Resources (which must be able to carry all costs). This also includes a small element of development beyond the Indicated Resource as an exploration component.

At the lowermost levels, winzing on ore and narrow vein development is, and always has been part of the strategy of developing a new level. This accounts for only a small proportion (5%) of global Reserve ounces, located at Levels 10, 11 and 12, where current winzing and diamond coring is showing characteristics typical of the GHV high grade zones in the levels above.

Underground Level development is continuous, with all other required infrastructure in place. The mine is currently developing a service shaft at the 15E position, which will be utilised for hoisting men and materials from Level 8 to surface.

There are no Proven Ore Reserves defined as no Measured Resources were estimated, as summarised in the preceding section. A metallurgical recovery of 94% has been used, based on current milling recovery, but not applied to the reported Reserve figures.

Comparison with Previous Reserve Statement

A comparison between the current ore reserves and that stated at 30 June 2014 shows a slight decrease in Probable Reserve ounces of 4.3% or 19,000 ounces of gold (Table V).

The changes in the Co-O Mine reserves are primarily due to: mining depletion; inclusion of further underground drilling results; modified vein interpretations through increased geological knowledge of the different vein sets obtained by ongoing underground mapping, modification of gold cut-off grades, a lower mining recovery applied to remnant ore in some historical stopes and pillars, and reporting at a lower gold price of US\$1150/oz compared to FY2014's gold price of US\$1250/oz.

Table V Comparison Summary of the Co-O Mine's Ore Reserves for 30 June 2014 and 30 June 2015 after allowance for mine depletion.

Reserve Category	30 June 2014			30 June 2015			Variance		
	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
Probable	1,920,000	7.22	446,000	1,811,000	7.33	427,000	-5.7%	+1.5%	-4.3%

REVIEW OF OPERATIONS

Co-O EXPLORATION

“Underground drilling during 2015-17 will primarily focus on converting wide-spaced intersections in the down-dip and down-plunge vein extensions between Levels 8 to 16 into resources, and upgrading Inferred Resources to Indicated status, from new drill chambers on Level 8.”

Resource Definition Drilling

The Company has been using three large underground rigs on contract, for resource drilling, and four smaller Company owned portable drilling rigs for pre-development drilling. During the FY2015, underground drilling has been focussed primarily to upgrade Inferred Resources to Indicated Resource category and to a lesser extent, delineate additional mineralisation and extensions to the Inferred Resources within and peripheral to current mining operations.

Resource definition drilling was carried out from five drill chambers on Levels 3, 5 and 8. A total of 61 underground diamond drill holes were completed to 30 June 2015 for a total advance of 25,400 metres, as summarised in Table VI.

Table VI. Summary of Co-O Mine underground drilling.

Project	Purpose	Number of Holes	Meterage
Co-O Mine	Resource Underground	61	25,400
	Pre-Development	48	3,196
GRAND TOTAL		109	28,596

Details of significant intersection results obtained during the FY2015 have been reported in the September 2014, December 2014, March 2015 and June 2015 quarterly reports. Table VII below summarises the more significant drill intersections obtained during the year.

Table VII. Co-O Mine – significant underground drill hole results of ≥ 6 gram-metres.
(Refer FY2014 Quarterly Reports for JORC Code 2012 – Table 1 Reports)

Hole Number	East ⁴	North ⁴	RL ⁴	Depth (metres)	Dip (°)	Azimuth (°)	From (metres)	Width ² (metres)	Gold Grade ^{1,3} (uncut) (g/t gold)
UNDERGROUND RESOURCE DRILLING - LEVEL 3									
L3-17W-002	613894	913226	50	485.8	-31	188	182.00	0.50	17.07
							359.10	1.15	15.21
							413.20	0.85	7.07
L3-17W-003	613894	913226	50	505.6	-30	195	365.85	0.60	20.85
							368.05	0.75	22.78
							⁵ 241.85	⁵ 1.65	⁵ 6.68
L3-17W-004	613893	913226	50	511.8	-29	201	239.55	4.95	3.57
L3-17W-009	613893	913226	50	507.2	-37	204	469.45	1.15	8.20
L3-17W-010	613897	913226	51	419.4	-31	171	168.40	1.05	7.00
							292.00	3.70	2.96
							306.85	7.95	6.36
							265.55	2.35	5.65
L3-17W-012	613897	913226	50	501.7	-42	172	375.25	2.65	8.93
L3-64W-016	613353	913058	62	439.3	-25	138	193.20	1.00	11.14
							305.30	0.20	50.47
							428.30	0.90	15.34
L3-64W-017	613353	913055	60	550.7	-25	150	41.40	1.00	8.64
							311.50	1.00	10.30
							341.95	1.00	130.66
L3-64W-030	613350	913057	60	476.6	-46	159	108.00	2.45	6.72
							177.55	1.00	15.47
UNDERGROUND RESOURCE DRILLING - LEVEL 5									
L5-40W-001	613590	913079	-40	521.8	-18	208	178.00	2.00	3.15

REVIEW OF OPERATIONS

UNDERGROUND RESOURCE DRILLING - LEVEL 8									
L8-19E-003	614213	913136	-192	477.8	-3	204	175.45	0.30	20.29
							331.15	3.80	16.31
							375.45	1.95	53.69
L8-19E-004	614213	913136	-192	500.9	-3	214	286.40	0.45	35.30
							395.45	0.40	15.39
L8-19E-005	614213	913137	-192	494.0	-3	223	237.80	1.10	10.93
L8-19E-013	614214	913136	-193	415.0	-29	179	200.15	1.40	24.38
L8-19E-014	614214	913136	-193	430.4	-24	193	14.70	0.90	30.38
							217.80	1.40	4.95
							220.75	1.00	8.40
L8-19E-016	614219	913137	-193	414.3	-20	142	36.05	0.60	13.78
							104.15	0.20	53.96
							196.95	1.00	9.37
L8-19E-017	614219	913137	-193	481.3	-19	125	92.00	3.95	4.59
							322.85	1.05	24.07
							381.10	2.60	14.44
							428.10	1.30	8.56
							460.80	1.40	22.42
L8-19E-020	614212	913137	-192	437.5	-15	216	465.85	1.20	14.69
							345.00	1.70	6.42
L8-19E-022	614214	913136	-193	432.7	-30	172	402.60	0.50	31.35
							117.20	0.55	20.30
L8-19E-024	614214	913136	-193	488.0	-35	173	426.30	0.40	17.30
							263.60	1.00	6.17
L8-19E-025	614217	913136	-193	452.2	-22	144	271.25	0.70	11.00
							144.20	1.10	21.93
							160.60	0.30	84.43
							198.50	1.80	19.78
							345.30	2.40	10.95
L8-19E-026	614217	913136	-193	458.2	-30	149	432.85	0.50	14.30
L8-19E-028	614217	913136	-193	434.8	-36	164	362.00	1.00	22.20
L8-19E-029	614213	913136	-192	431.8	-41	198	226.80	2.40	43.55
							141.35	0.50	36.77
							176.00	0.60	58.97
							220.30	1.85	70.49
L8-19E-030	614215	913136	-193	397.4	-33	158	235.20	1.00	30.13
							171.80	1.05	22.39
L8-19E-032	614217	913135	-193	489.2	-32	152	251.20	1.00	31.83
							27.95	0.20	46.13
L8-19E-033	614218	913135	-192	451.2	-7	116	⁵ 176.00	⁵ 0.60	⁵ 58.97
							383.15	1.75	5.42
							387.20	1.20	15.63
L8-19E-034	614218	913135	-192	469.5	-15	116	402.25	0.85	18.77
							150.35	2.00	5.28
							199.25	1.40	6.42
							246.65	1.75	4.86
L8-19E-035	614213	913136	-192	444.1	-15	194	350.65	0.95	9.33
							334.65	0.95	61.57
L8-45E-004	614469	913041	-190	136.5	3	124	375.75	1.00	23.40
							121.35	0.45	161.30

Notes:

- Composited intercepts' 'weighted average grades' calculated by using the following parameters:
 - no upper gold grade cut-off applied;
 - ≥ 6 gram*metres, and
 - a maximum of 1.0 metre of down-hole internal dilution at ≤ 3 g/t gold.
- Intersection widths are down-hole drill widths not true widths.
- Analysis by Classical Fire Assay technique and AAS finish, and carried out by Philsaga Mining Corporation's laboratory.
- Grid coordinates and elevation in metres relative to the Mine Datum.
- Assay results were previously reported in 2014 Annual Report, and included here only for completeness of individual drill holes.

REVIEW OF OPERATIONS

Resource Definition Drilling Programme

Three more drill chambers are in the process of being developed on Level 8 to provide access for an extended 'deeps' drilling programme as indicated on Figures 8 and 9. The focus of the 'deeps' drilling programme is two-fold:

- to ensure that replacement of mining depletion of ore reserves is maintained on an annual basis through upgrading Inferred Resources to the Indicated status, in conjunction with level development, as described in the announcements of 4 September 2015 and 25 September 2015, and
- To increase the resource base by extending the current resources down-dip and down-plunge.

Co-O Regional Exploration

Ground Geophysical Survey

The ground geophysical Induced Polarisation ("IP") / Resistivity ("RES") and ground magnetic survey commenced in 2013 within the Co-O tenements, was terminated in July 2014 following a preliminary review of the information obtained from this survey, which did not indicate the presence of any significant anomalies that warranted continuing the survey.

Preliminary interpretations have been carried out during the September 2014 and December 2014 quarters. No significant anomalies have been identified, although further evaluation of the survey will be carried out in due course to identify anomalies that may be less apparent.

Reconnaissance Programs

Regional exploration concentrated on areas proximal to the Co-O Mine environs to investigate mineralisation previously encountered during surface mapping and drilling. Activities included detailed and reconnaissance geological mapping, trenching and sampling programmes in the Tagabaka, North Tinago, South Agsao and West Road 17 prospects, where a number of veins have been verified from previous work. Drilling targets have so far defined from this work at the West Road 17 prospect, although the timing of the drilling programme is dependent on budgets.

Reconnaissance mapping and sampling programmes will continue throughout the Co-O group of granted tenements.

TAMBIS PROJECT

The Tambis Project, comprising the Bananghilig Gold Deposit and the B2 Discovery area (Figs 2 and 12), is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement ("MPSA") 344-2010-XIII, which covers 6,262 hectares.

The Executive Order on Mining (EO-79) signed on 6 July 2012 by the President of the Philippines will have no immediate impact on the Bananghilig Project as the Company can continue to explore, conduct feasibility studies and planning.

BANANGHILIG (B1) GOLD DEPOSIT

The announcement of 12 September 2011 summarises the Tambis regional geological setting, local geological setting, deposit description and mineralisation as shown on Figure 12. Additional information is contained in the September 2011 quarterly report dated 24 October 2011, drilling updates on 17 January 2012, 8 August 2012, 21 November 2012 and 02 April 2013, operations update on 8 July 2013, resource estimation updates on 29 January 2013 and 8 August 2013, and the September 2013, December 2013, March 2014 and June 2014 quarterly reports.

On 8 August 2013, a Mineral Resource update was announced for the Bananghilig Deposit, using all drilling data up to 30 June 2013. A 0.8 g/t gold cut-off was applied to the resource estimate resulting in a total combined Indicated and Inferred Resources of 24.52 million tonnes was reported, containing 1,136,000 ounces at a grade of 1.44 g/t gold. The Mineral Resources for the Bananghilig Gold Deposit were prepared and first disclosed under the JORC Code 2004. It has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

During the FY2015, the Company has been carrying out detailed surface and underground mapping within the main resource area, to provide supplementary information to the drilling database. This has provided a significant amount of structural information which is being used to review the mineralisation interpretations and define various geological and structural domains.

It is planned to remodel the Bananghilig Deposit's resource to produce an updated resource statement in accordance with the guidelines of the JORC code 2012 by the end of CY2015.

REVIEW OF OPERATIONS

B2 DISCOVERY AREA

The B2 discovery area was first encountered in 2013 during sterilisation drilling, and has been the subject of wide spaced drilling, plus a small programme of close spaced drilling. The significance of this discovery is that the diatreme complex hosting the Bananghilig Deposit extends beneath the limestone cover and hosts the B2 mineralisation. To date, the southern and eastern margins of the Tambis Diatreme Complex have not yet been defined, thus constituting a large complex with the potential to significantly increase the size of the current resource base.

B2 Drilling Results

Results of diamond drilling at the B2 Discovery area to 30 June 2014 have been announced on 02 April 2013 and 08 July 2013, in the March 2013, June 2013, September 2013, December 2013, March 2014 and June 2014 Quarterly Reports, and the September 2013 and September 2014 Annual Reports. During the September 2014 quarter, final results were received for the balance of the last three drill holes drilled in June 2014, TDH345, TDH347 and TDH348. A summary of significant results from drilling at the B2 area for the FY2014 year are included in Table VIII below.

Table VIII: B2 Discovery Area – Significant drill hole results ≥ 1 g/t gold.

(Refer ASX Announcement September Quarterly report 2014 *Appendix B for Table 1 prepared in accordance with JORC Code 2012*)

Hole Number	East ⁴	North ⁴	RL ⁴	Depth (metres)	Dip (°)	Azimuth (°)	From (metres)	Width ² (metres)	Gold Grade ^{1,3} (uncut) (g/t gold)
TDH345	613153	944893	190	300.6	-60	130	186.15	6.00	1.89
							227.60	13.95	0.79
							280.60	11.85	9.79
TDH347	613414	944861	130	301.8	-60	130	166.90	2.00	3.44
							178.20	2.85	3.47
							297.85	2.60	4.57
TDH348	613389	944701	102	300.6	-60	130	169.05	12.80	1.36
							183.85	11.65	1.22
							201.50	6.65	1.99
							222.85	5.40	1.40
							237.60	5.85	1.56

Notes:

- Composited intercepts' 'weighted average grades' calculated by using the following parameters:
 - no upper gold grade cut-off applied;
 - lower cut-off grade of 0.5 g/t gold;
 - ≥ 5 metres down hole intercept width at ≥ 1.0 g/t gold, or
 - ≤ 5 metres down hole intercept width at ≥ 5 gram per metres, and
 - maximum of 3 metres of downhole internal dilution at ≤ 0.5 g/t gold;
- Intersection widths are downhole drill widths not true widths;
- Assays are by Intertek McPhar Mineral Services Inc. in Manila; and
- Grid coordinates and RL (elevation) based on the Philippine Reference System 92.

Exploration

A down-hole geophysics programme designed to investigate the potential to locate additional high-grade hydrothermal breccia zones beneath the limestone cover was planned to commence during the FY2015. This programme has been temporarily postponed due to reduced exploration budgets. It is planned to commence the geophysics survey once the gold price improves to a level at which developing the Bananghilig Deposit is considered to be viable.

TAMBIS REGIONAL

There is an ongoing programme of geological mapping, trenching and sampling throughout the granted tenements of the Tambis Regional Project area, including the areas surrounding the Bananghilig (B1) Deposit, B2 Discovery area and the Guinhalinan Prospect (Figs 2 and 12).

Several prospective areas have been identified from the ongoing regional reconnaissance and exploration activities that will be targeted for more detailed exploration activities during the FY2016. Activities will include detailed geological mapping, soil geochemical surveys, trenching, scout diamond drilling and possibly ground geophysics (IP, RES and magnetics).

REVIEW OF OPERATIONS

Guinhalinan Gold Prospect

Background

The Guinhalinan Gold Prospect location is shown on Figures 2 and 12 within the northern block of granted MPSA 343-2010-XIII, which is subject to a Mines Operating Agreement with Das-Agan Mining Corporation, who will receive a 3% gross royalty on all production from the MPSA.

The mineralisation is generally associated with silicification of limestone-rich horizons within a sequence of calcareous grits and siltstones. The outcrops of silicified material vary from massive fine-grained silica replacement with sphalerite, chalcopryite and galena, to friable, limonitic and siliceous material in sub-crop.

The sediments comprise an old calcareous sequence which dips eastwards towards the projected position of the Barobo Fault. This sequence has been traced for at least 12.5 kilometres and hosts extensive skarn alteration at Kamarangan, approximately 6 kilometres to the north.

The Usa porphyry copper and the Alikway base metal skarn prospects are located 2 kilometres and 1.5 kilometres respectively to the south and southeast of Guinhalinan and adjacent to the projected position of the Barobo Fault.

Mineralisation

Details of the completed soil sampling programme conducted towards the end of 2104 are contained in the 28 January 2015 announcement and the March 2015 and June 2015 quarterly reports.

To date, field investigations have identified at least three different styles of gold mineralisation, namely:

(i) Sediment-hosted, Carbonate Replacement Gold (+base-metals) mineralisation (CRG)

The south-western gold in soil anomalism is related to a shallow, east-dipping impure limestone unit(s). Gold mineralisation is associated with silica replacement of carbonate facies rocks such as limestone and impure limestone unit(s), in association with pyrite, chalcopryite, sphalerite and lesser galena.

(ii) Alluvial gold occurrence

At the eastern half of the soil geochemistry survey, the gold in soil anomalism appears to be associated predominantly with a sub-horizontal, polymictic conglomerate unit containing pebble to boulder size clasts of mineralised CRG and possibly detrital gold. This unit is discordant with, and post-dates the limestone unit(s) hosting the CRG mineralisation. It continues to the northwest and southeast and may be an important indicator for locating further primary CRG mineralisation along strike.

(iii) Quartz±carbonate veins

The third style of mineralisation identified so far is related to intermediate sulphidation epithermal quartz±calcite vein stockworks within argillically altered basement rocks. The soil anomalism in the north-western part of the soil survey is most likely the manifestation of this style of mineralisation.

Follow-up of the soil anomalies includes detailed geological and regolith mapping, and sampling of the regolith and underlying stratigraphy, to identify scout drilling targets.

Exploration

A programme of scout drilling is planned to commence in the first half of FY2016 to investigate the down-dip and strike extension potential of the CRG mineralisation within the limestone unit(s).

REVIEW OF OPERATIONS

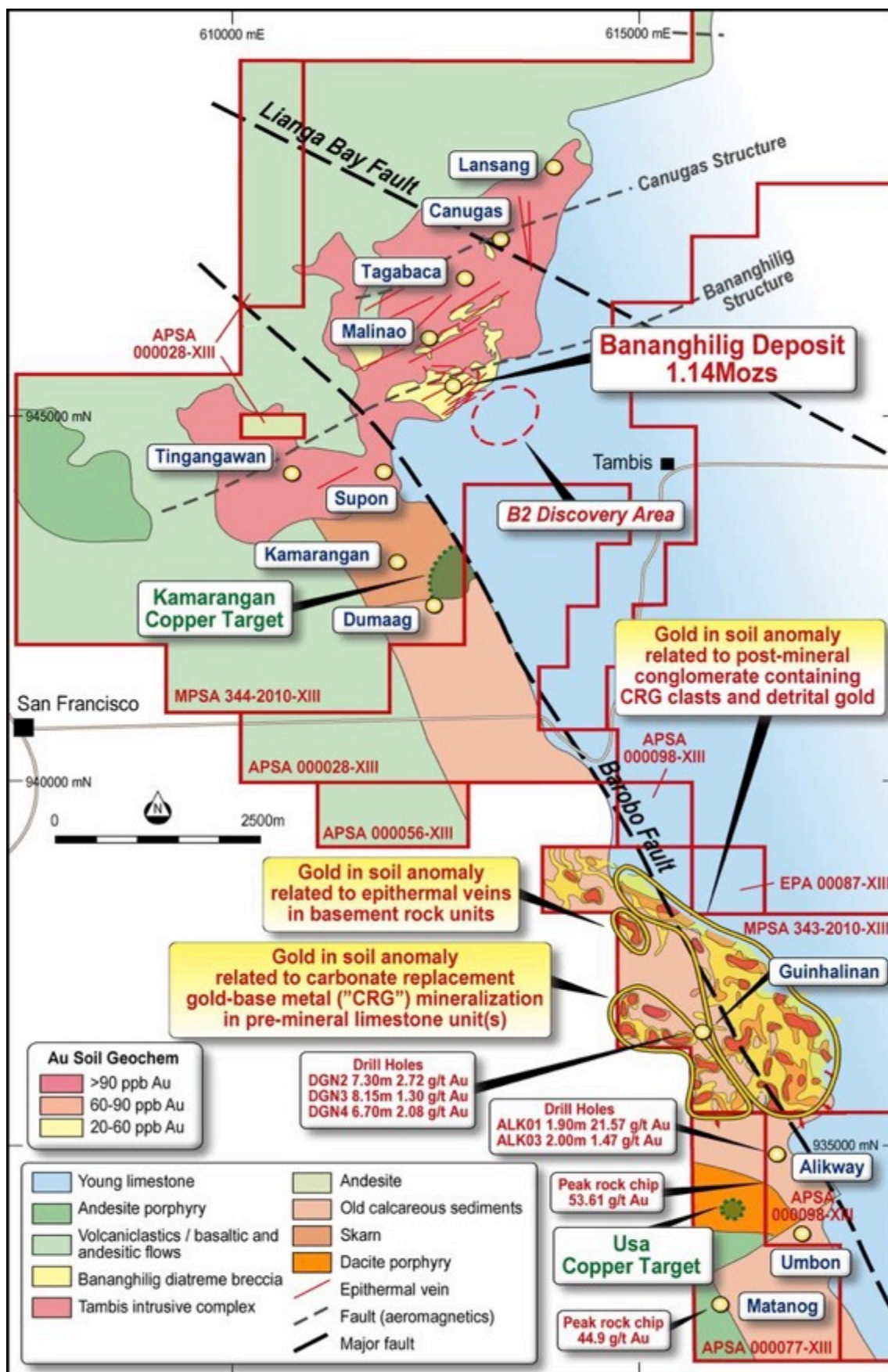


Figure 12: Tambis region interpreted geology showing the positions of the Bananghilig Deposit, B2 Discovery Area beneath the limestone cover, and the Guinhalinan Prospect.

REVIEW OF OPERATIONS

LINGIG COPPER PROJECT

The Lingig copper discovery is located within MPSA 343-2010-XIII, situated in Surigao del Sur province of Eastern Mindanao (Fig. 2).

The MPSA is registered under Das-Agan Mining Corporation and 100% rights are assigned to Philsaga Mining Corporation subject to a gross royalty of 3% payable to Das-Agan. It covers a total of approximately 80 km² (8,019 hectares) in two blocks, of which the Lingig copper prospect is located in the south-eastern block.

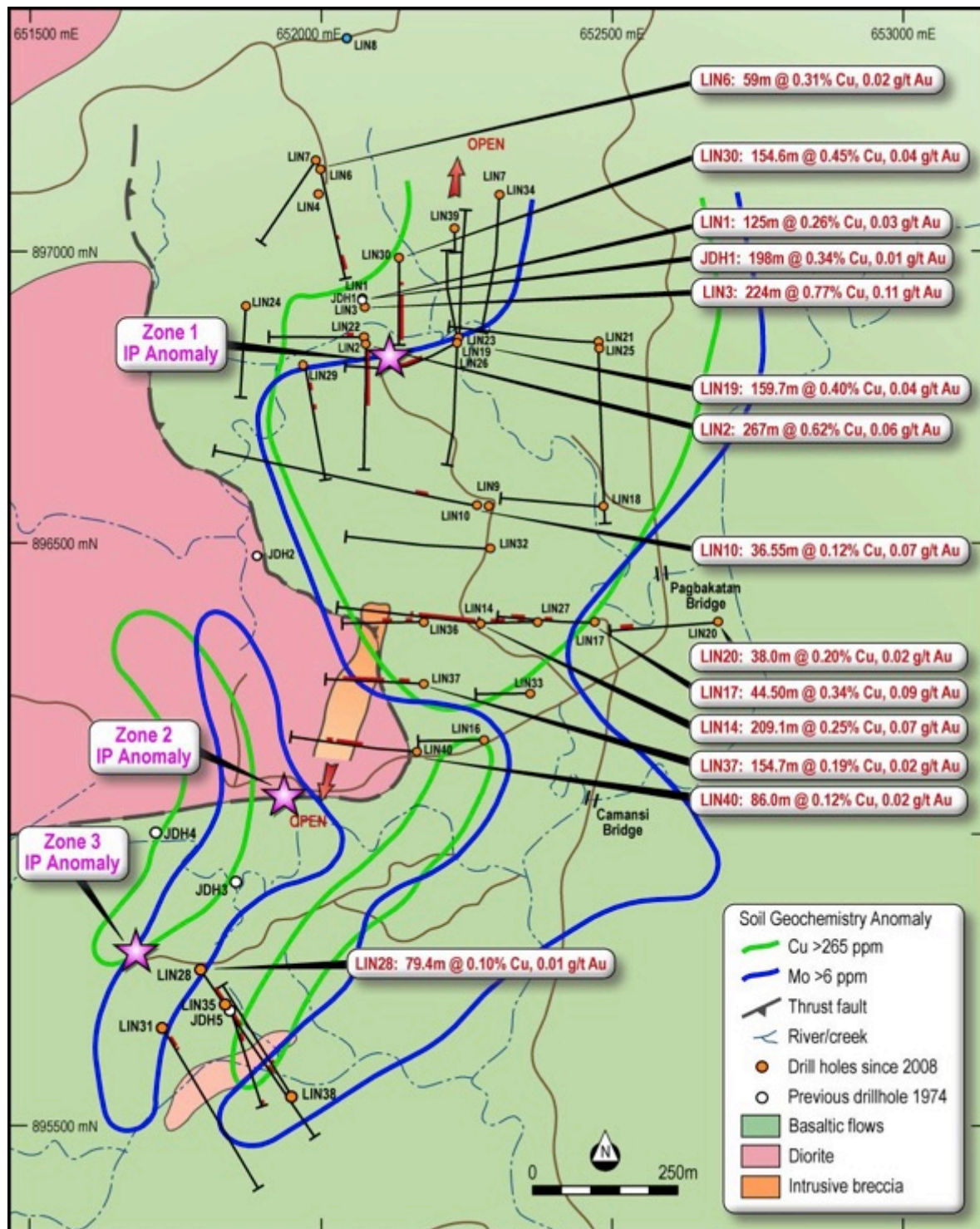


Figure 13: Lingig interpreted geology showing drill hole locations, copper (Cu) and molybdenum (Mo) soil geochemistry

REVIEW OF OPERATIONS

Geological Setting

Drilling has intersected copper mineralisation in two settings. Additional information and maps are contained in the announcements dated 9 October 2009 and 7 May 2010.

There are three known copper mineralisation targets in Lingig, namely Zone 1 (Au-bearing porphyry related Cu), and Zones 2 and 3 (magmatic-hydrothermal breccia-hosted Cu with porphyry-related Cu) as shown in Figure 13. Refer to the 2014 Annual Report for more detail on the mineralisation styles.

The Resistivity and Ground Magnetism survey completed in 2013 delineated two aligned NE-trending IP high chargeability zones. The larger of the two IP anomalies, comprising Zones 2 and 3, are planned to be tested by diamond drilling during the first half of FY2016.

SAUGON GOLD PROJECT

The Saugon Project comprises three granted exploration permits (EP 017-XIII, 031-XIII and 032-XIII) and four exploration permit applications (EPA 00066-XIII, 00067-XIII, 00069-XIII and 00087-XIII) covering a combined total 27,174 hectares (Figs 2 and 12). The granted tenements and tenement applications are registered under Philsaga Mining Corporation, excepting EPA 00069-XIII which is registered under Phsamed Mining Corporation.

FIRST HIT VEIN DEPOSIT

Background

The First Hit Vein (FHV) is situated within Exploration Permit XIII-017, approximately 10 kilometres south of the Co-O Gold Mine and 28 kilometres by road from the Co-O Mill. Work commenced in early 2003 on the First Hit Vein deposit which has been followed intermittently at the surface over 600 metres and which has been explored underground via a 40 metre deep winze, level development and drilling of 31 diamond drill holes.

Total Inferred and Indicated Mineral Resources for the Saugon Gold Deposit (81,500 tonnes at a grade of 5.97 g/t gold), remain unchanged from 2013, and were prepared and first disclosed under the JORC Code 2004. It has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Refer to the 2014 Annual Report for more details.

Exploration

Exploration activities involving primarily regional mapping have continued on a minimal basis. The project is currently being reviewed.

APICAL PROJECT (Medusa earning 70%)

A Joint Venture Agreement ("JVA") with MRL Gold Phils, Inc. ("MRL") and an underlying claim owner covers an application for Mineral Production Sharing Agreement ("APSA") number 0028-XIII, situated in the provinces of Agusan del Sur and Surigao del Sur in east Mindanao, and located to the north of the Co-O Mine and Mill. The APSA comprises approximately 2,084 hectares in the Tambis Region area. MRL is the Philippine operating company of Mindoro Resources Ltd, a public company listed on the TSX Venture Exchange in Canada and the ASX in Australia.

The tenement application is being progressed towards granting.

CORPLEX PROJECTS

The Company, through Philsaga, has Memoranda of Agreement ("MOA") with Corplex Resources Incorporated ("CRI") on four tenement applications, viz: APSA 000054-XIII covering approximately 2,118 hectares; APSA 000056-XIII covering 162 hectares; APSA 000077-XIII covering approximately 810 hectares (including the Usa copper prospect described below), and Exploration Permit application ("EPA") 0000186-XIII covering 7,111 hectares.

The tenement applications are being progressed towards granting.

REVIEW OF OPERATIONS

USA PORPHYRY COPPER-GOLD PROJECT

The Usa prospect located within Mineral Production Sharing Agreement application ("APSA") XIII-00077. The Company has a Memorandum of Agreement with Corplex Resources Inc ("Corplex"). Further details regarding the agreement are contained in the 2011 Annual Report.

There are indications that the prospect extends eastwards into APSA XIII-00098 that is held by Mindanao Philcord Mining Corporation, which will receive a 1% Net Profits Interest from any production.

Detailed information regarding the prospect is contained in the 2011 Annual Report.

The tenement application is being progressed towards granting.

COAL PROJECT

On 18 December 2014, the Company announced, through its Philippine operating company, Philsaga Mining Corporation ("PMC"), that PMC signed contracts with the Department of Energy ("DOE") for 9,000 hectares of Coal Operating Contracts ("COCs") containing well-defined coal measures immediately to the east of the Co-O gold mining and milling operations, with the strategy for a third party to own, build and operate a power station and to supply power to the Company's operations. The COCs are shown on Figure 2.

Strategy

Mindanao Island has a shortage of available power and despite new power stations coming on line. This shortage which results in power outages at the Company's operations is predicted to continue into the future due to rapid regional growth.

The Company identified the opportunity to control its own future power sources several years ago and has been working towards the granting of these COCs, which are subject to a bidding process conducted every 3 years by the Department of Energy.

The first step towards ensuring a reliable power supply for the long-term operations of the Company was the granting of these COCs.

The second step is to outline sufficient coal potential to support a medium-sized power station.

The third step is to develop a strategic alliance to construct and operate a power station, and to achieve this, the Company initially completed a Heads of Agreement ("HOA") with Swan Energy Pty Ltd of Perth ("Swan"), Western Australia, to build, own and operate a 30MW power station as the exclusive power supplier to the Company's operations. Subsequent to cancelling the Heads of Agreement, in the short term, the Company will conduct exploration activities itself to delineate potential coal seams within the COCs for future development by potential third party partners.

The Company has already identified coal seams outcropping at surface, that are of sub-bituminous quality and suitable to feed a power station of the Circulating Fluidised Bed (CFB) boiler type, which is a clean, efficient, reliable and fuel-flexible solution, and which will produce ash in a form suitable for use as fertiliser by local farming communities.

Geology

The Concessions granted by the Department of Energy total 9,000 hectares covering occurrences of known coal measures in the sedimentary basin in two sections, Area 6 (COCs numbered 40-L-123, -124, -125 and -126) and Area 7 (COCs numbered 40-L-204, -205, -243, -244 and -283) as shown in Figure 2.

The sedimentary basin contains a regionally extensive, dominantly late Oligocene to Pleistocene carbonate sequence overlapping the late Eocene to early Pliocene magmatic and volcanic complex basement rocks containing the Company's gold mining tenements and operations on the west, and Cretaceous to Eocene basement rocks on the east containing the Company's Lingig copper prospect.

The coal measures contain multiple coal seams which are contained in the basal parts of the sequence within the late Oligocene to early Miocene Bislig Formation comprising basal conglomerates, sandstones, limestone and carbonaceous mudstones.

The coal measures have previously been scout drilled in the 1970s, by at least 5 diamond holes, test pitted in 4 locations and outcrop sampled in numerous locations by previous explorers. As the coal seams outcrop, it is anticipated that sufficient volumes of open pitable material will potentially be available for the duration of the Company's mining operations.

The coal in Area 6 has been previously classified as sub-bituminous B to high volatile bituminous A coal rank using the American Society for Testing and Materials ("ASTM") classification scheme. On average the coal in Area 6 has heating

REVIEW OF OPERATIONS

values of 6,500BTU/lb as returned by samples from 2 drill holes and 27 outcrops. Seam thicknesses of economic importance are commonly between 1 and 2 metres.

The coal in Area 7 has been previously classified as sub-bituminous B to high volatile bituminous A coal rank using the ASTM classification scheme. Outcrops with a thickness of more than 1 metre have heating values of 7,000 to 8,200 BTU/lb. Samples from 1 drill hole returned heating values of 6,499 BTU/lb and 7,994BTU/lb.

Reconnaissance exploration activities since January 2015 have included mapping to identify coal seams in preparation for a scout drilling programme set to commence during the December 2015 quarter. Already, the Company has identified outcropping coal seams ranging up to 2.3 metres in thickness over potential strike lengths of up to 3 kilometres. Most outcrops to date have been identified as being of the sub-bituminous quality, although no results have yet been received to confirm the coal quality.

TENEMENTS and EXPLORATION PIPELINE

As announced on 21 January 2015, the Company completed a review of its tenement holdings, which has since resulted in a reduction of about 300 km², down from 806 km² to approximately 506 km² (Fig. 2). The reduction consists of a combination of tenement application relinquishments and reductions, and area reductions in granted tenements. Additional details are contained in the 21 January 2015 announcement.

The basis for the reduction is a result of downgrading, or recognition of absence of geological prospectivity, as determined by a combination(s) of remote sensing interpretations, airborne geophysics, reconnaissance exploration, perceived unfavourable terrain that does not permit viable exploration (e.g. extensive swamp areas), and/or conflicting land use areas, such as rice field areas, other areas of intensive agriculture and urban areas.

Exploration Pipeline

As announced on 21 January 2015, an extensive review of the Company's prospects as at 31 December 2014 has been completed. Figure 14 below is a graphic representation of the development pipeline of exploration projects and prospects and their respective status.

The current exploration priorities are:

- Co-O Gold Mine environs – reconnaissance exploration to continue at the South Agsao and the West Road 17 prospects. Work at the North Tinago prospect has been completed;
- Bananghilig (B1) and B2 Gold Projects – further work has been put on hold due to reduced exploration budgets, including downhole geophysics, metallurgical testwork, and so forth;
- Guinhalinan Gold Project – investigation and assessment of the regional 'gold in soil' anomalies as announced on 28 January 2015 will continue with scout drilling planned during the first half of FY2016;
- Lingig Copper Project – scout drilling of the IP anomalies to be carried out during first half of FY2016, and
- Coal Project – commencement of scout drilling in areas of outcropping sub-bituminous coal seams during first half of FY2016.

REVIEW OF OPERATIONS

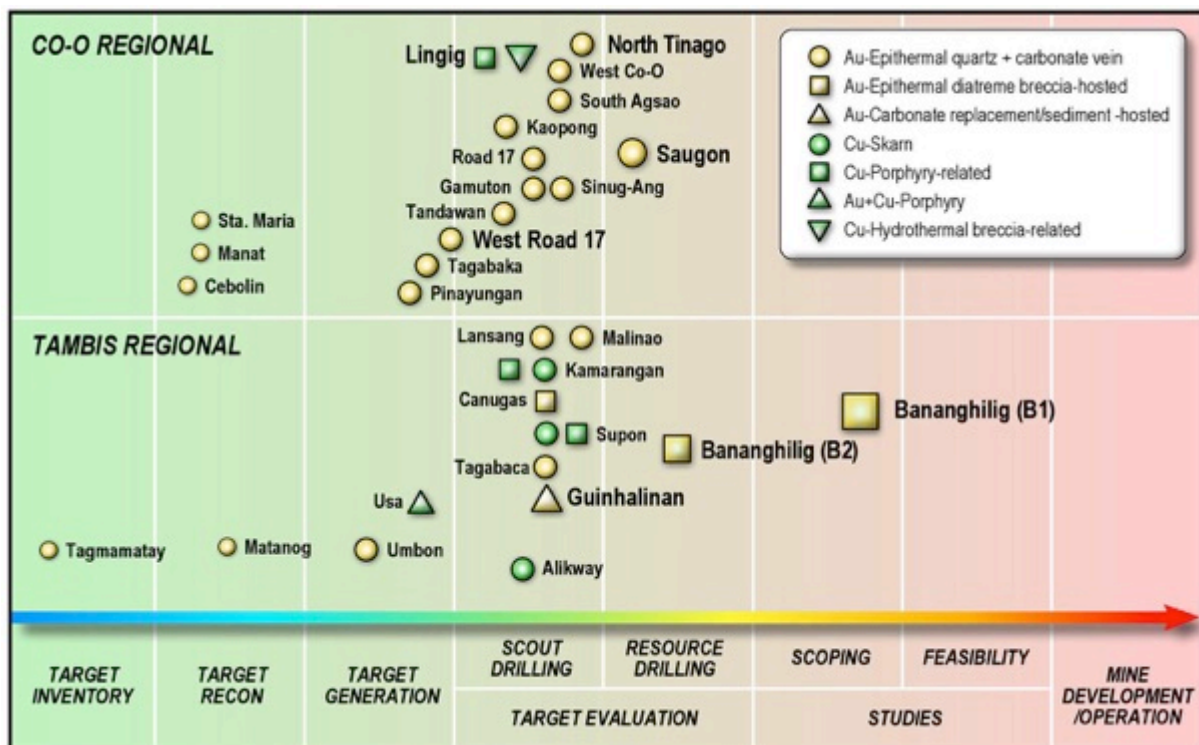


Fig 14: Exploration pipeline summary

SUSTAINABILITY

The Company continues to base its business on four key components that encompass our commitment to all stakeholders. Improvements continue to promote organisational coherence, proper internal procedures, regular checks and balances, performance and efficiencies. The four key components are:

- ☐ Health and Safety;
- ☐ Environmental Protection, Management and Monitoring;
- ☐ Employment sustainability; and
- ☐ Community Participation, Development Programmes and Benefits

HEALTH AND SAFETY

As in previous years, the following practices were undertaken:

- Comprehensive safety awareness at the mine and mill sites;
- Comprehensive emergency preparedness plans and programmes at mine and mill sites;
- Regular comprehensive health checks for all employees;
- Expanded mining and safety training activities for all underground personnel;
- Conducted Basic Life Support and Standard First Aid Training seminars for all mine and mill employees for use at work and in the home;
- Continued regular training, including rope rescue, and equipping for mine rescue and firefighting teams, with the teams participating in annual national competitions; and
- Regular safety meetings that emphasise workforce participation in ensuring safety and hazard minimisation.

The 12 month Lost Time Accident Frequency Rate to 30 June 2012 was 1.04, to 30 June 2013 was 0.10, to June 30, 2014 was 0.18 and to June 30, 2015 was 0.25, which is better than industry standards for manually intensive, narrow vein, underground mines and demonstrates the maintenance of high safety standards during the year.

The Company hospital continued operating as a fully staffed and functional facility during the year with services available for Company personnel and their families, and other local residents.

REVIEW OF OPERATIONS

ENVIRONMENTAL MANAGEMENT AND MONITORING

The Company is committed to environmental protection and management and to complying with all applicable statutory and regulatory environmental obligations.

The Company has commenced the process of ISO 14001 certification which should be completed in the second half of CY 2016.

CODE OF CONDUCT

Environmental responsibility forms an important part of the Company's Code of Conduct. The Code of Conduct outlines the Company's commitment to appropriate and ethical corporate practices and describes how the Company expects its Directors and employees to behave in the conduct of the Company's business activities.

In accordance with the Code of Conduct, the Company:

- is fully aware of its obligations to comply with relevant statutory and regulatory requirements with respect to the environment; and
- monitors appropriately its environmental management and performance, and is committed to ensuring proper rehabilitation on the sites where the Company has been conducting its exploration or operational activities

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

On 27 August 2010, as part of its commitment to environmental performance, the Board approved the establishment of a Safety, Health and Environment Committee. The role and responsibility of the Safety, Health and Environment Committee is set out in a formal charter adopted by the Board, which is summarised in the Corporate Governance Statement of this Annual Report.

The charter reflects the Company's commitment to achieving continuous improvement in targeting high environmental performance and best practice.

Co-O GOLD PROJECT ENVIRONMENTAL CONDITIONS

The Company's Co-O Gold Project has established processing facilities which are subject to regular inspections by the various authorities and which have achieved a high level of recognition for adherence to statutory requirements.

The Company's mining operations are underground resulting in very small surface footprints for each operation. Rehabilitation of any disturbed areas around new operations is part of the Company's normal operating procedure. Water samples are taken on a regular basis to monitor water quality in and around the Company's facilities and the samples collected are analysed, with the results submitted to the relevant authorities.

In all quarterly meetings and inspections by the different Multi-Partite Monitoring Teams for the mine and for the mill, the Company has been complimented on its environmental and social development programs.



Photo: Water sampling of local streams



Photo: Five hectare mangrove reforestation programme at Barobo.

REVIEW OF OPERATIONS

The Company has also adopted the National Greening Programme and Adopt-a-Forest Programme of the Philippines Government. For this fiscal year, Philsaga Mining Corporation and Mindanao Mineral Processing and Refining Corporation have increased the reforestation programme to 254 hectares within the areas of the Company's two host communities. Work during the year involved primarily re-planting and weed control.

The Company owns five nurseries producing local tree species for reforestation projects as well as the rubber tree seedlings necessary for the establishment of the rubber livelihood programmes of the surrounding communities. At the end of the financial year, the nursery held over 200,000 seedlings.

The Co-O Gold Project operates under the terms of an Environmental Compliance Certificate ("ECC") which was renewed by the Philippines Environmental Management Bureau ("EMB") on 15 July 2009. The conditions of the ECC require the Company to:

- institute a number of commitments, mitigating measures and monitoring requirements to minimise any adverse impact of the project to the environment throughout its implementation, including:
 - observing good vegetative practices, proper land use and sound soil management;
 - conducting an effective information, education and communication programme to inform and educate all stakeholders, especially local residents, on the project's mitigating measures;
 - rehabilitating roads with minimal land and ecological disturbance; and
 - establishing a reforestation and carbon sink programme to mitigate greenhouse gas emissions of the project;
- ensure that its mining and milling processing operations conform with the provisions of R.A. No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), R.A. No. 9003 (Ecological Solid Waste Management Act of 2000), R.A. No. 9275 (Philippine Clean Water Act of 2004), and R.A. No. 8749 (Philippine Clean Air Act of 1999);
- comply with the environmental management and protection requirements of the Philippine Mining Act of 1995 (RA. No. 7942) and its Revised Implementing Rules and Regulations (D A, O No. 96-40, as amended), as well as the pertinent provisions of the Memorandum of Agreement between the EMB and Mines and Geosciences Bureau ("MGB") executed on 16 April 1998, which include:
 - submitting an Environmental Protection and Enhancement Programme with the Final Mine Rehabilitation and/or Decommissioning Plan integrated thereto, to the MGB, for approval;
 - setting up a Contingent Liability and Rehabilitation Fund and Environmental Trust Fund;
 - maintaining the existing Mine Environmental Protection and Enhancement Office to competently handle the environmental aspects of the project;
 - establishing a Mine Rehabilitation Fund Committee and Multipartite Monitoring Team;
 - submitting a Social Development and Management Program; and
 - designating a Community Relations Officer;
- ensure that the Company's contractors and subcontractors properly comply with the relevant conditions of the ECC; and
- protect the headwaters and natural springs/wells within the project site that are being utilised as sources of potable water by the community.

Regular water testing and in-house testing of cyanide is conducted in conjunction with 24 hour monitoring of tailings dams.

The Co-O Gold Project remains compliant with all material environmental laws and regulations. The operations are subject to regular inspections and monitoring by the Mines and Geosciences Bureau to ensure compliance. No material failures or material non-compliance issues were identified by the inspections during the year.

During the year a filter press was installed to improve the quality of the water pumped out of the mine to the settling ponds. The press removes as filter cake the silt resulting from settling in the settling ponds and thus producing clear water which is neutralised before release.

The Company has likewise established materials recovery and solid waste management facilities for proper disposition of its domestic wastes. It maintains a "Reduce, Re-Use and Recycle" policy for all solid wastes.

The Company has commenced an 'adopt-a-creek' policy whereby two 2 kilometre sections of the Agsao River and Bayugan 3 Creek have been monitored for water quality as well as being cleaned up through removal of rubbish.

REVIEW OF OPERATIONS

ISO 14001 COMPLIANCE

On 30 April 2015, the Department of Environment and Natural Resources issued Administrative Order 2015-07 mandating that all mining contractors secure ISO Certification within one year of the effectivity of the order.

A qualified consultant has been appointed to assist the Company to secure its certification which should be completed during the second half of CY2016.

CLIMATE CHANGE

It is a condition of the ECC for operation of the Co-O Mine that it establishes a reforestation and carbon sink programme to mitigate greenhouse gas emissions of the project. The Company continues to comply with this condition, and all other conditions imposed on it under the ECC.

The Company uses primarily grid hydro power at both the Co-O Mine and Mill as its primary power source ensuring carbon dioxide emissions are minimised.



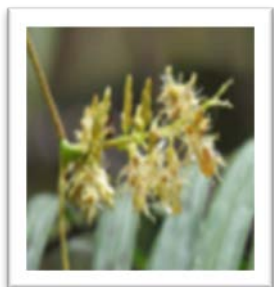
Acacia Magium



Chelocostus Speciosus



Melastoma Spp



Caramus Spp



Pandanus Spp



Spathogiottis Picata

Photographs showing six local plant species

WORKFORCE

The Company is an equal opportunity employer that aims to provide a safe and healthy, hazard free work environment. As at 30 June 2015 the Company employed 2,471 regular workforce and 2,774 contract workers (mining, engineering, service provision, etc.).

The Company enhances employee skills and productivity through the attendance at training programmes and provision of on-site training by consultants. Departmental organisational structures ensure that career advancement pathways are available for conscientious and productive employees.

REVIEW OF OPERATIONS

COMMUNITY PARTICIPATION, PROGRAMMES AND BENEFITS

COMMITMENT

Since 2001, Philsaga Mining Corporation has established an enviable record in the local communities in which it operates. This record is acknowledged by municipal and regional governments, and at a national level.

It is the Company's objective to build on this record and strengthen reciprocal relationships between the Company and other organisations and the communities in which it operates.

EDUCATION

"Through all our education initiatives, it is pleasing to report that about 8,800 students are enrolled at the schools supported by the Company."

Scholarships

The Company continues to provide scholarship programmes, both from the Social Development and Management Programme (SDMP) and Corporate Social Responsibility (CSR) which commenced in 2003, including:

- Full education scholarships currently support over 41 students;
- Half scholarships support to 4 students; and
- Educational assistance to 31 students.

Company schools and Adopt-a-School programme

During the year, the Company supported the Philsaga High School Foundation at the Co-O Mill site and the Upper Co-O Elementary School at the Co-O Mine. In addition, it continued its "adopt-a-school" programme in which 22 schools participated. Corporate sponsorship also assisted in achieving its aims.

The following were achieved:

- Supported the wages and meals of all teachers and workers of Philsaga High School Foundation, The Company also continued to fund the provision of school equipment, books and other necessities
- Provided funds for school preparations prior to opening of classes, as well as school materials to the children;
- Provided monthly honoraria to 48 teachers and support for training seminars for teachers to upgrade their teaching skills, as well as provision of instructional materials;
- In conjunction with various partner agencies, provided school supplies for students;
- Provided daily return bus services for high school students from remote areas to attend the Philsaga High School; and
- Provided monthly honoraria to 20 day care workers of various communities serving 1,000 toddlers.

Vocational training

The Company regularly provides on-the-job training for student metallurgists, geologists, accountants other professions and tradesmen (electricians, carpenters, masonry workers etc) at its operations.

LIVELIHOOD PROJECTS

Rubber tree plantations

The Company provides interest free loans in the form of rubber tree seedlings and other inputs to indigenous landowners for the establishment of rubber plantations that provide income for 50-60 years from around year seven. This year the planted area increased to approximately 401.5 hectares using seedlings generated in the Company's own nurseries.



Photo: Established Rubber Tree Plantation located along side mill to mine access road

REVIEW OF OPERATIONS

Rice production financing

This project has continued through the year aimed at progressively developing debt free farming communities through the provision of financing arrangements to qualified farmers. The programme is in its tenth cropping season and extends assistance to approximately 100 beneficiaries covering approximately 100 hectares of rice farms.

The rice yield for each hectare financed is purchased by the Company at a price higher than prevailing market prices. This rice yield is milled and distributed to all its regular employees, the police and military units around the area and the various tribal communities in the host communities.

COMMUNITY DEVELOPMENT AND ASSISTANCE PROGRAMMES

The Company continued to provide assistance with a number of community-based projects.

Community health

The Company provides general health and dental services to its employees and dependants, as well as residents of surrounding communities and nearby municipalities.

In addition to the 16 bed hospital at the Co-O Mine site, the Company provides a clinic at the mill site for employees and local residents.

Fruit tree programs

The adoption of four sitios (small villages) aims to provide a sustainable livelihood for the communities by the planting of suitable fruit trees in a designated communal area. The programmes have the technical support of the Department of Agriculture, and the Department of Trade and Industry conducts various financial seminars.

An area of 50 hectares located in the Rosario municipality was planted with rambutan seedlings during the year.

Institutional partnering

The Company partners with various local government departments such as Department of Social Work and Development, Department of Labour and Employment, Department of Trade and Industry, Department of Agriculture and Department of Education to achieve common goals. This includes various indigenous cultural communities.

The Company has an informal partnership with Caraga State University by means of supporting all its environmental and bio-diversity studies of the flora and fauna found around the mill and mine sites.

Non-government organisation partnering

The Company continues to provide assistance to local communities and foundations, including

- An orphanage housing 26 boys aged 6 to 17 years, which includes a programme for the boys to develop small business skills; and
- Care for the Elderly and PWD which caters for 38 residents and 5 staff.

These Foundations care for the abandoned or sick senior members of the community, orphaned or neglected children, children of indigenous people who have been deserted by their families and a group of talented and skilled handicapped associates.

Support to the Livelihood Programmes of the Union

The Company provides funds for the livelihood programmes of the Union (Philsaga Employees Labor Union-PTGWO) on a case by case basis, in conjunction with the Department of Labour and Employment.

Support to the Flood Victims

Agusan del Sur is subject to monsoonal rainfall every year which can result in flooding. During these times the Company is always prepared to provide relief goods and assistance teams to the host municipalities, and to other more distant municipalities.

Support to the Peace and Order

The Company provides funds for transportation, provisions and building materials to the various law enforcement units to assist in maintaining the peace and order situation in the Caraga Region.

Other assistance programmes

The Company provides assistance for a host of other one-off projects. In brief for the 2015 FY, the Company has provided assistance for repair and upgrade of health and day centres, for the establishment of egg production and sorting

REVIEW OF OPERATIONS

facilities, training in food processing, provision of hogs to farmers for breeding, construction of evacuation centres, security fencing and other measures, recycling facilities, provision of travel allowances for health workers, funding for road building and maintenance equipment, provision of materials for construction of community centres, provision of wheel chairs, provision of medicines and infant monitoring equipment, provision of materials for school construction, assistance with alleviating child mal-nourishment, provision of school buses, construction of rice milling and rice drying facilities, installation of potable water and water storage projects, construction of a birthing clinic, amongst a number of other smaller projects.

EMPLOYMENT, LOCAL SUPPLIERS & PAYMENT OF LOCAL TAXES & WAGES

The Company is one of the largest tax payers in the district and the province of Agusan del Sur and also pays a 1% gross royalty on gold production to indigenous groups.

The Company has a strong policy of “buy and manufacture locally” whenever possible for the provision of goods and services to the project to maximise the multiplier effect locally.

REVIEW OF OPERATIONS

PHILIPPINE GOVERNMENT

EXECUTIVE ORDER ON MINING IN THE PHILIPPINES

The President of the Philippines on 9 July 2012 released Executive Order No.79 ("EO-79") designed to improve the alignment of the Philippines' national and regional interests with those of the mining industry through the updating of key policies, including but not limited to:

- Improving transparency of the mining industry;
- Improving the fiscal return to the government from all future projects, primarily through increased royalty payments. The fiscal settings of current operations will be honoured.
- Improving the return and timing of financial benefits to local governments;
- Tightening controls on illegal mining such as banning the use of mercury and restricting legitimate small scale mining activities to gold, silver and chromite;
- Ensuring that mining is not allowed on designated key tourist areas and prime agriculture lands; and
- Enforcement of strict environmental controls.

The granting of construction permits for new projects will commence only after the new fiscal regime has been legislated. The fiscal settings of all existing contracts will be honoured.

Implications of the Executive Order on Mining

Co-O Operations

The EO-79 will have no effect on the Co-O operations and the status quo will be maintained for this existing operation as it is linked to an existing mining agreement.

There will be no change in the existing tax structure until such time as Congress amends and approves new mining taxes and royalties within the existing Mining Act.

Bananghilig, Saugon, Guinhalinan & Lingig Projects

The EO-79 will have no immediate impact on the Bananghilig, Saugon, Guinhalinan & Lingig Projects as the Company can continue to explore, conduct feasibility studies and planning.

However, should any feasibility study be positive and the Company commits to developing one or more projects, timely issuance of the relevant permits to commence construction maybe subject to new law on mining taxes and royalties being proposed to Congress.

Updates will be provided as relevant information becomes available.

EXECUTIVE ORDER ON EXTRACTIVE INDUSTRIES TRANSPARENCY IN THE PHILIPPINES

On 26 November 2013, Philippine President Benigno Aquino III signed Executive Order No. 147 entitled "Creating the Philippine Extractive industries transparency Initiative" ("EO-147").

Pursuant to Section 14 of the EO-79, the Philippine government commits to participate in the Extractive Industries Transparency Initiative (EITI) that sets international standards for transparency and accountability in the extractive industries and in government. Established in 2003, the EITI is a global coalition of governments, companies and civil society collaborating to improve honest and responsible management of revenues from natural resources, particularly oil, gas, metals and minerals.

Through EO-147, the Philippine government has instituted the Philippine Extractive Industries Transparency Initiative (PH-EITI), which commits to ensure greater transparency and accountability in the extractive industries, specifically in the way the government collects, and companies pay taxes from extractive industries;

The implications of the EO-147 with regards to the Company's projects are not considered to have any negative impact and the Company sees the Executive Order as a positive commitment by the Philippine Government to adopt good governance practices in accordance with International Guidelines of the EITI. The Company has progressed through the introductory first stage of the compliance requirements, and is undergoing the second stage involving auditing of the Company's operations.

REVIEW OF OPERATIONS

JORC 2012 COMPLIANCE - CONSENTS OF COMPETENT PERSONS

Medusa Mining Limited

Information in this report relating to **Exploration Results** and Co-O Mine's **Mineral Resources** has been directed and reviewed by Mr Gary Powell, and is based on information compiled by Philsaga Mining Corporation's Co-O mine-site technical personnel. Mr Powell is a member of The Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy. Mr Powell is Manager Geology and Resources, and is a full time employee of Medusa Mining Ltd, and has sufficient experience which is relevant to the styles of mineralisation and type of deposits under consideration and to the activities for which he is undertaking to qualify as a "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Powell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Carras Mining Pty Ltd

The Information in this report relating to **Ore Reserves** is based on information compiled by Dr Spero Carras of Carras Mining Pty Ltd. Dr Carras has also acted as Independent Auditor of the Mineral Resources, and in this capacity Carras Mining Pty Ltd carried out parallel studies to validate the Mineral Resources estimated by Philsaga Mining Corporation's Co-O mine-site technical personnel. Dr Carras is a Fellow of the Australasian Institute of Mining & Metallurgy and has more than 30 years of experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Carras consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Cube Consulting Pty Ltd

The information in this report that relates to the Bananghilig and Saugon **Mineral Resources** is based on, and fairly represents information and supporting documentation compiled by Mr Mark Zammit of Cube Consulting Pty Ltd. Mr Zammit also conducted an independent high level review of the FY2015 Co-O mineral resource estimation methodology. Mr Zammit is a member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Zammit consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

FORWARD LOOKING STATEMENTS

This report contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Medusa, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements.

Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based.

You should not place undue reliance on forward-looking statements and neither Medusa nor any of its directors, employees, servants or agents assume any obligation to update such information.

CORPORATE GOVERNANCE

Medusa Mining Limited ("**Medusa**" or "**the Company**"), as a listed entity, must comply with the *Corporations Act 2001* (Cth) ("**Corporations Act**"), the Australian Securities Exchange ("**ASX**") Listing Rules ("**ASX Listing Rules**") and other Australian and international legal, regulatory and governance requirements.

The Board of Directors of the Company ("**Board**") is committed to achieving and maintaining high standards of corporate governance. The Board operates in accordance with a set of corporate governance principles that take into account relevant practice recommendations, having regard to the particular circumstances of the Company's business, operations and the interests of its shareholders and other stakeholders. These include the ASX Corporate Governance Council's ("**ASXCGC**") second edition of the Corporate Governance Principles and Recommendations with 2010 Amendments ("**ASX Principles**").

The Company's practices are largely consistent with the ASX Principles and, except as disclosed below, the Company believes it complied with each of those recommendations throughout the financial year ended 30 June 2015 and to the date of this report. Details of the Company's compliance with the ASX Principles are set out below, including details of specific disclosures required by the ASX Principles.

Further information on the Company's corporate governance policies and practices is publicly available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

1. BOARD OF DIRECTORS

Role and Responsibilities of the Board

ASX Principles, Recommendations 1.1, 1.3

The Board has adopted a Board Charter that sets out, amongst other things, its specific powers, duties and responsibilities, as well as matters delegated to the Managing Director and those specifically reserved for the Board.

The Board's primary role is to guide and monitor the business and affairs of the Group on behalf of the shareholders by whom the Board is elected and to whom it is accountable.

In addition to matters required by law to be approved by the Board, the following key duties and responsibilities are reserved for the Board under the Board Charter:

- oversight of the Company, including its control and accountability systems;
- appointing and removing the Chief Executive Officer or Managing Director (as applicable) in respect of his or her executive role;
- ratifying the appointment and removal of the Company Secretary;
- providing input into and final approval of the Company's corporate strategy;
- providing input into and final approval of the annual operating and capital budget of the Company;
- approving and monitoring the progress of acquisitions and divestments (as applicable);
- monitoring compliance with the Company's legal and regulatory obligations;
- reviewing and ratifying systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies;
- monitoring senior management's performance and implementation of strategy and policies, and ensuring appropriate resources are available to senior management; and
- approving and monitoring financial and other reporting to the market, shareholders, employees and other stakeholders.

The Board has delegated responsibilities for the day to day operational, corporate, financial and administrative activities of the Group to the Chief Executive Officer or Managing Director (as applicable) and the Chief Financial Officer.

A copy of the Company's Board Charter is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

CORPORATE GOVERNANCE

Composition of the Board

The Board comprises of three Non-Executive Directors and one Executive Director (including the Managing Director).

ASXCGC Recommendation 2.6

Details of the skills, experience and expertise relevant to the position of each Director who is in office at the date of this report, and the period of office held by each Director, is included in the Directors' Report on pages [58] to [60].

In assessing the composition of the Board, the Directors have regard to the following principles:

- the Chairperson should be an independent Non-Executive Director;
- the role of the Chairperson and the Managing Director should not be exercised by the same person;
- the Board should comprise of at least three Directors, increasing where additional expertise is considered desirable in certain areas, when an outstanding candidate is identified, or to ensure a smooth transition between outgoing and incoming Non-Executive Directors;
- the majority of the Board should comprise independent Non-Executive Directors who satisfy the criterion for independence (see below for the criterion for determining when a Director is considered to be independent); and
- the Board should comprise Directors with an appropriate range of skills, qualifications, expertise and experience.

For the time being, the Board has determined that the number of Directors on the Board should be four, comprised of three Non-Executive Directors and one Executive Director (including the Managing Director). The Board reviews its size and composition annually to ensure that it has the appropriate balance of skills, qualifications, expertise and experience. When a vacancy exists, or where the Board considers that it would benefit from the services of a new Director with particular skills, qualifications, expertise and experience, the Board will endeavour to select and appoint appropriate candidates with the relevant skills, qualifications, expertise and experience.

Section 3 of this Corporate Governance Statement provides further information on the mix of skills and diversity the Board seeks to achieve in membership of the Board.

Directors appointed by the Board are subject to election by shareholders at the next annual general meeting following their appointment. With the exception of the Managing Director, all Directors are subject to re-election in accordance with the Company's constitution.

ASX Principles, Recommendations 2.1, 2.2, 2.6

The Board has determined (according to the criteria below) that Andrew Teo, Robert Weinberg, and Ciceron Angeles are independent Non-Executive Directors. The Board is, therefore, comprised of a majority of independent Directors. Further, the Board is chaired by Andrew Teo, an independent Non-Executive Director.

When determining whether a Director is independent, the Board considers all relevant facts and circumstances. The Board considers that a Director will be independent if he or she is a person who:

- is not a substantial shareholder of the Company, or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not, within the last three years, been employed in an executive capacity by the Company;
- has not, within the last three years, been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company, other than as a Director; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Company.

CORPORATE GOVERNANCE

The Board does not consider the following Directors to be independent:

- Peter Hepburn Brown because he was employed in an executive capacity by Medusa as its Managing Director (Mr Hepburn-Brown resigned on 19 August 2014); and
- Raul Villanueva because he is currently employed in an executive capacity by Medusa as an Executive Director.

The test of whether a relationship or business is material is based on the nature of the relationship or business and the circumstances and activities of the Director. Materiality is considered from the perspective of the Company, the persons or organisations with which the Director has an affiliation and from the perspective of the Director. To assist in assessing the materiality of a supplier or customer the Board has adopted the following materiality thresholds:

- a material customer is a customer of the Company that accounts for more than 5% of the Group's consolidated gross revenue; and
- a supplier is material if the Company accounts for more than 5% of the supplier's consolidated gross revenue.

Chairperson and Managing Director

ASXCGC Recommendation 2.3

The roles of Chairperson and Managing Director are separate roles and held by different individuals.

The Chairperson, Andrew Teo, is responsible for, amongst other things, leadership and effective performance of the Board and overseeing the provision of information by management to the Board and ensuring the adequacy of that information. The Managing Director, Peter Hepburn-Brown, was responsible for the day-to-day management of the Company and he resigned on 19 August 2014. Currently the Company does not have a Managing Director.

The Chairperson's and Managing Director's responsibilities are set out in more detail in the Board Charter, which is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

Performance evaluation

ASX Principles, Recommendations 1.2, 1.3, 2.5, 2.6

The Company's Nomination Committee Charter requires the Nomination Committee to establish evaluation methods of rating the performance of the Directors and to conduct assessments of Directors as to whether they have devoted sufficient time in fulfilling their duties as Directors.

The Director evaluation methods established by the Company's Nomination Committee included a review of the performance of the Board and each of its Committees against the requirements of their respective charters and the individual performances of the Non-Executive Chairperson and each Director.

During the reporting period, the Nomination Committee met on one occasion to evaluate the performance of the Board, its Committees and individual Directors in accordance with the above evaluation process.

Details of the process for evaluating the performance of Senior Executives and Executive Directors, and the conduct of that process in the reporting period, are included in the Remuneration Report, which forms part of the Directors' Report on pages [62] to [73].

Details of Directors' attendance at Board meetings are set out in the Directors' Report on page [60].

Board access to independent advice

ASXCGC Recommendation 2.6

Each Director is entitled to seek such independent professional advice as they consider necessary in the furtherance of his or her duties as a Director at the Company's expense. Any Director seeking independent advice must first discuss the request with the Chairperson, who will facilitate obtaining such advice.

2. BOARD COMMITTEES

Nomination Committee

ASX Principles, Recommendations 2.4, 2.6

The Board has established a Nomination Committee, which operates under a Nomination Committee Charter approved by the Board. A copy of the Nomination Committee Charter is available on the Corporate Governance page of the Company's website at www.medusamining.com.au, and includes details of, amongst other things, the role and responsibilities, composition and structure of the Nomination Committee.

CORPORATE GOVERNANCE

The role of the Nomination Committee Charter is to assist the Board in fulfilling its corporate governance obligations and responsibilities by:

- monitoring the size and composition of the Board, including giving due consideration to the value of diversity of backgrounds and experiences among the members of the Board;
- recommending individuals for nomination as members of the Board and Committees; and
- reviewing the performance of the Board to ensure that its members remain committed and are adequately discharging their duties and responsibilities.

The Nomination Committee consists of Ciceron Angeles (as Chairman of the Nomination Committee) Andrew Teo and Raul Villanueva. Peter Hepburn-Brown was a member of the Committee prior to his resignation on 19 August 2014. The Nomination Committee, therefore, comprises a majority of independent Directors and is chaired by an independent chair. One meeting of the Nomination Committee was held during the reporting period and details of the members' attendance at these meetings are included in the Directors' Report on page [60].

Remuneration Committee

ASX Principles, Recommendations 8.1, 8.2, 8.3, 8.4

The Board has established a Remuneration Committee, which operates under a Remuneration Committee Charter approved by the Board. A copy of the Remuneration Committee Charter is available on the Corporate Governance page of the Company's website at www.medusamining.com.au, and includes details of, amongst other things, the role and responsibilities, composition and structure of the Remuneration Committee.

The role of the Remuneration Committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations on:

- the remuneration packages of Executive Directors, Non-Executive Directors and Senior Executives;
- employee incentive plans and benefit programs, including the appropriateness of performance hurdles and total payments proposed;
- remuneration, recruitment, retention and termination policies and procedures;
- superannuation arrangements;
- employee equity based plans and schemes; and
- remuneration by gender.

The members of the Remuneration Committee, who are all Non-Executive Directors, are Robert Weinberg (as Chairperson of the Remuneration Committee), Andrew Teo and Ciceron Angeles. Peter Hepburn-Brown was a member of the Committee until his resignation on 19 August 2014. The Remuneration Committee, therefore, comprises a majority of independent Directors and is chaired by an independent chair as recommended by ASXCGC Recommendation 8.2. One meeting of the Remuneration Committee was held during the reporting period and details of the members' attendance at these meetings are included in the Directors' Report on page [60].

The Board's policy is that reviews of remuneration packages and policies applicable to Executive Directors, Non-Executive Directors and Senior Executives are to be conducted on an annual basis by the Remuneration Committee.

Details on the Company's remuneration policies, including how the structure of the remuneration of Non-Executive Directors is distinguished from that of Executive Directors and Senior Executives, are included in the Remuneration Report, which forms part of the Directors' Report on page [63].

No schemes for the provision of retirement benefits, other than the provision of superannuation, are provided by the Company for the benefit of Non-Executive Directors.

Consistent with section 206J of the Corporations Act, it is the Company's policy to prohibit Directors and Senior Executives from dealing in financial products issued or created over or in respect of the Company's securities (eg hedges or derivatives), where that dealing has the effect of reducing or eliminating the risk associated with any equity incentives that the Company may offer from time to time. This is further detailed in the Directors' Report on page [69]. A copy of the Company's Share Trading Policy is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

CORPORATE GOVERNANCE

Audit Committee

ASX Principles, Recommendations 4.1, 4.2, 4.3, 4.4

The Board has established an Audit Committee, which operates under an Audit Committee Charter approved by the Board. A copy of the Audit Committee Charter is available on the Corporate Governance page of the Company's website at www.medusamining.com.au, and includes details of, amongst other things, the role and responsibilities, composition and structure of the Audit Committee.

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control framework and audit functions.

The Audit Committee's role also includes assessing the performance of the external auditor and, as appropriate, making recommendations to the Board on the appointment, re-appointment or replacement of the external auditor. Information on the Company's procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement directors or partners is set out in the Company's External Auditor Selection and Rotation Policy, which is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

The members of the Audit Committee, who are all Non-Executive Directors, are Ciceron Angeles (as Chairperson of the Audit Committee), Andrew Teo, and Robert Weinberg. Gary Powell retired as a Committee member on 7 December November 2014. The Audit Committee therefore, comprises a majority of independent Directors and is chaired by an independent chair as recommended by ASXCGC Recommendation 4.2.

Details of the qualifications of each member of the Audit Committee are included in the Directors' Report on pages [58] to [60].

Two meetings of the Audit Committee were held during the reporting period and details of the members' attendance at these meetings are included in the Directors' Report on page [60].

Safety, Health and Environmental Committee

The Board has established a Safety, Health and Environmental Committee, which operates under a Safety, Health and Environmental Committee Charter approved by the Board.

A copy of the Safety, Health and Environmental Committee Charter is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

The role of the Safety, Health and Environmental Committee is to provide oversight of the Company's policies and systems relating to safety, health and the environment, as well as target high safety, health and environmental performance and best practices. The Safety, Health and Environmental Committee is mandated by the Board to:

- facilitate company-wide communication of a high performance safety, health and environmental culture and an awareness of seeking best practice and measurable goals;
- ensure adequate resources are available to management to implement appropriate safety, health and environment systems;
- oversee management implementation of a safety, health and environment performance measurement system that can determine safety, health and environment performance and whether there is continuous improvement;
- use safety, health and environment performance measures to monitor compliance with legal requirements and internal targets, as well as to communicate Medusa's safety, health and environmental commitment to shareholders, stakeholders and employees;
- oversee management implementation of a safety, health and environment compliance audit programme, including evaluation of risk exposures and control actions and also receive regular reports of the impact of proposed regulatory changes, material claims and ways to achieve continuous improvement in the areas of safety, health and environment;
- receive quarterly safety, health and environment performance reports from management that include environmental, health and safety issues of a material nature, details of accidents and incidents and statistics concerning relative performance and continuous improvement; and
- provide feedback to management of safety, health and environment goals, policies, practices and systems.

The Safety, Health and Environmental Committee consisted of Raul Villanueva (as Chairperson of the Safety, Health and Environmental Committee and appointed on 23 February 2015), Andrew Teo and Robert Weinberg. Geoffrey Davis and Robert Gregory were appointed as Committee members on 23 February 2015 and Mr Hepburn-Brown resigned on 19 August 2014.

3 meetings of the Safety, Health and Environmental Committee were held during the reporting period and details of the members' attendance at these meetings are included in the Directors' Report on page [60].

CORPORATE GOVERNANCE

3. PROMOTING ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

ASXCGC Recommendation 3.1

The Company has a formal Code of Conduct, which outlines the Company's commitment to appropriate ethical and responsible decision making and corporate practices.

The Code of Conduct describes how the Company expects its Directors and employees to behave in the conduct of the Company's business activities. The Code of Conduct covers matters including:

- general principles;
- compliance with laws and regulations;
- political contributions;
- unacceptable payments;
- giving or receiving gifts;
- protection of Company assets;
- proper accounting;
- dealing with auditors;
- unauthorised public statements;
- conflict of interest;
- the use of inside information;
- trading of the Company's shares;
- alcohol and drug abuse;
- equal opportunity and employee discrimination,
- environmental responsibilities;
- occupational health and safety; and
- economy and efficiency.

All employees are required to comply with the Code of Conduct. Any breach of applicable laws, prevailing business ethics or other aspects of the Code of Conduct will result in disciplinary action, which may include, depending on the severity of the breach, termination of employment. Under the Code of Conduct, all employees are requested to report immediately any circumstances which may involve deviation from the Code of Conduct to the Managing Director or Company Secretary of the Company, who are responsible for investigating and reporting any unethical practices to the Board.

A copy of the Code of Conduct is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

Diversity Policy

ASX Principles, Recommendations 3.2, 3.3, 3.4, 3.5

Recommendation 3.2 of the ASX Principles provides that a company should establish a policy concerning diversity and disclose that policy or a summary of it. Such a policy is to include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually in respect of both the objectives and progress in achieving them.

The Board is committed to engaging directors, management and employees with the highest qualifications, skills and experience to develop a cohesive team that is best placed to achieve business success regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Board has not adopted a formal diversity policy as recommended by Recommendation 3.2 of the ASX Principles as it believes its current processes and policies for recruitment and appointment are appropriate and adequately take into account diversity amongst a number of factors considered by the Company in ensuring its Directors and workforce have an appropriate mix of qualifications, experience and expertise. The Board does, however, recognise that diversity makes an important contribution to corporate success and the Company considers diversity as one of a number of factors when seeking to appoint Directors, filling Senior Management roles and positions and reviewing recruitment, retention and management practices, notwithstanding the absence of a formal diversity policy.

Recommendation 3.3 of the ASX Principles provides that a company should disclose in its annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and its progress towards achieving them. The Board has not at this stage adopted a formal diversity policy for the reasons set out above and, consequently, has not set measurable objectives under such a policy. The Board considers that it is not necessary to set measurable objectives for achieving gender diversity as recommended by the ASX Principles.

CORPORATE GOVERNANCE

While the Company considers diversity is important, the priority for the Company when recruiting is ensuring an appropriate mix of qualifications, experience and expertise regardless of age, , however, generally make it clear when seeking to appoint additional Directors, senior management and employees that women are encouraged to apply for roles and that the Company is an equal opportunity employer.

In accordance with Recommendation 3.4 of the ASX Principles, the Medusa workforce gender profile is set out in the following table:

Role type	Female	Female %	Male	Male%
Technical	20	38%	33	62%
Supervisory / professional	9	8%	108	92%
Middle management	7	25%	21	75%
Senior Management	2	14%	12	86%
Total	38	18%	174	82%
Board members	-	-	4	100%

Share Trading Policy

Whilst the Board encourages its Directors and employees to own securities in the Company, it is also mindful of the responsibility of the Company, its Directors and employees not to contravene the Corporation Act's "insider trading" provisions.

The Board has approved a Share Trading Policy that applies to all Directors and all employees of the Company.

In summary, the policy prohibits Directors and employees from trading in the Company's securities:

- when aware of non-public price sensitive information, until such time as that information has become generally available; and
- as part of active trading with a view to deriving profit related income.

The Share Trading Policy is subject to the overriding application of the insider trading laws.

The Company delisted from the Main Market of the London Stock Exchange on 23 May 2014. During this period Directors and applicable employees were subject to the rules of that Exchange which disallowed Directors and applicable employees from dealing in the Company's shares during a close period. This practice has continued to date.

A Director or employee wishing to deal in the Company's shares must first notify the Chief Executive Officer or Managing Director (as applicable) and confirm that the employee is not aware of any non-public price sensitive information.

A copy of the Share Trading Policy is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

4. RISK MANAGEMENT

ASX Principles, Recommendations 7.1, 7.2

The Board recognises that risk oversight is a core function of the Board that serves in protecting and enhancing shareholder wealth.

The Board has approved a Risk Management Policy that outlines the Company's policies for the oversight and management of material business risks and the design, implementation and monitoring of an internal compliance and control framework. A copy of the Risk Management Policy is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

The Board is ultimately responsible for the oversight and management of material business risks. However, the design and implementation of the risk management policy and the day to day management of risk is the responsibility of the Managing Director, with the assistance of Senior Management.

The Chief executive Officer or Managing Director (as applicable) is responsible for reporting directly to the Board on all matters associated with risk management and in fulfilling his duties, the Chief Executive Officer or Managing Director (as applicable) has unrestricted access to all Company employees, contractors and records and may obtain independent expert advice on any matters he deems appropriate.

Whilst the Board acknowledges that it is responsible for the overall internal control framework, it is also cognisant that no cost-effective internal control system will preclude all errors and irregularities.

The Company's main business risks are determined by the nature of its business activities and assets. There are numerous factors (both external and internal) that could influence the risk profile of the Company.

External risk factors that could influence the risk profile of the Company include:

- state or health of the industry sector;
- competition;
- market share (size);

CORPORATE GOVERNANCE

- industrial relations;
- foreign exchange and interest rates;
- equity and commodity prices;
- political views; and
- a nation's economic well-being.

Internal risk factors that could influence the risk profile of the Company include:

- operational performance;
- compliance;
- commercial dealings and relationships;
- financial control;
- information systems and technology;
- people and skills; and
- quality of management.

The Company's risk management system is continuously developing and will evolve with the evolution and growth of the Company's activities.

Managing Director and Chief Financial Officer assurance

ASX Principles, Recommendations 7.2, 7.3, 7.4

Before the adoption by the Board of the of the Company's financial statements for the year ended 30 June 2015, the Board receives written declarations from the Managing Director and Chief Financial Officer, in accordance with section 295A of the Corporations Act, that the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act and that the Company's financial statements and notes comply with the accounting standards and present a true and fair view of the consolidated entity's financial position and performance for the financial period.

The Managing Director and the Chief Financial Officer have also to state in writing to the Board that the above declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. In addition, during the reporting period the Managing Director and the Chief Financial Officer report to the Board as to the effectiveness of the Company's management of its material business risks.

Due to the resignation of the Managing Director Mr Peter Hepburn-Brown on 19 August 2014, the Chief Executive Officer and the Chief Financial Officer provided the signed declaration.

5. CONTINUOUS DISCLOSURE

ASX Principles, Recommendations 5.1, 5.2

The Company is subject to continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. Subject to limited exceptions, the Company must immediately notify the market, through ASX, of any information that a reasonable person would expect to have a material effect on the price or value of its securities. The Board has approved a Continuous Disclosure Policy to reinforce the Company's commitment to complying with its continuous disclosure obligations and outline management's accountabilities and the processes to be followed for ensuring compliance. A copy of the Continuous Disclosure Policy is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

The Managing Director and Company Secretary are responsible for ensuring that the Continuous Disclosure Policy is implemented and enforced, and that the Company complies with its continuous disclosure obligations.

6. SHAREHOLDER COMMUNICATION

ASX Principles, Recommendations 6.1, 6.2

The Board has approved a Shareholder Communications Policy to promote effective communications with its shareholders and encourage effective participation at general meetings. In accordance with this policy the Company maintains a website at www.medusamining.com.au on which the Company provides, amongst other things, the following information:

- company announcements released to ASX for disclosure and related information (including presentations and briefings to analysts and media);
- notices of meetings and explanatory materials;
- quarterly reports, containing details of the Company's activities and consolidated statements of cash flows;
- half-yearly reports, containing consolidated financial information and a brief overview of the Company's activities; and
- annual reports, which include a review of the Company's operations and financial results for the year.

CORPORATE GOVERNANCE

Annual reports are distributed in hard copy to shareholders who have registered their election with the Company's share registry to receive the annual report in hard copy.

The Board encourages participation of shareholders at general meetings of the Company. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

A copy of the Shareholder Communications Policy is available on the Corporate Governance page of the Company's website at www.medusamining.com.au

DIRECTOR'S REPORT

1. DIRECTORS

The names of Directors in office at any time during or since the end of the financial year are:

Name of Director	Period of Directorship
<u>Non-Executive Directors:</u>	
Mr Andrew Boon San Teo (Chairman)	since 15 February 2010 (appointed Chairman on 22 Nov 2013)
Dr Robert Maurice Weinberg	since 01 July 2006
Mr Ciceron Angeles	since 28 June 2011
Mr Gary Raymond Powell	since 24 January 2013 (resigned 7 December 2014)
<u>Executive Directors:</u>	
Mr Peter Gordon Hepburn-Brown (Managing Director)	since 15 September 2009 (resigned on 19 August 2014)
Mr Raul Conde Villanueva	since 24 January 2013

Each of the Directors, unless otherwise stated above, has been in office since the start of the financial year to the date of this report.

2. DIRECTORS' INFORMATION

Mr Andrew Boon San Teo

B.Com, UWA, (CPA)

Independent Non-Executive Chairman (appointed 22 November 2013)

Mr Teo is an accountant with 36 years of extensive and diversified experience in accounting, treasury, corporate, legal and business administration across several industries, including the mining industry. He is currently the Chief Financial Officer/Executive Director of BGC (Australia) Pty Ltd, one of Australia's largest privately owned companies, with annual turnover in excess of \$2 billion and 7,000 plus staff (including sub-contractors).

Mr Teo is a member of the Audit Committee, Remuneration Committee, Nomination Committee and the Safety, Health & Environment Committee.

Dr Robert Maurice Weinberg

BA (Hons) Geology, MA, DPhil, FGS, FIMMM

Independent Non-Executive Director

London based Dr Robert Weinberg gained his doctorate in geology from Oxford University and has over 40 years' experience in the international mining industry. He is an independent mining analyst and consultant, a Fellow of the Geological Society of London and also a Fellow of the Institute of Materials, Minerals and Mining.

Dr Weinberg brings a wealth of gold marketing and investment banking experience to the Company having held executive positions that include being Managing Director, Institutional Investments at the World Gold Council, and Director of the Investment Banking & Equities division at Deutsche Bank in London, Head of the Global Mining Research team at SG Warburg Securities. Dr Weinberg has also held senior positions within Société Générale and was head of the mining team at James Capel & Co. He was formerly marketing manager of the gold and uranium division of Anglo American Corporation of South Africa Ltd.

Dr Weinberg is currently an independent Non-Executive Director of SolGold Plc (appointed 22 November 2005), a company listed on the Alternative Investment Market (AIM), London. Dr Weinberg was an independent Non-Executive Director of Chaarat Gold Holdings Ltd (from 10 January 2011 to 4 May 2014), also listed on AIM and Kasbah Resources Ltd (from 15 November 2006 to 10 June 2015), an ASX listed entity.

Dr Weinberg is Chairman of the Remuneration Committee and is also a member of the Safety, Health & Environment Committee and Audit Committee.

DIRECTOR'S REPORT

Mr Ciceron. A. Angeles

B.Sc (Geology), MAppSc (Mineral Exploration), FAusIMM (CP), FSEG.

Independent Non-Executive Director

Philippines based, Mr Angeles is a geologist with over 35 years of experience in gold and base metal exploration in Asia, mainly Philippines, Indonesia, China, Malaysia and Iran. His specialisations include epithermal gold-silver, porphyry copper-gold and Carlin styles of mineralisation.

Mr Angeles obtained his MAppSc in Mineral Exploration from the University of New South Wales, Australia in 1985 and is a Fellow and accredited Chartered Professional (CP) in the discipline of geology of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Fellow of the Society of Economic Geologists. He was also the Asia Exploration Manager for Newcrest Mining during which time Newcrest brought the Gosowong Gold Mine into production.

Mr Angeles was the Technical Director of GGG Resources plc, a company listed on the ASX in Australia and AIM in London, from 3 September 2009 until his resignation on 15 March 2012.

Mr Angeles is Chairman of the Nomination Committee and Audit Committee and a member of the Remuneration Committee.

Mr Gary Raymond Powell

B.App.Sc. (Geology)

Member, Australian Institute of Geoscientists

Member, Australasian Institute of Mining & Metallurgy

Independent Non-Executive Director

Resigned 8 December 2014

Mr Gary Powell was appointed Non-executive Director on 24 January 2013 and brings Philippines operating experience to the Board. Mr Powell is a geologist with 32 years of experience working in Australia, Central Asia and importantly, since 1997, the Philippines.

Mr Powell has worked for major and junior companies as an employee and on a consulting basis. He was a founding and Managing Director of ASX listed Egerton Gold NL from 1993 to 2000, and more recently a founding, Non-Executive and then Executive Director from 2004 to 2009 of Metals Exploration plc listed on the Alternative Investment Market (AIM) in the United Kingdom. In his role with Metals Exploration plc, Mr Powell managed the progressing of the Runruno Gold Deposit in the Philippines to the drilled up resource stage (and which is now in construction with forecast production in 2015).

Mr Powell has been overseeing the resource definition at the Company's Co-O Mine and Bananghilig Project and continues to consult to the Company as required.

Mr Powell was appointed as the Chairman of the Audit Committee on 26 February 2014.

Mr Powell resigned from the Board and the Audit Committee on 8 December 2014.

Mr Peter Gordon Hepburn-Brown

BAppSc-Mining Engineering (1980), Grad Dip Human Resources (1996), Member of Inst of Engineers, Australia

Managing Director

Resigned 19 August 2014

Mr Peter Hepburn-Brown who was appointed Managing Director on 9 June 2011, joined the Board of Medusa on 15 September 2009, and was the Company's Executive Director - Operations since 27 July 2010. He is a mining engineer with 36 years of experience in a wide range of mining situations, commodities and overseas jurisdictions. He has held senior management positions such as Executive Director Operations for Harmony Gold Australia, General Manager Operations for Great Central Mines, as well as other executive, operational and consulting positions.

Mr Hepburn-Brown's experience includes hands-on shaft sinking and airleg mining in narrow vein mines, experience that is well suited to the Company's current operations in the Philippines, as well as mining large open pit, disseminated ore bodies. Mr Hepburn-Brown has a proven track record and his skills and experience complement those of his fellow Board members.

Mr Hepburn-Brown was appointed an independent Non-Executive Director of MRL Corporation Limited, a company listed on the ASX in Australia, on 7 February 2014. Mr Hepburn-Brown was a Non-Executive Director of Alloy Resources Limited, an ASX listed entity, from 2 June 2004 to 30 November 2010. During the past three years, Mr Hepburn-Brown also served as a Non-executive Director of Morning Star Gold NL, an entity listed on the ASX from 18 February 2010 to 1 February 2011.

Mr Hepburn-Brown was also the Chairman of the Health & Safety and Nomination Committees and was appointed to the Remuneration Committee on 22 November 2013.

Mr Hepburn-Brown has resigned as Managing Director and as a member of all Committees on 19 August 2014.

DIRECTOR'S REPORT

Mr Raul Conde Villanueva
LL.B., Attorney and Counselor-at-Law
Executive Director

Attorney Raul Villanueva was appointed an Executive Director of Medusa on 24 January 2013 following his appointment as President of the Company's Philippines operating company, Philsaga Mining Corporation ("Philsaga") in December 2012.

Attorney Villanueva who has Bachelor degrees in Economics, Military Science & Tactics, and Law has been a member of the Integrated Bar of the Philippines and an Attorney and Counselor-at-Law since 1994. He brings a focused approach to improving the operating systems and professionalism of the Company, based on his education and several years of experience in law as well as managing companies and will further align the objectives of the Medusa Group of Companies.

Mr Villanueva was appointed as Chairman of The Safety, Health and Environment Committee on 23 February 2015 and is a member of the Nomination Committee.

3. COMPANY SECRETARY

Mr Peter Alphonso
B.Com, UWA (CPA)

Mr Peter Alphonso was appointed Company Secretary on 11 December 2007.

Mr Alphonso's 37 years of experience has included associations with the auditing, engineering and communications industries, with the majority of his experience centred on the gold and nickel sectors of the mining industry. Mr Alphonso's experience has included associations with Coopers and Lybrand, Western Mining Corporation, Great Central Mines and Tiwest Joint Venture.

As Company Secretary Mr Peter Alphonso is responsible for the corporate secretarial functions of the Company as well as all financial and statutory reporting of the Company and also directing and monitoring of all financial aspects of the Company's overseas operations.

Mr Peter Alphonso was appointed Chief Financial Officer on 1 July 2013.

4. MEETINGS OF DIRECTORS

The number of meetings held during the financial year by Company Directors and the number of those meetings attended by each Director was:

Name of Director	Board of Directors Meetings		Audit Committee		Remuneration Committee		SHE Committee		Nomination Committee	
	No. of meetings ⁽¹⁾	No. attended	No. of meetings ⁽¹⁾	No. attended	No. of meetings ⁽¹⁾	No. attended	No. of meetings ⁽¹⁾	No. attended	No. of meetings ⁽¹⁾	No. attended
Peter Hepburn-Brown	-	-	-	-	-	-	-	-	-	-
Robert Weinberg	4	3	2	1	1	1	3	3	-	-
Andrew Teo	4	4	2	2	1	1	3	3	1	1
Ciceron Angeles	4	4	1	1	-	-	-	-	1	1
Raul Villanueva	4	4	-	-	-	-	2	2	-	-
Gary Powell	2	2	1	1	-	-	-	-	-	-

(1) Number of meetings held during the time the Director held office during the year

5. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were mineral exploration, evaluation, development and mining/production of gold. There were no significant changes in the nature of the activities of the Group during the year.

6. OPERATING RESULTS

The net consolidated loss for the financial year attributable to members of Medusa Mining Limited after provision of income tax was US\$218.1 million (and includes impairment losses of US\$259.6) [2014: Consolidated profit of US\$30.9 million].

Key financial results:

Key Results	30 June 2015	30 June 2014	Variance	(%)
Revenues	US\$123.2M	US\$84.2M	US\$39.0M	46%
EBITDA	(US\$186.8M)	US\$48.3M	(US\$235.1M)	(487%)
NPAT	(US\$218.1M)	US\$30.9M	(US\$249.0M)	(806%)
EPS (basic)	(US\$1.050)	US\$0.154	(US\$1.204)	(782%)
Dividend per share	Nil	Nil	Nil	N/A

DIRECTOR'S REPORT

Medusa recorded a net loss after tax ("NPAT") of (US\$218.1 million) and earnings before interest, tax depreciation and amortisation ("EBITDA") of (US\$186.8 million) for the full year to 30 June 2015, compared to US\$30.9 million and US\$48.3 million respectively in the previous year.

The Company recorded Revenues of US\$123.0 million compared to US\$84.2 million for the previous year. Medusa is an un-hedged gold producer and received an average price of US\$1,220 per ounce from the sale of 97,200 ounces of gold for the year (previous year: 65,943 ounces at US\$1,299 per ounce).

As at year end, the Company had total cash and cash equivalent in gold on metal account of US\$14.60 million (2014: US\$13.68 million).

During the year:

- ❑ The Co-O Mine produced 98,359 ounces of gold for the year, at an average recovered grade of 5.61 g/t gold (2014: 59,904 ounces at average recovered grade of 4.76 g/t gold)
- ❑ The average cash cost for the year of US\$385 per ounce was marginally lower than the previous year's average cash cost of US\$418 per ounce.
- ❑ Depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US\$31.7 million (2014: US\$17.5 million);
- ❑ US\$11.3 million was expended on exploration activities (2014:US\$15.8 million);
- ❑ Capitalised mine development costs totalled US\$37.7 million for the year (2014: US\$36.3 million);
- ❑ US\$11.2 million was expended on capital works associated with the new mill construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2014: US\$23.6 million);

7. REVIEW OF OPERATIONS

A review and summary information concerning the Group's operations and exploration activities for the financial year and the results of those operations are set out in the Chairman's Review and Managing Directors' Report on Operations which will be available in the Full Annual Report.

8. DIVIDENDS

No dividends were declared during the financial year.

9. SIGNIFICANT CHANGE IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- ❑ On 19 August 2014 Mr Peter Hepburn-Brown resigned as Managing Director and as a member of all Committees
- ❑ On 1 September 2014 Mr Geoffrey Davis assumed the role of Chief Executive Officer for an interim period following the resignation of Peter Hepburn-Brown as Managing Director
- ❑ The Company recognised an Impairment charge of US\$259.6 million (refer note 13)

In the opinion of the Directors, there were no other significant changes in the state of the affairs of the Group that occurred during the financial year.

10. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and/or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

11. FUTURE DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

The Group will continue its policy of organic growth within its land-holdings in the Philippines and test attractive mineral properties with a view to developing properties capable of economic mineral production.

12. DIRECTORS' INTEREST

The relevant interest of each Director in the share capital of the Company at the date of this report is as follows:

Name of Director	No. of fully paid ordinary shares	No. of options over ordinary shares	No. of performance rights over ordinary shares
Andrew Teo	95,000	-	-
Robert Weinberg	82,675	-	-
Ciceron Angeles	-	-	-
Raul Villanueva	50,000	500,000	-

DIRECTOR'S REPORT

12. REMUNERATION REPORT (AUDITED)

(a) Details of Key Management Personnel

The Directors of Medusa Mining Ltd ('the Group') present the Remuneration Report for Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

Other than the Managing Director and Executive Officers listed below, no other person is concerned in, or takes part in, the management of the Group; or has authority or responsibility for planning, directing and controlling the activities of the Group.

There were no loans to Key Management Personnel during the period and there were no transactions or balances with Key Management Personnel other than those disclosed in this Report.

Directors

Non-Executive Directors:

Andrew Teo, Chairman (Chairman)

Robert Weinberg

Ciceron Angeles

Gary Powell (resigned 7 December 2014)

Executive Directors:

Peter Hepburn-Brown, Managing Director (resigned 19 August 2014)

Raul Villanueva

Executive Officers

Geoffrey Davis - Interim CEO appointed 1 September 2014

Robert Gregory - Chief Operating Officer appointed 19 November 2014

Peter Alphonso - Company Secretary

DIRECTOR'S REPORT

(b) Key Management Personnel remuneration (Company and consolidated)

The following tables provides the details of the remuneration of all Directors and Executives of the Group and the nature and amount of the elements of their remuneration (in US\$'s) for the year ended 30 June 2015 and the previous financial year.

Name	Year	Short term benefits				Post-employment benefits		Long-term benefits		Equity-settled share-based payments		Cash-settled share-based payments	Termination benefits	TOTAL	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary/ fees	Directors ' fees	Non-monetary	Bonus ⁽³⁾	Super-annuation	Other ⁽⁶⁾	Incentive plans	LSL ⁽⁷⁾	Shares/ units	Options/ rights ⁽⁸⁾					
<u>Directors</u>																
<u>Non-Executive</u>																
Andrew Teo	2015	-	80,850	-	-	-	-	-	-	-	-	-	-	80,850	-	-
	2014	-	81,982	-	-	-	-	-	-	-	-	-	-	81,982	-	-
Robert Weinberg	2015	-	60,287	-	-	-	-	-	-	-	-	-	-	60,287	-	-
	2014	-	68,089	-	-	-	-	-	-	-	-	-	-	68,089	-	-
Ciceron Angeles	2015	52,624	60,287	-	-	-	-	-	-	-	-	-	-	112,911	-	-
	2014	42,921	68,089	-	-	-	-	-	-	-	-	-	-	111,010	-	-
Gary Powell ⁽¹⁾	2015	168,548	27,836	-	-	15,008	-	-	-	-	-	-	-	211,392	-	-
	2014	269,607	68,089	-	-	-	-	-	-	-	-	-	-	337,696	-	-
<u>Executive</u>																
Peter Hepburn-Brown ⁽⁵⁾	2015	80,142	-	-	-	1,725	-	-	-	-	-	-	498,285	580,152	-	-
	2014	696,147	-	-	-	31,955	87,360	-	-	-	-	-	-	815,462	-	-
Raul Conde Villanueva ⁽²⁾	2015	438,663	-	-	-	-	-	-	-	-	204,000	-	-	642,663	-	31.7%
	2014	373,910	-	-	-	-	-	-	-	-	-	-	-	373,910	-	-
<u>Executives</u>																
Geoffrey Davis ⁽⁴⁾	2015	541,287	-	-	-	28,983	50,201	-	-	-	-	-	-	620,471	-	-
	2014	224,587	35,212	-	-	-	-	-	-	-	-	-	-	259,799	-	-
Peter Alphonso	2015	315,727	-	-	-	28,158	27,611	-	6,524	-	54,120	-	-	432,140	-	12.5%
	2014	331,758	-	-	-	22,827	97,747	-	74,371	-	-	-	-	526,703	-	-
Robert Gregory ⁽⁹⁾	2015	336,042	-	-	-	19,961	21,963	-	-	-	164,000	-	-	541,966	-	30.2%
	2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2015	1,933,033	229,260	-	-	93,835	99,775	-	6,524	-	422,120	-	-	2,784,547	-	15.2%
	2014	1,938,930	321,461	-	-	54,782	185,107	-	74,371	-	-	-	-	2,574,651	-	-

(1) Mr Gary Powell appointed as a Director on 24 January 2013 and resigned on 7 December 2014.

(2) Mr Raul Villanueva appointed 24 January 2013

(3) Bonuses are generally paid in October and relate to the previous year's financial results. No bonuses will be paid to any Senior Executives during 2015/16 relating to the financial year ended 30 June 2015.

(4) Mr Geoffrey Davis retired as a Director on 22 November 2013 and appointed as interim CEO on 19 August 2014.

(5) Mr Peter Hepburn-Brown resigned 19 August 2014

(6) Comprises Annual Leave accrued during the year but not paid

(7) Comprises Long Service Leave accrued during the year but not paid

(8) Comprises value of Options granted but not yet vested

(9) Robert Gregory was appointed Chief Operating Officer on 19 November 2014

DIRECTOR'S REPORT

(c) Remuneration options and equity based instruments

No options or other equity based instruments or rights over any of them, were granted by the Company or any entity controlled by the Company as remuneration during or since the end of the financial year.

(d) Shares issued on exercise of options granted as remuneration

During the financial year, no fully paid ordinary shares were issued on the exercise of options previously granted as remuneration to Directors and Executives.

(e) Option/rights holdings

The movement during the year in the number of options/rights over ordinary shares in Medusa Mining Limited held directly, indirectly or beneficially, by each Director and Executive, including their personally related entities is as follows:

Financial year 2014/2015

Name	Balance 01/07/14	Options/rights granted as remuneration	Options/ rights exercised	Options/ Rights not exercised and lapsed	Balance held 30/06/15	Vested & exercisable 30/06/15 ⁽¹⁾	Total not exercisable 30/06/15 ⁽²⁾
<u>Directors</u>							
Andrew Teo	-	-	-	-	-	-	-
Peter Hepburn-Brown ⁽³⁾	-	-	-	-	-	-	-
Robert Weinberg	-	-	-	-	-	-	-
Cicero Angeles	-	-	-	-	-	-	-
Raul Villanueva	300,000	500,000	-	(300,000)	500,000	-	500,000
Gary Powell ⁽⁴⁾	-	-	-	-	-	-	-
<u>Executives</u>							
Geoffrey Davis	-	-	-	-	-	-	-
Robert Gregory ⁽⁵⁾	-	500,000	-	-	500,000	-	500,000
Peter Alphonso	-	165,000	-	-	165,000	-	165,000

(1) Options vested and exercisable are all the options vested at the reporting date;

(2) Options that are not exercisable have not vested at the reporting date

(3) Mr Peter Hepburn-Brown resigned 19 August 2014

(4) Mr Gary Powell resigned 7 December 2014

(5) Mr Robert Gregory was appointed as Chief Operating Officer on 19 November 2014

Financial year 2013/2014

Name	Balance 01/07/13	Options/rights granted as remuneration	Options/ rights exercised	Options/ Rights not exercised and lapsed	Balance held 30/06/14	Vested & exercisable 30/06/14 ⁽¹⁾	Total not exercisable 30/06/14 ⁽²⁾
<u>Directors</u>							
Geoffrey Davis ⁽³⁾	-	-	-	-	-	-	-
Peter Hepburn-Brown	-	-	-	-	-	-	-
Robert Weinberg	-	-	-	-	-	-	-
Andrew Teo	-	-	-	-	-	-	-
Cicero Angeles	-	-	-	-	-	-	-
Raul Villanueva	300,000	-	-	-	300,000	300,000	-
Gary Powell	-	-	-	-	-	-	-
<u>Executives</u>							
Peter Alphonso	-	-	-	-	-	-	-

(1) Options vested and exercisable are all the options vested at the reporting date;

(2) Options that are not exercisable have not vested at the reporting date

(3) Mr Geoffrey David retired 22 November 2013

DIRECTOR'S REPORT

(f) Share holdings

The movement during the year in the number of ordinary shares in Medusa Mining Limited held directly, indirectly or beneficially, by each Director and key management personnel, including their personally related entities are as follows:

Financial year 2014/15

Name	Balance 30/06/14	Shares held at appointment	Bonus Issue of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/15
Non-Executive Directors							
Andrew Teo	75,000	-	-	20,000	-	-	95,000
Robert Weinberg	62,675	-	-	20,000	-	-	82,675
Ciceron Angeles	-	-	-	-	-	-	-
Gary Powell ⁽¹⁾	-	-	-	-	-	-	-
Executive Directors							
Peter Hepburn-Brown ⁽²⁾	22,000	-	-	-	-	-	22,000
Raul Villanueva	-	-	-	-	-	-	-
Executives							
Geoffrey Davis ⁽³⁾	-	4,102,750	-	-	-	867,941	3,234,809
Robert Gregory ⁽⁴⁾	-	-	-	23,950	-	-	23,950
Peter Alphonso	127,500	-	-	-	-	-	127,500

(1) Mr Gary Powell resigned 7 December 2014

(2) Mr Peter Hepburn-Brown resigned 19 August 2014

(3) Mr Geoffrey Davis was appointed as Interim CEO on 1 September 2014

(4) Mr Robert Gregory was appointed as Chief Operating Officer on 19 November 2014

Financial year 2013/14

Name	Balance 30/06/13	Shares held at appointment	Bonus Issue of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/14
Non-Executive Directors							
Andrew Teo	75,000	-	-	-	-	-	75,000
Geoffrey Davis ⁽¹⁾	4,102,750	-	-	-	-	-	4,102,750
Robert Weinberg	62,675	-	-	-	-	-	62,675
Ciceron Angeles	-	-	-	-	-	-	-
Gary Powell	-	-	-	-	-	-	-
Executive Directors							
Peter Hepburn-Brown	22,000	-	-	-	-	-	22,000
Raul Villanueva	-	-	-	-	-	-	-
Executives							
Peter Alphonso	127,500	-	-	-	-	-	127,500

(1) Mr Geoffrey Davis retired 22 November 2013

(g) Remuneration policies

Remuneration Committee

The Remuneration Committee of the Board of Directors is responsible for determining, reviewing and making recommendations to the Board on compensation arrangements for the Non-Executive Directors, Managing Director and Executive Officers.

The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on an annual basis by reference to relevant market conditions. It is empowered to engage the assistance of external consultants specialising in remuneration of executives and personnel in the mining industry to provide analysis and advice to ensure executive remuneration packages reflect relevant international employment market conditions. During the financial year, the Board did not obtain any independent advice from external consultants.

Remuneration Philosophy

The main objective is the retention of a high quality Board and executive team, to maximise value of the shareholders' investment. Remuneration levels are therefore competitively set to attract, retain and motivate appropriately qualified and experienced Directors and Executives.

DIRECTOR'S REPORT

In determining the level and make up of remuneration levels for Executives of the Group, the remuneration policy has been structured to increase goal congruence between shareholders and Executives and includes the payment of bonuses based on achievement of specific goals related to the performance of the Group and also the issue of incentive options or equity based instruments to encourage alignment of personal and shareholder interests.

Non-Executive Directors remuneration:

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre.

Non-Executive Directors' fees are paid within the aggregate amount approved by shareholders from time to time. Total remuneration for all Non-Executive Directors, last approved by shareholders on 18 November 2009, is not to exceed A\$400,000 per annum. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually.

The Board considers the amount of Director fees being paid by comparable international resource companies with similar responsibilities, and the experience of each Non-Executive Director when undertaking the review process.

Directors' fees cover all main Board activities and membership of Board Committees. No retirement benefits are provided for any Non-Executive Directors' retirement or termination and Non-Executive Directors do not receive performance related compensation remuneration.

Director fees currently paid to Non-Executive Directors are as follows:

- Andrew Boon San Teo (Non-Executive Chairman): A\$100,000 per annum;
- Dr Robert Weinberg (Non-Executive Director): A\$75,000 per annum;
- Ciceron Angeles (Non-Executive Director): A\$75,000 per annum

Executive Remuneration:

Objective

The Company's aim is to ensure Executives perform at a high level by incentivising them with the level and mix of remuneration commensurate with their position and responsibilities. These incentives include,

- to rewarding Executives for individual performances; and
- ensuring total remuneration is competitive by international market standards.

Remuneration is made up of a fixed component as well as a variable component which is performance linked and only granted when considered appropriate by the Board.

The remuneration of Executives, including the Managing Director, is reviewed annually by the Remuneration Committee, with the review taking into consideration the contribution of the individuals commensurate with the performance of the business unit within their responsibility, the overall performance of the Company and comparable employment market conditions internationally.

Fixed Remuneration

Fixed remuneration consists of base salary, any non-monetary benefits and employer contributions to superannuation funds.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee.

When appropriate, external remuneration consultants provide analysis and independent advice to ensure that Executives' remuneration levels are competitive in the international market place. During the financial year, the Board did not obtain any independent advice from external consultants.

Variable Remuneration

Variable remuneration is performance linked and includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive is an 'at risk' bonus provided in the form of cash whilst the long-term incentive is provided as options over ordinary shares or performance rights to acquire fully paid ordinary shares in the Company.

DIRECTOR'S REPORT

▪ Short-term Incentives ("STI")

Each year, the Board sets key performance indicators ("KPIs") for key management personnel. The KPIs generally include measures relating to the Group, the relevant segment, and the individual, and include financial, people, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

During the financial year, the Board set the following KPIs that applied to each member of Key Management Personnel:

- The Group meeting or exceeding annual production targets set by the Board based on a combination of physical parameters that include development meterage achieved, total ore mined and milled and ounces produced during the financial year. This KPI was chosen as the Board considers it to be the most significant Group controlled factor directly impacting the profitability of the Group;
- The Group's exploration drilling rates based on drilling targets set by the Board. This KPI was chosen as the Board considers exploration rates to be a key factor supporting the identification and development of the Group's growth projects and sustaining the Group's production into the future;
- The Group's level of compliance with its sustainability policy as outlined in the Review of Operations. This includes compliance with environmental obligations and health and safety regulations and guidelines and is assessed by reference to the level of non-compliance (if any) by the Group with its obligations. This KPI was chosen as the Company is committed to its environmental performance and considers health and safety to be a leading indicator of management and operational performance.

At the end of the financial year the Board assesses the actual performance of the Group, the relevant segment and individual against the KPIs set at the beginning of the financial year. Should the Group achieve the set KPIs, the Board may reward the Key Management Personnel with a bonus during the salary review. Any bonus payable must fall within 0.5% of net profit after tax of the Group and not exceed 50% of an individual's fixed remuneration. The Board retains absolute discretion over payment of these bonuses and can adjust payments (within the above caps) to take into account the overall performance of the Group, personal performance and prevailing market conditions.

This method of assessment was chosen as it provides the Board with an objective assessment of the Group's performance against identifiable factors that relate to the group's profitability and the sustainability of the Group's operations.

No STIs were granted to any key management personnel in the subsequent period since the end of the financial year ended 30 June 2015.

▪ Long-term Incentive ("LTI")

Historically, LTIs granted to key management personnel have been in the form of options over ordinary shares. The Board is currently considering whether to adopt other LTI measures, including a performance rights plan in which key management personnel can participate.

The primary objective of Medusa's LTI based remuneration is and will continue to be, to reward key management personnel in a manner which aligns this element of remuneration with the creation of shareholder wealth. The Board takes into account and will continue to take into account, appropriate measures of shareholder wealth, including those outlined in section 13(h) below and Company performance in setting the performance criteria applicable to its LTI based remuneration.

At a General Meeting held on 28 January 2015 shareholders approved the issue of options to the following key management personnel.

DIRECTOR'S REPORT

RAUL VILLANUEVA - Executive Director

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 – 9 February 2016 150,000 Options on the 2nd anniversary of the Issue Date – 9 February 2017 200,000 Options on the 3rd anniversary of the Issue Date – 9 February 2018 	On the 4 th anniversary of the Issue Date – 9 February 2019	\$1.00

ROBERT GREGORY – Chief Operating Officer

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 – 16 December 2015 150,000 Options on the 2nd anniversary of the Issue Date – 16 December 2016 200,000 Options on the 3rd anniversary of the Issue Date – 16 December 2017 	On the 4 th anniversary of the Issue Date – 16 December 2018	\$1.00

PETER ALPHONSO – Company Secretary /Chief Financial Officer

Number of Options	Vesting dates	Expiry date	Exercise price
165,000	<ul style="list-style-type: none"> 49,500 Options on the 1st anniversary of the Issue Date – 16 December 2015 49,500 Options on the 2nd anniversary of the Issue Date – 16 December 2016 66,000 Options on the 3rd anniversary of the Issue Date – 16 December 2017 	On the 4 th anniversary of the Issue Date – 16 December 2018	\$1.00

(h) Company performance

In considering the Company's performance and benefits for shareholder wealth, the Remuneration Committee take into account the following indices in respect of the current financial year and the previous four financial years.

Year ended 30 June	Note	2011	2012	2013	2014	2015
Basic earnings per share (EPS)	(1)	US\$0.587	US\$0.261	US\$0.266	US\$0.154	(US\$1.050)
Share price at 30 June		A\$6.59	A\$4.83	A\$1.55	A\$1.85	A\$0.84
Share price increase	(2)	A\$2.69	(A\$1.76)	(A\$3.28)	A\$0.30	(A\$1.01)
Total shareholder returns (TSR)	(3)	69.0%	(26.7%)	(67.5%)	19.4%	(54.6%)

(1) Basic EPS is calculated as net profit after tax divided by the weighted average number of ordinary shares;

(2) Share price movement during the financial year;

(3) TSR is defined as the growth/decline (in percentage terms) in the share price, taking into account dividends paid over the previous financial year ending 30 June. No dividends were paid during the current and 2014 financial years. (Dividends totalling A\$0.10 were paid in the 2011 and 2012 financial years and A\$0.02 was paid for the financial year ending 2013. No dividends were paid or capital returned in the previous respective years from 2008 to 2010).

DIRECTOR'S REPORT



(i) **Board policy in relation to limiting exposure to risk in securities**

Under the Company's Securities Trading Policy, Directors and Executives are prohibited from dealing in financial products issued or created over or in respect of Medusa securities (eg hedges or derivatives) which have the effect of reducing or eliminating the risk associated with any equity incentives that Medusa may offer from time to time (for example, a person may be granted an equity incentive award that vests at a time in the future subject to achieving certain performance goals; certain financial institutions offer products which act as an insurance policy if the performance goals are not met, thereby reducing the "at-risk" element of the person's incentive arrangements).

DIRECTOR'S REPORT

(j) Employment contracts

Executive Directors

Peter Hepburn-Brown (Managing Director) (Resigned 19 August 2014)

Contract description:	Employment contract between the Company and Peter Hepburn-Brown ("Employee").
Term:	An initial term ending on 8 June 2016 (subject to earlier termination) ("Initial Term"). If not terminated on or prior to 8 June 2016, the agreement will continue until terminated.
Services:	The Employee is employed as Managing Director of the Company and will be responsible for the overall management of the Company (subject to the direction of the Board); and its operations and strategic development.
Remuneration:	<p><u>Fixed remuneration:</u> A\$725,000 per annum plus a superannuation contribution of A\$25,000 per annum, subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standard.</p> <p><u>Variable remuneration - Short term incentive:</u> The Employee maybe entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions. The quantum of any bonus paid must fall within 0.5% of NPAT and not to exceed 50% of an individual's fixed remuneration.</p> <p><u>Variable remuneration - Long term incentive:</u> On 10 November 2011 shareholders approved the issue of 250,000 Performance Rights subject to specific terms and conditions. Due to performance criteria not being met the Performance Rights lapsed on 30 June 2013.</p>
Termination:	<p>Termination by the Company</p> <p>During the Initial Term (other than as set out below in relation to a "Material Diminution" or default by the Employee), the Company may terminate the agreement by notice or payment in lieu of notice of a notice period equal to: (a) the number of months remaining in the Initial Term; or (b) 12 months, if the number of months remaining in the Initial Term is less than 12.</p> <p>The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of its obligations and does not remedy that default in addition to other standard default situations.</p> <p>Termination by the Employee</p> <p>The Employee may terminate the agreement at any time by giving 3 months' written notice or immediately in certain circumstances, including if the Company is in default of its obligations and does not remedy that default and in certain other standard default situations, in which case the Consultant will be entitled to payment in lieu of notice.</p> <p>Termination by reason of Material Diminution</p> <p>A "Material Diminution" is a change in the Employee's status as Managing Director of the Company, including a material change in his authority in respect of the business of the Company or any member of the Company's group; or a change in his reporting relationship with the Board.</p> <p>If a Material Diminution occurs, within 3 months of this occurring, the Employee may give the Company 2 weeks' written notice of termination of this agreement. Subject to the Corporations Act, the Company must make a payment in lieu of a notice period equal to: (a) the number of months remaining in the Initial Term; or (b) 12 months, if the number of months remaining in the Initial Term is less than 12. After expiration of the Initial Term, the Company must make a payment to the Employee in lieu of a notice period equal to 12 months.</p>
Protection of the Company's interests:	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.

DIRECTOR'S REPORT

13.

(j) Employment contracts (continued)

Peter Alphonso (Company Secretary/Chief Financial Officer)

Contract description:	Employment contract between the Company and Peter Alphonso ("Employee").
Term:	An initial term ending on 30 September 2015 (subject to earlier termination) ("Initial Term"). If not terminated on or prior to 30 September 2015, the agreement will continue until terminated.
Role:	The Employee is initially employed in the role of Company Secretary/Chief Financial Officer and may subsequently be employed in other comparable roles as determined by the Employer. The Employee will be responsible for the day to day management of all financial, administrative and corporate functions of the Company.
Remuneration:	<p><u>Fixed remuneration:</u></p> <p>A\$300,000 per annum (inclusive of superannuation), subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standard.</p> <p><u>Variable remuneration - Short term incentive:</u></p> <p>The Employee may be entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions.</p>
Termination:	<p>Termination by the Company</p> <p>During the Initial Term (other than as set out below in relation to a "Material Diminution" or default by the Employee), the Company may terminate the agreement by notice or payment in lieu of notice of a notice period equal to: (a) the number of months remaining in the Initial Term; or (b) 12 months, if the number of months remaining in the Initial Term is less than 12.</p> <p>The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of its obligations and does not remedy that default in addition to other standard default situations.</p> <p>Termination by the Employee</p> <p>The Employee may terminate the agreement at any time by giving 3 months' written notice or immediately in certain circumstances, including if the Company is in default of its obligations and does not remedy that default and in certain other standard default situations, in which case the Consultant will be entitled to payment in lieu of notice.</p> <p>Termination by reason of Material Diminution</p> <p>A "Material Diminution" is a change in the Employee's status as Company Secretary/Chief Financial Officer of the Company, including a material change in his authority in respect of the business of the Company or any member of the Company's group; or a change in his reporting relationship with the Board.</p> <p>If a Material Diminution occurs, within 3 months of this occurring, the Employee may give the Company 2 weeks' written notice of termination of this agreement. Subject to the Corporations Act, the Company must make a payment in lieu of a notice period equal to: (a) the number of months remaining in the Initial Term; or (b) 12 months, if the number of months remaining in the Initial Term is less than 12. After expiration of the Initial Term, the Company must make a payment to the Employee in lieu of a notice period equal to 12 months.</p>
Protection of the Company's interests:	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.

DIRECTOR'S REPORT

13.

(j) Employment contracts (continued)

Raul Conde Villanueva (Executive Director of Medusa Mining Limited and President of Philsaga Mining Corporation).

On 10 December 2012, Philsaga executed an employment contract with Raul Conde Villanueva. Under the terms of the contract, Philsaga has engaged Mr Villanueva to adopt the role of President of Philsaga as well as assume the position of Executive Director on the Board of Medusa Mining Limited, supervise and manage the business affairs of the corporation, implement administrative and operational policies, attend to industrial relation matters and any other mining activities and associated complimentary services.

According to the contract Philsaga will pay Mr Villanueva A\$20,000 per month which is subject to annual reviews by the Board. Philsaga will additionally reimburse Mr Villanueva for all reasonable expenses incurred in the performance of his services including entertainment, accommodation, meals, telephone and travelling.

Apart from the Key Management Personnel related transactions with the Company or its controlled and affiliated entities disclosed in this note, no Key Management Personnel has entered into a material contract with the Company since the end of the financial year and there were no material contracts involving Management Personnel's interests subsisting at year end.

(k) Related Parties

Related parties:	Geoffrey Davis, Robert Weinberg, Peter Hepburn-Brown, Andrew Teo, Ciceron Angeles, Raul Villanueva and Gary Powell.
Type of transaction:	Director Protection Deed ("Deed")
Transaction details:	<p>The Deed entered into by the Company with each of the Directors of the Company, indemnifies the Directors to the extent permitted by law, against any liability, which he may incur whilst carrying out his duties as a Director of the Company and against any costs and expenses incurred in defending legal proceedings brought against him as a Director.</p> <p>The Deed requires the Company to maintain in force Directors' and Officers' Liability Insurance, with an agreed cover level, for the duration of the Directors' term of office and a period of 7 years thereafter.</p> <p>The Deed also provides for the Directors to have access to the Company's documents (including Board papers) for a period of 7 years after he ceases to be a Director, subject to certain confidentiality and other requirements being observed.</p>
Related party:	Cedardale Holdings Pty Ltd
Nature of relationship:	Director related entity (Geoffrey Davis – resigned 22 November 2013. Appointed as Interim CEO on 1 September 2014).
Type of transaction:	Lease of office premises.
Transaction details:	<p>The Company occupies and leases its office premises (inclusive of parking bays) from Cedardale Holdings Pty Ltd at an average rate of A\$6,273; (2014: A\$6,091) per month.</p> <p>Cedardale Holdings Pty Ltd charged the Company A\$75,281; (2014: A\$30,453) for the lease of office premises. No amounts were outstanding at year end (2014: nil).</p>
Related party:	Harvest Services Aust Pty Ltd
Nature of relationship:	Director related entity (Geoffrey Davis) – Resigned 22 November 2013. Appointed as interim CEO 1 September 2014.
Type of transaction:	Consultancy Services Agreement
Transaction details:	<p>Under the terms of this Consultancy Services Agreement, Harvest Services Aust Pty Ltd ("Harvest Services"), a Company associated with Geoffrey Davis, agrees to provide the services of Geoffrey Davis to the Company, commencing 1 July 2011.</p> <p>Harvest is entitled to receive a consultancy fee of A\$3,000 per day (excluding GST) and the reimbursement of out of pocket expenses in respect of the provision of services as and when reasonably required by the Company. The Company does not guarantee to make a minimum number of requests for the provision of services.</p> <p>During the year, Harvest Services charged the Company fees of Nil (2014: A\$217,990). No amount remains outstanding. (2014: nil).</p>
Related party:	Boonjarding Ltd
Nature of relationship:	Director related entity (Gary Powell) – Resigned 7 December 2014.
Type of transaction:	Mining & Mineral exploration consultancy services
Transaction details:	During the financial year consultancy fees of Nil (2014:US\$269,607) was charged to Philsaga.

DIRECTOR'S REPORT

(l) Un-issued shares under options/rights

At the date of this report, details of un-issued ordinary shares of the Company under option are as follows:

Expiry date	Exercise price	No. of options/rights	No. of shares issued if options/rights exercised
<u>Employee options</u>			
16 December 2018	A\$1.00	3,200,000	3,200,000
9 February 2019	A\$1.00	1,000,000	1,000,000
Total		4,200,000	4,200,000

(m) Shares issued on exercise of options/rights

During or since the end of the financial year no options were exercised.

13. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the following current Directors of the Company, Messrs Teo, Angeles, Dr Weinberg and Villanueva and the following former Directors Messrs Davis, Powell, Hepburn-Brown, Tomlinson, Jones, Daniel and against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a wilful breach of duty or improper use of information to gain a personal advantage.

No amount has been paid under any of these indemnities during the financial year under review.

Insurance premiums

During the year, the Company paid an insurance premium for Directors' and Officers' Liability Insurance policy, which cover all Directors, Company Secretaries and other Officers of the Company and its related entities. Details of the nature of the liabilities covered and the amount of premium paid in respect of the Directors' and Officers' Liability Insurance policies are not disclosed, as such disclosure is prohibited under the terms of the policy.

14. INDEMNIFICATION OF AUDITORS

The Company's auditor is Grant Thornton Audit Pty Ltd ("Grant Thornton"). The Company has agreed with Grant Thornton, as part of its terms of engagement, to indemnify Grant Thornton against certain liabilities to third parties arising from a breach by the Group under the terms of engagement or as a result of reliance on information provided by the Group that is false, misleading or incomplete. The indemnity does not extend to any liability resulting from [a negligent, wrongful or wilful act or omission] of Grant Thornton.

During the financial year, the Company has not paid any premium in respect to any insurance for Grant Thornton or a body corporate related to Grant Thornton and there were no officers of the Company who were former partners or directors of Grant Thornton, whilst Grant Thornton conducted audits of the Group.

15. ENVIRONMENTAL REGULATIONS

The Group's operations are subject to a number of environmental regulations in relation to its exploration, mining and processing activities in the Philippines. Details of these regulations are set out in the Review of Operations, under the section titled Environmental Management and Monitoring in the Final Annual Report.

The Directors are not aware of any significant breaches of environmental regulations during the financial year.

16. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

DIRECTOR'S REPORT

17. NON-AUDIT SERVICES

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory duties.

The Board has considered and is satisfied that the provision of non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the Corporations Act for the following reasons:

- a) all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor;
- b) the nature of the non-audit services provided do not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board;
- c) Grant Thornton's services have not involved reviewing or auditing Grant Thornton's own work or acting in a managerial or decision-making capacity within the Group; and
- d) There is no reason to question the veracity of Grant Thornton's Independence Declaration.

The following fees were paid or payable to Grant Thornton for non-audit services provided during the year ended 30 June 2015.

	2015 (US\$)	2014 (US\$)
Taxation services	15,000	5,000
Total non-audit services	15,000	5,000

18. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2015 has been received and can be found on page 20 of the Financial Report.

19. ROUNDING OFF AMOUNTS (ASIC Class Order 98/100)

The Company is an Entity to which ASIC Class Order 98/100 applies and accordingly, amounts in the Financial Statements and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors



Andrew Teo
Chairman

Dated at Perth this 27th day of August 2015

AUDITORS INDEPENDENCE DECLARATION



Level 1
10 Kings Park Road
West Perth WA 600
Correspondence to: PO Box 570
West Perth WA 6872
T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration To the Directors of Medusa Mining Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Medusa Mining Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY
LTD Chartered Accountants

A handwritten signature in black ink, appearing to read "J W Vibert".

J W Vibert
Registered Company Auditor

Perth, 27 August 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2015

	Note	Consolidated	
		2015 US\$000	2014 US\$000
Revenue	2	123,204	84,196
Cost of sales		(71,976)	(42,806)
Exploration & evaluation expenses	3	(267)	(107)
Administration expenses		(8,428)	(8,265)
Impairment expense	3,13	(259,595)	-
Other expenses		(1,732)	(2,358)
(Loss) / Profit before income tax expense		(218,794)	30,660
Income tax benefit	5	685	211
(Loss) / Profit attributable to members of the Group		(218,109)	30,871
<u>Other comprehensive income / (loss), net of income tax:</u>			
Exchange differences on translation of foreign operations and other comprehensive income /(loss) for the year		(2,493)	(4,837)
Total comprehensive (loss) / income for the year		(220,602)	26,034
<u>Overall operations:</u>			
Basic (loss) / earnings per share (US\$ per share)	6	(1.050)	0.154
Diluted (loss) / earnings per share (US\$ per share)	6	(1.035)	0.153

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

Consolidated			
		2015	2014
	Note	US\$000	US\$000
CURRENT ASSETS			
Cash & cash equivalents	23	9,987	13,063
Trade & other receivables	7	22,585	12,030
Inventories	8	19,837	18,084
Other current assets	9	615	512
Total Current Assets		53,024	43,689
NON-CURRENT ASSETS			
Trade & other receivables	10	16,311	21,489
Property, plant & equipment	11	45,022	115,470
Intangible Assets		632	96
Exploration, evaluation & development expenditure	12	98,075	261,743
Deferred tax assets	16	3,755	2,983
Total Non-Current Assets		163,795	401,781
TOTAL ASSETS		216,819	445,470
CURRENT LIABILITIES			
Trade & other payables		16,282	19,954
Borrowings	14	3,822	7,132
Employee benefits	15	504	740
Total Current Liabilities		20,608	27,826
NON-CURRENT LIABILITIES			
Borrowings	14	2,151	2,202
Deferred tax liability	16	290	1,782
Employee benefits	15	1,762	1,354
Total Non-Current Liabilities		4,203	5,338
TOTAL LIABILITIES		24,811	33,164
NET ASSETS		192,008	412,306
EQUITY			
Issued capital	18	102,902	102,902
Reserves	19	6,613	13,440
Retained profits	22	82,493	295,964
TOTAL EQUITY		192,008	412,306

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2015

		Share Capital Ordinary US\$000	Retained Profits US\$000	Option and Performance Rights Reserve US\$000	Foreign Currency Translation Reserve US\$000	Total US\$000
CONSOLIDATED						
Balance at 30 June 2013		73,070	265,093	4,448	13,639	356,250
<i>Comprehensive Income</i>						
Net profit after tax		-	30,871	-	-	30,871
Other comprehensive income		-	-	-	(4,837)	(4,837)
Total comprehensive income for the year		-	30,871	-	(4,837)	26,034
<i>Transactions with owners, in their capacity as owners, and other transfers</i>						
issued during the period	18	29,832	-	-	-	29,832
Share options issued during the period in accordance with AASB 2 - share based payment	20	-	-	190	-	190
Sub-total		102,902	295,964	4,638	8,802	412,306
Dividends paid		-	-	-	-	-
Balance at 30 June 2014		102,902	295,964	4,638	8,802	412,306
<i>Comprehensive Income</i>						
Net profit /(loss)after tax		-	(218,109)	-	-	(218,109)
Other comprehensive income /(loss)		-	-	-	(2,493)	(2,493)
Total comprehensive income for the year		-	(218,109)	-	(2,493)	(220,602)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>						
Transfer from Option Reserve		-	4,638	(4,638)	-	-
Share options issued during the period in accordance with AASB 2 - share based payment	20	-	-	304	-	304
Sub-total		102,902	82,493	304	6,309	192,008
Dividends paid		-	-	-	-	-
Balance at 30 June 2015		102,902	82,493	304	6,309	192,008

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2015

	Consolidated	
	2015	2014
Note	US\$000	US\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	122,570	86,206
Payments to suppliers & employees	(58,071)	(36,637)
Interest received	73	153
Net cash provided by operating activities	64,572	49,722
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant & equipment	(13,235)	(20,224)
Payments for intangible assets	(534)	(96)
Payments for exploration & evaluation activities	(4,461)	(8,196)
Payment for development activities	(42,070)	(45,318)
Net cash from (used in) investing activities	(60,300)	(73,834)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	29,832
Payments for dividends	-	-
Proceeds from bank loans	(3,360)	7,081
Net cash (used in) financing activities	(3,360)	36,913
Net increase in cash and cash equivalents held	912	12,801
Cash & cash equivalents at the beginning of the financial year	13,063	4,698
Exchange rate adjustment	(3,988)	(4,436)
Cash & cash equivalents at the end of the financial year	9,987	13,063

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

Contents of notes to the financial statements	Page number
1. Statement of significant accounting policies	81
2. Revenue	92
3. Expenses	93
4. Dividends	92
5. Taxation	93
6. Earnings per share	93
7. Current receivables	94
8. Inventories	94
9. Other current assets	94
10. Non-Current Receivables	94
11. Property, plant and equipment	94
12. Exploration, evaluation and development expenditure	95
13. Impairment	96
14. Borrowings	98
15. Employee benefits	99
16. Deferred tax	100
17. Auditors' remuneration	100
18. Issued capital	101
19. Reserves	102
20. Share based payments	102
21. Investments in subsidiaries	103
22. Retained profits	103
23. Notes to the statement of cash flows	104
24. Financial risk management	105
25. Commitments	108
26. Events subsequent to reporting date	109
27. Segment information	109
28. Parent company information	111
29. New standards and interpretations not yet adopted	112
30. Franking account	114
31. Company details	114

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Medusa Mining Limited is a for profit entity for the purpose of preparing the financial statements. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report covers the Group of Medusa Mining Limited ("Medusa") and controlled entities. Medusa is a listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Medusa Mining Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised by the Directors on 26 August 2015.

Basis of preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2015. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

A list of controlled entities during the year ended 30 June 2015 is presented in note 21.

(b) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(c) Change in accounting policy

The Group has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2014.

New and revised standards that are effective for these financial statements

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. Information on these new standards which are relevant to the Group is presented below.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014 and has been adopted in this financial report. The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets and is applicable to annual reporting periods beginning on or after 1 January 2014. The adoption of these amendments in this financial report has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)

amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014. The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

Note 1 (b) Impact of standards issued but not yet applied by the Group

New and revised accounting standards and amendments that are currently issued for future reporting periods that are relevant to the Group include:

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 14 Regulatory Deferral Accounts

AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. Accordingly, an entity that applies AASB 14 may continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of its regulatory deferral account balances. This exemption is not available to entities who already apply Australian Accounting Standards.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When AASB 14 becomes effective for the first time for the year ending 30 June 2017, it will not have any impact on the entity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

This amendment impacts on the use of AASB 11 when acquiring an interest in a joint operation.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures (2011). The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition

Revenue from the sale of goods is recognised in the relevant reporting period when there has been a significant transfer of risks and rewards to the customer and no further processing is required by the Group's operations. In addition, the quality and quantity of the goods must be determined with reasonable accuracy, the price is known or determinable and collectability is probable. The point, at which risk passes, for the Group's sales, is for the majority of the time, upon receipt of the bill of lading or equivalent when the commodity is actually delivered for shipment.

Revenue is measured at the fair value of the consideration received or receivable.

Gold and silver sales

Revenue from the production of gold and silver is recognised when the group had a significant transfer of risk and rewards to the buyer.

Bill and hold sales,

Bill and hold sales in which delivery is delayed at the buyer's request but the buyer takes title and accepts billing revenue is recognised when the buyer takes title, provided:

- a) It is probable that delivery will be made
- b) The item on hand, identified and ready for delivery to the buyer at the time the sale is recognised
- c) The buyer specifically acknowledges the deferred delivery instructions and
- d) The usual payment terms apply.

Interest Revenue

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets, is the rate inherent in the instrument.

(e) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantively enacted, as at reporting date. Current tax

liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(f) Property, Plant and Equipment

Each class of Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

Plant and equipment (excluding the Co-O mine and milling equipment) is depreciated applying the straight line method over their estimated useful lives, commencing from the time the asset is held ready for use.

Co-O mine and milling equipment's useful life is estimated to approximate the expected life of the mine, the depreciation rate is based on a charge proportional to the depletion of estimated recoverable gold ounces contained in indicated and inferred resources.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation method	Depreciation rate (%)
Plant and equipment (excluding Co-O mine & milling equipment)	Straight line	20% to 33%
Office furniture and fittings	Straight line	7.5% to 20%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(g) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use i.e. discounted cash flows, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as straight line over the length of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Payables

Payables are initially recognised at fair value and due to their short term nature they are measured at amortised cost and not discounted.

(j) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(k) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises direct costs and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Exploration expenditure for each area of interest is carried forward as an asset provided the rights to tenure of the area of interest are current and one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Exploration expenditure is written off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount the impairment loss will be measured and disclosed in accordance with AASB 136 Impairment of Assets.

When a decision is made to develop an area of interest, all carried forward exploration expenditure in relation to the area of interest is transferred to development expenditure.

(l) Development expenditure

Development expenditure represents the accumulated exploration, evaluation, land and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production. All horizontal development drives which include permanent rail and associated infrastructure are capitalised.

Amortisation of costs is provided on the unit-of-production method with separate calculations being made -for each mineral resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. Where the life of the assets are shorter than the mine life their costs are amortised based on the useful life of the assets.

The estimated recoverable reserves and life of the mine and the remaining useful life of each class of asset is reassessed at least annually. Where there is a change in the reserves/resources amortisation rates are correspondingly adjusted.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Rehabilitation costs

Rehabilitation costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the rehabilitation of the site.

These estimates of the rehabilitation obligation are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. Any changes in the estimates are adjusted on a progressive basis. In determining the rehabilitation obligations, the entity has assumed no significant changes will occur in the relevant Federal, State or foreign legislation in relation to rehabilitation of such minerals projects in the future. At the reporting date, the group does not consider it has any significant unsatisfied obligations in respect to rehabilitation costs.

(n) Employee benefits

Provision is made for the Group liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within 12 months together with entitlements arising from wages, salaries and annual leave which will be settled after 12 months, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

Other employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Group to several employee superannuation funds and are charged as expenses when incurred.

In respect of defined benefit plans, the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted every three years, with valuations performed on an annual basis. Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligations adjusted for any unrecognised actuarial gains and losses and unrecognised past service costs less the fair value of the plan's assets. Any asset recognised is limited to unrecognised actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan.

Actuarial gains and losses are amortised over the expected average remaining working lives of the participating employees in the plan. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in the profit or loss when the Group demonstrates commitment to the curtailment or settlement.

Past service costs are recognised when incurred to the extent that benefits are vested, and are otherwise amortised on a straight-line basis over the vesting period.

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the relevant taxing authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxing authorities is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxing authorities are classified as operating cash flows.

(p) Operating Segments

Operating Segments are identified on the basis of internal management reports that are regularly reviewed by the entity's chief operating decision maker, for the purposes of allocating resources and assessing performance.

Segment revenues and expenses are those directly attributable to the segments. Segment assets consist principally of cash, receivables, other financial assets, property, plant and equipment, net of allowances and accumulated depreciation and mineral properties. Segment liabilities consist principally of accounts payable and provisions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members of the Company for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with potential ordinary shares, by the weighted average number of ordinary shares and potential ordinary shares adjusted for any bonus issue.

(r) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. Though the Group's main functional currencies are the Australian dollar and Philippines Peso, the presentation currency for the Group is US dollar. The reason for using US dollar as the presentation currency is that the US dollar is the primary currency used in the global gold market.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit before income tax in the Statement of Profit or Loss and other Comprehensive Income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where this approximates rate at the transaction date; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in the Statement of Financial Position. These differences are reclassified from equity to profit or loss (as a reclassification adjustment) in the period in which the operation is disposed.

The functional currency of the parent entity, Medusa Mining Limited is Australian dollar, Mindanao Mineral Processing and Refining Corporation is United States dollar and the remaining entities are Philippine pesos. The reason for using US dollar as the presentation currency is that the US dollar is the primary currency used in the global gold market.

(s) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include:

- cash on hand and at call deposits with bank or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 30 days to maturity.

These amounts are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial instruments

Recognition, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at Fair Value Through Profit or Loss ('FVTPL')
- Held-To-Maturity ('HTM') investments; or
- Available-For-Sale ('AFS') financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

HTM Investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity. The Group currently holds listed bonds designated into this category.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any change to the carrying amount of the investment, including impairment losses, is recognised in profit or loss.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Inventories

Raw materials and stores, ore stockpiles and work in progress and finished gold stocks are physically measured or estimated and valued at the lower of cost and net realisable value. Net realisable value less costs to sell is assessed annually based on the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure and depreciation and amortisation relating to mining activities, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of consumable supplies and spare parts expected to be used in production are valued at the lower of weighted average cost, which includes the cost of purchase as well as transportation and statutory charges, or net realisable value. Any provision for obsolescence is determined by reference to specific stock items identified.

Gold Inventory is comprised of gold in circuit and gold dore held at site where risk and reward has not passed to the customer. During the exploration and development phase, where the cost of extracting the ore exceeds the likely recoverable amount, work in progress inventory is written down to net realisable value.

(v) Share based payments

The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account.

The fair value of options is ascertained using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(w) Defined Benefit Fund

The Company has a funded non-contributory retirement plan for employees in the Philippines. The cost of providing benefits is determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The retirement benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets.

The funding policy is to contribute an amount based on the actuarial valuation report which is carried out at regular intervals.

(x) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates - Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets (refer note 1(g)). Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer to details of key elements and carrying values of non-financial assets at note 13.

Key estimates - Recoverability of long lived assets

Certain assumptions are required to be made in order to assess the recoverability of capitalised development expenditure. Key assumptions include the future price of gold, future cash flows, an estimated discount rate and estimates of ore reserves. In addition, cash flows are projected over the life of mine, which is based on proved and probable ore reserves. Estimates of ore reserves in themselves are dependent on various assumptions, in addition to those described above, including cut-off grades. Changes in these estimates could materially impact on ore reserves, and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key estimates - Determination of ore reserves and remaining mine life

The Company estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised June 2012 code (the JORC code)). Reserves determined in this way are taken into account in the calculation of depreciation of mining plant and equipment (refer to note 11), amortisation of capitalised development expenditure (refer to note 12), and impairment relating to these assets (refer to note 13).

In estimating the remaining life of the mine for the purpose of amortisation and depreciation calculations, due regard is given, not only to the amount of remaining recoverable gold ounces contained in proved and probable ore reserves, but also to limitations which could arise from the potential for changes in technology, demand, and other issues which are inherently difficult to estimate over a lengthy time frame.

Where a change in estimated recoverable gold ounces contained in proved and probable ore reserves is made, depreciation and amortisation is accounted for prospectively.

The determination of ore reserves and remaining mine life affects the carrying value of a number of the consolidated entity's assets and liabilities including deferred mining costs and the provision for rehabilitation.

Key estimates - Exploration and evaluation expenditure

The consolidated entity's accounting policy for exploration and evaluation expenditure (refer to note 12) results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to profit or loss.

Key estimates - Development expenditure

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the impairment change is included in profit or loss.

Key estimates - Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. (Refer to note 20).

Key estimates - VAT

The company has net VAT of \$19m that comprises tax credit certificates (TCC) and VAT claimable for cash. The current asset portion of VAT \$3m comprises amounts that are estimated to be utilised by TCC to offset various indirect taxes within the current period. The non-current amount of VAT receivable of \$16m represents the estimated amount utilised in future periods against tax liabilities of \$16m.

(y) Rounding of amounts

The Company has applied the relief available to it under Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded to the nearest \$1,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	Note	Consolidated	
		2015 US\$000	2014 US\$000
2. REVENUE			
<u>Operating activities:</u>			
Gold and silver sales		123,093	83,882
<u>Non-operating activities:</u>			
Interest revenue		79	160
Foreign exchange gain		-	72
Other		32	82
Total revenue		123,204	84,196
3. EXPENSES			
Profit /(loss) before income tax expense/(income) has been determined after charging/(crediting) the following items:			
Depreciation of non-current assets		12,449	9,062
Amortisation expense		19,240	8,479
Total depreciation & amortisation		31,689	17,541
Employee benefits expense		8,332	5,954
Defined Contribution plans		123	90
Defined Benefit plans		291	480
Exploration expenditure written off		267	107
Foreign exchange gain		224	-
Impairment losses:			
- impairment expense	13	259,595	-
- assets written off		819	552
		260,414	552
Operating lease rental:			
- minimum lease payments		37	102
4. DIVIDENDS			
No Final dividend was declared (2014: No Final dividend was declared)			
		-	-
No Interim or final dividend was declared or paid during the current or previous financial years.			
		-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

5. TAXATION

(a) The components of tax expense comprise:

	2015 US\$000	2014 US\$000
Current tax	1,578	-
Deferred tax	(2,263)	261
Under / Over	-	(472)
	(685)	(211)

(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:

Operating profit before income tax	(218,795)	30,660
Prima facie income tax expense/(credit) at 30% (2014: 30%) on operating profit	(65,638)	9,198
less - tax effect of:		
Other non-deductible/(non-assessable) expenses	424	1,162
Difference of effective foreign income tax rates	(18,467)	(10,349)
Deferred tax adjustment	649	250
Impairment of assets	82,273	-
Share based payments expense	91	-
Non-deductible foreign expenditure	1,124	-
Foreign Exchange	(1,946)	-
Charitable contribution	157	-
Under / Over	648	(472)
Income tax expense/(benefit)	(685)	(211)

The applicable weighted average effective tax rates are as follows:

The reason for the 0% weighted average effective tax rate for the current year is due to the impact of the tax free holiday in Mindanao Mineral Processing and Refining Corporation, a subsidiary of the parent entity, through which sales of bullion are recorded.	30%	-
--	-----	---

(c) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(e) occur:-

- Temporary differences	165	263
- Australian tax losses	3,576	3,290
- Philippine tax losses	-	-
	3,741	3,553

The benefit of tax losses will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

6. EARNINGS PER SHARE

Earnings used to calculate basic and diluted EPS	(218,109)	30,871
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	207,794,301	200,632,560
Weighted average unlisted options outstanding	2,859,315	1,632,692
Weighted average of ordinary shares diluted as at 30 June 2015	210,653,616	202,265,252

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	Consolidated	
	2015	2014
Note	US\$000	US\$000
7. CURRENT RECEIVABLES		
Gold awaiting settlement	4,626	619
GST/VAT receivables	17,165	8,410
Other receivables	794	3,001
Total current receivables	22,585	12,030
Refer ageing analysis in Financial Instruments Note 25(b).		
8. INVENTORIES		
Consumables - at cost	14,965	9,916
Ore stockpile - at cost	2,270	2,862
Gold Inventory - at cost	2,602	5,306
Total inventories	19,837	18,084
9. OTHER CURRENT ASSETS		
Prepayments	615	512
10. NON CURRENT RECEIVABLES		
GST/VAT receivables	16,311	21,489
Total non-current receivables	16,311	21,489
11. PROPERTY, PLANT & EQUIPMENT		
Plant & equipment:		
At cost	157,334	147,660
less - provision for impairment	(67,873)	-
less - accumulated depreciation	(44,439)	(32,476)
Total plant and equipment at net book value	45,022	115,184
Furniture & fittings:		
At cost	908	799
less – provision for impairment	(253)	-
less - accumulated depreciation	(655)	(513)
Total furniture & fittings at net book value	-	286
Total carrying amount at end of year	45,022	115,470
<u>Reconciliations:</u>		
Plant and equipment:		
Carrying amount at beginning of year	115,184	101,178
plus - additions	11,247	23,582
less - disposal	(1,259)	(131)
Less – forex differences on translation	-	(570)
less - impairment	(67,872)	-
less - depreciation	(12,278)	(8,875)
Carrying amount at end of year	45,022	115,184

13

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

		Consolidated	
		2015	2014
Note		US\$000	US\$000
11. PROPERTY, PLANT & EQUIPMENT (continued)			
Furniture & fittings:			
	Carrying amount at beginning of year	286	371
	<i>plus</i> - additions	109	39
	<i>less</i> - disposals	-	(61)
	<i>Less</i> – forex differences on translation	-	56
13	<i>less</i> - impairment	(254)	-
	<i>less</i> - depreciation	(141)	(119)
	Total Carrying amount at end of year	-	286
12. EXPLORATION , EVALUATION & DEVELOPMENT EXPENDITURE			
Exploration and evaluation expenditure:			
	At cost	15,157	29,857
	<i>less</i> – provisions for impairment	(4,130)	-
	Total carrying amount at end of year	11,027	29,857
Development expenditure:			
	At cost	326,654	264,991
	<i>less</i> – provisions for impairment	(187,339)	-
	<i>less</i> - accumulated amortisation	(52,267)	(33,105)
	Net development expenditure	87,048	231,886
	Total carrying amount at end of year	98,075	261,743
<u>Reconciliations:</u>			
Exploration and evaluation expenditure:			
	Carrying amount at beginning of year	29,857	29,186
	<i>plus</i> - costs incurred	10,122	15,768
	<i>less</i> - transferred to development	(21,842)	(10,949)
	<i>less</i> - expenditure written off	(266)	(107)
	<i>less</i> - impairment	(4,130)	-
	<i>plus/(less)</i> - forex differences upon translation	(2,714)	(4,041)
	Carrying amount at end of year	11,027	29,857
Development expenditure:			
	Carrying amount at beginning of year	231,886	190,776
	<i>plus</i> - costs incurred	36,635	36,329
	<i>plus</i> - transferred from exploration	21,842	10,949
	<i>less</i> - amortisation expense	(19,193)	(8,399)
	<i>plus</i> - impairment	(187,339)	-
	<i>plus</i> - forex differences upon translation	3,217	2,231
	Carrying amount at end of year	87,048	231,886

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

13. IMPAIRMENT OF NON-CURRENT ASSETS

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 30 June. Non-financial assets are reviewed at each reporting period to determine whether there is an indication of impairment.

When indicators of impairment exist, a formal estimate of the recoverable amount is made. External and internal indicators of impairment as at 30 June 2015 included;

- *Updated life of mine ('LOM') plans resultant from the JORC 12 Compliance Statement Review;*
- *Increased expected future costs of production; and*
- *Reduction in the Group's market capitalisation relative to the carrying values of non-current assets.*

Due to the indicators above, the Group assessed the recoverable amounts of its major cash-generating unit ('CGU'), relating to the Co-O mining operations.

a) Impairment testing

i) Methodology

Impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount being the value in use of the CGU has been estimated using the discounted cashflows method based on the Group's recoverable minerals.

Value in use is estimated based on discounted cash flows using market based commodity price, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements. When Life of Mine (LOM) plans fully utilise the existing mineral resource and the Group have demonstrated an ability to replenish resources, an estimated replenishment rate has been applied to unmined resources.

The estimates in the value in use calculation are considered to be level 3 measurements as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by similar market participants.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group planning and budgeting process, mill capacity levels and mining plans for the following year. The 2016 budget and mine plan were developed in the context of the current gold price environment.

Significant judgements and assumptions are made by the Group to determine value in use. This includes assessing variable key assumptions such as gold market prices, cost structures, production utilisation and capacity, available minerals and discount rates. Any change in these variable assumptions can cause adverse changes in one or more of the assumptions used to estimate value in use.

ii) Key Assumptions

The table below summarises the key assumptions used in the 30 June 2015 carrying value assessments. Comparison to the prior period has been provided.

Assumptions	2015	2014
	2016-2020	2015-2019
Gold (US\$ per ounce)	1,200	1,300
Post-Tax Discount rate (%)	11.1	10
Probable reserves	590,000	820,000
Production capacity per annum	135,000-150,000	120,000

Commodity prices

Commodity prices are estimated with reference to external market forecasts and reviewed at least annually. The price applied has taken into account observable market data.

Discount rate

The future cash flows of the CGU are discounted by the estimated real after tax weighted average cost of capital (WACC), pursuant to the Capital Asset Pricing Model. This has been estimated based on the Group level WACC rate as the Co-O mining operation is the Group's primary asset.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

Production activity and operating and capital costs

Life of mine production activity and operating and capital cost assumptions are based on the Group's latest budget, including the five year budget and separately estimated LOM plan. Discounted cash flows include expected cost improvements and sustaining capital requirements. Estimated production is assumed consistent with the capacity constraint of the Co-O mill taken into account while assuming a constant recovery rate.

Resources and reserves

Resource and Reserve ounces were based on JORC 2012 and disclosed in the Review of Operations section of the Group's Annual Report.

iii) Impacts

The estimated recoverable amount of the Group's Co-O mining operations CGU after reflecting the impairment write downs has resulted in a non-current assets impairment charge of \$259.6million after tax, as summarised in the table below:

	Note	Carrying amount \$'000	Impairment \$'000	Balance \$'000
Development	12	274,387	(187,339)	87,048
Plant & Equipment	11	113,148	(68,126)	45,022
Mineral properties	12	15,157	(4,130)	11,027
	3	402,692	(259,595)	143,097

b) Sensitivity Analysis

The impairment of the Co-O CGU has resulted in the recoverable amount of these assets being equal to their revised carrying amounts as at 30 June 2015. Variation movements in any key assumptions described above would result in a change to the estimated recoverable amount. Variations to the above assumption could have a negative impact on recoverable amount which could indicate additional impairment to non-current assets.

The changes to estimated key assumptions would have the following approximate impact on the recoverable amount of the CGU in its functional currency that has been subject to impairment in the 30 June 2015 statutory accounts:

Assumption changes	Effect on Impairment of Co-O CGU \$'000
US \$100 per ounce change in gold price	54,200
1 percent increase/decrease in the discount rate	4,780
5 percent increase in operating costs	36,700

In addition to the above, the level of production activity is also a key assumption in the determination of recoverable amount. Should the Group recognise decreases/increases in processing capacity, changes in recoverable amount estimates may arise. Due to the number of factors that could impact production activity, assessment to sensitivity has not been determined for these factors.

The sensitivities above assume specific assumption moves are in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	Consolidated	
	2015 US\$000	2014 US\$000
14. BORROWINGS		
Current borrowings		
Unsecured liability – Interest bearing loan	3,822	7,132
Total Current borrowings	3,822	7,132
Non-Current borrowings		
Secured liability – Interest bearing loan	873	662
Unsecured liability – Interest bearing loan	1,278	1,540
Total Non-Current borrowings	2,151	2,202
Total	5,973	9,334

Metropolitan Bank and Trust Company

Philsaga Mining Corporation ("Philsaga"), a subsidiary of the Company, obtained loans from Metropolitan Bank and Trust Company in 2015 and 2014 amounting to U\$5.4M and U\$13.4M, respectively. These loans bear interest rates ranging from 3.75% to 4.00% and have terms of one (1) to sixty (60) months. As of June 30, 2015 and 2014, the outstanding balances of these loans amounted to U\$5.4M and U\$8.2M, respectively. These amounts include loans that are denominated in Euro and Dollar acquired during the year.

15. EMPLOYEE BENEFITS

Current:

Employee benefits	504	740
Total current employee benefit	504	740

Non-Current:

Retirement Benefit	1,762	1,354
Total current employee benefit	1,762	1,354

The Retirement benefit in Non-current liabilities relates to Philippine based employees defined benefit plan. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014. The present value of the defined benefit obligation and the related current service cost and past service cost was measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate –	4.65%	5.15%
Expected rate of salary increase -	3.00%	3.00%

Assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to year-end by reference to high quality Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on management's historical experience.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	2015 US\$000	2014 US\$000
15. EMPLOYEE BENEFITS (CONTINUED)		
Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
Current service cost	369	280
Interest on obligation	63	55
Amortisation of past service cost-non vested	-	40
Total	432	375
The amount included in the statements of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:		
Present Value of defined benefit obligation	2,172	1,745
Unrecognised actuarial loss	(313)	(276)
Unamortised past service cost-non vested	(97)	(115)
Total	1,762	1,354
Movements in the present value of the defined benefit obligation in the current period were as follows:		
Balance beginning	1,745	910
Current service cost	369	280
Interest Cost	63	55
Benefits Paid	-	-
Actuarial loss	(6)	-
Unrecognised actuarial loss	-	313
Past service cost – non vested	-	(157)
Foreign exchange gains/(loss)	1	344
Balance ending	2,172	1,745
The Company has no plan assets held by trustees but an employee retirement fund amounting to US\$1,129,391(2013:US\$1,145,538) was appropriated as at June 30, 2014. The employee retirement fund is presented as part of cash at bank.		

	Consolidated			
	Opening Balance US\$000	Forex on translation US\$000	Credit/ (charged) to Income US\$000	Closing Balance US\$000
16. DEFERRED TAX				
Consolidated Group				
<u>30 June 2015</u>				
Deferred tax liability				
Capitalised exploration & evaluation expenditure	1,782	-	(1,492)	290
Deferred tax assets				
Carried forward tax losses	1,453	-	555	2,008
Other	1,530	-	217	1,747
Carried forward tax losses	2,983	-	772	3,755

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	Opening Balance US\$000	Forex on translation US\$000	Consolidated Credit/ (charged) to Income US\$000	Closing Balance US\$000
16. DEFERRED TAX (continued)				
Consolidated Group				
<u>30 June 2014</u>				
Deferred tax liability				
Capitalised exploration & evaluation expenditure	141	-	1,641	1,782
Deferred tax assets				
Carried forward tax losses	1,451	-	2	1,453
Other	152	-	1,378	1,530
Carried forward tax losses	1,603	-	1,380	2,983

	Consolidated 2015 US\$000	Consolidated 2014 US\$000
17. AUDITOR'S REMUNERATION		
<i>Remuneration received or due and receivable by the Company's auditors, Grant Thornton Audit Pty Ltd for:</i>		
• auditing or reviewing the financial reports	110	149
• other services:		
- other services provided by related practice of auditor - taxation and compliance	15	5
Total auditor's remuneration	125	154
<i>Remuneration of other auditors of the Company's Philippines subsidiaries for:</i>		
• auditing or reviewing the financial reports	97	73
• other services:		
- other services provided by related practice of auditor - legal and taxation	5	5
Total auditor's remuneration	102	78

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

18. ISSUED CAPITAL

207,794,301 ordinary shares (30 June 2014: 207,794,301)

Total issued capital

Ordinary shares

Balance at beginning of year

Ordinary shares issued during the year:

(i) Ordinary shares issued - new issues

Balance at end of year

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Balance at beginning of year

Ordinary shares issued during the year:

07 November 2013 @ A\$1.80 pursuant to share placement

25 November 2013 @ A\$1.80 pursuant to share placement

Balance at end of year

Capital Management

Management controls the capital of the Group by monitoring performance against budget to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's liabilities and capital includes ordinary share capital, options and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Capital for the reporting period under review is summarised as follows:

Total Equity

Cash and cash equivalents

Capital

Total equity

Borrowings

Overall financing

Capital-to-overall financing ratio

Consolidated	
2015	2014
US\$000	US\$000

102,902	102,902
102,902	102,902
102,902	73,070
-	29,832
102,902	102,902

207,794,301	188,903,911
-	9,445,195
-	9,445,195
207,794,301	207,794,301

Consolidated	
2015	2014
US\$000	US\$000
192,008	412,306
(9,987)	(13,063)
182,021	399,243
192,008	412,306
5,973	9,334
197,981	421,640
92%	95%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	Consolidated	
	2015	2014
	US\$000	US\$000
19. RESERVES		
Option and performance rights reserve	304	4,638
Foreign currency translation reserve	6,309	8,802
Total reserves	6,613	13,440

(a) Option and performance rights reserve

The option reserve records items recognised as expenses on valuation of share based payments.

Unlisted options over ordinary shares at 30 June 2015

(unless otherwise stated, all unlisted options and performance rights have full vesting rights)

- 3,200,000 options expiring 16 December 2018 and exercisable at A\$1.00 each
(the options were not vested at reporting date).
- 1,000,000 options expiring 9 February 2019 and exercisable at A\$1.00 each
(the options were not vested at reporting date).

The above unlisted options do not entitle the holders to participate in any share issue of the Company.

(b) Foreign Currency Translation Reserve

The foreign currency translation reserve for the group records exchange differences arising on translation of foreign controlled subsidiaries.

20. SHARE BASED PAYMENTS

The following share based payment arrangements existed during 30 June 2014:

- On 16 December 2014, 3,200,000 options were issued to Australian and Philippine based employees. The options, which hold no voting or dividend rights have an expiry date of 16 December 2018 and are exercisable at A\$1.00 per option. Under the terms of the Issue the employees would be required to remain in the employment of the Company at 16 December 2015 to achieve 30% vesting of the options, at 16 December 2016 to achieve 30% vesting of the options, with full vesting if they remain employees of the Company a year later on 16 December 2017. At reporting date all options remain unexercised.
- On 9 February 2015, 1,000,000 options were issued to Australian and Philippine based employees. The options which hold no voting or dividend rights have an expiry date of 9 February 2019 and are exercisable at A\$1.00 per option. Under the terms of the Issue the employees would be required to remain in the employment of the Company at 9 February 2016 to achieve 30% vesting of the options, at 9 February 2017 to achieve 30% vesting of the options, with full vesting if they remain employees of the Company a year later on 9 February 2018. At reporting date all options remain unexercised.

	2015		2014	
	Number of options and performance rights	Weighted average exercise price (A\$)	Number of options and performance rights	Weighted average exercise price (A\$)
Share based options				
Outstanding at start of year	1,575,000	6.0487	1,715,000	4.4000
Granted	4,200,000	1.0000	-	-
Forfeited	-	-	(140,000)	-
Expired	(1,575,000)	6.0487	-	-
Exercised	-	-	-	-
Outstanding at year end	4,200,000	1.000	1,575,000	6.0487
Exercisable at year end	-	1.000	-	4.4000

During the year 2015, 1,575,000 Options expired.

The options outstanding at 30 June 2015 (all of which are unlisted) had a weighted average exercise price of A\$1.00 and a weighted average remaining contractual life of 42.60 months.

Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is US\$304,025 (2014: US\$190,547) and relates, in full, to equity-settled share based payment transactions relating to employees.

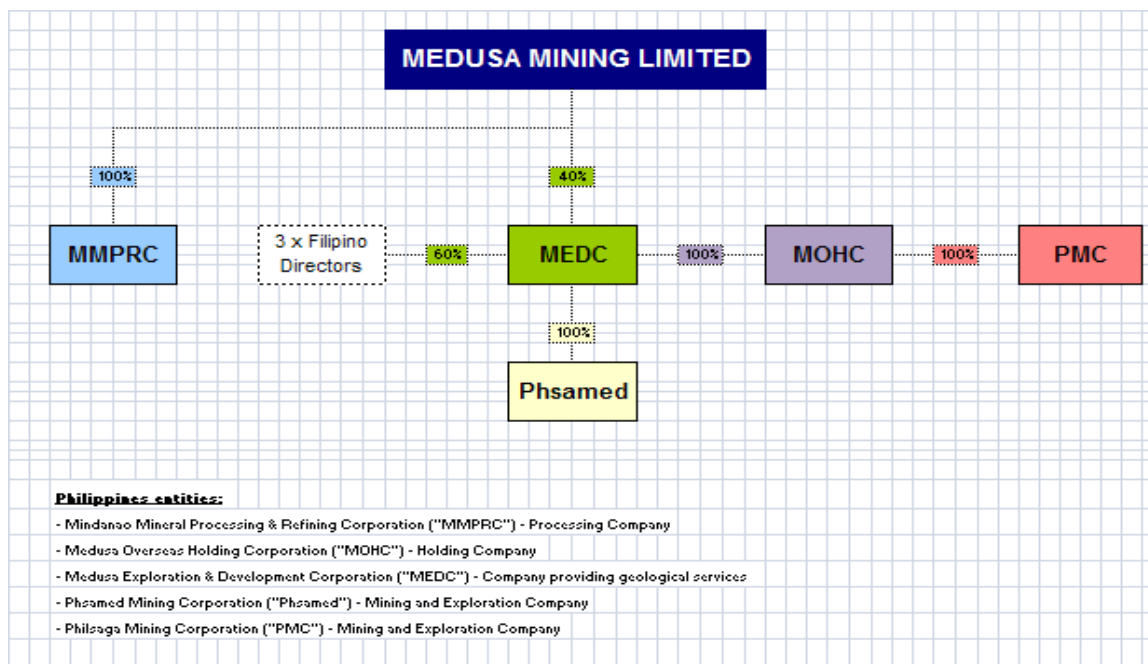
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

21. INVESTMENT IN SUBSIDIARIES

The following companies are controlled entities of Medusa Mining Limited as at 30 June 2015:

Controlled Entities	Date of incorporation	Country of incorporation	% interest held	
			2015	2014
Medusa Exploration & Development Corporation	29 May 2003	Philippines	40%	40%
Phsamed Mining Corporation	23 Apr 2003	Philippines	40%	40%
Medusa Overseas Holding Corporation	08 May 2003	Philippines	40%	40%
Philsaga Mining Corporation	17 May 2001	Philippines	40%	40%
Mindanao Mineral Processing and Refining Corporation	03 Nov 2005	Philippines	100%	100%



Medusa Mining Limited ("Medusa") holds 40% of the issued shares of Medusa Exploration and Development Corporation ("MEDC"). As Medusa has various agreements in place and pursuant to local statutory provisions, Medusa has effective sole rights to the economic returns of MEDC and its subsidiary companies. In such circumstances, the assets and liabilities of MEDC and its subsidiaries have been attributed 100% to the Consolidated Entity.

22. RETAINED PROFITS

	Consolidated	
	2015	2014
	US\$000	US\$000
Retained profit at start of year	295,964	265,093
Net (loss) /profit attributable to members of Company	(218,109)	30,871
Transfer from share option reserve	4,638	-
Retained profits at end of year	82,493	295,964

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

23. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of cash:

For the purposes of the Statement of Cash Flows, cash includes cash on hand and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:-

Cash at bank	9,986	13,062
Cash on hand	1	1
Total cash assets	9,987	13,063

(b) Reconciliation of profit /(loss) after income tax to net cash provided by operating activities:

(Loss) /Profit after income tax	(218,109)	30,871
add/(less)-		
Non-cash items:		
- Depreciation/amortisation	31,689	17,541
- Exploration expenses written off	267	106
- Recognition of share based expenses	304	191
- Impairment expense	259,595	-
- Foreign exchange (gain) / loss	223	(72)
- Bad debts written off	393	-
- VAT write off	188	332
- Deferred tax credit	(283)	-
- Loss on asset disposal / write off	222	(19)
- Income tax credit /(expense)	1,540	(253)
	76,029	48,697
add/(less) -		
Changes in assets and liabilities		
- Decrease in trade and other receivables	(5,376)	(1,303)
- Decrease/(Increase) in prepayments	(103)	150
- (Increase) in inventories	(1,756)	255
- Decrease in trade & other payables	(3,501)	1,662
- (decrease) in deferred taxes payable	(721)	261
Net cash provided by operating activities	64,572	49,722

(c) Restricted Funds

The Group's total cash assets mentioned above include restricted bank accounts as follows:

- A Rehabilitation fund of US\$463,363 (2014: US\$359,823) to be used at the end of life of mine for environmental rehabilitation.
- An Employee Retirement fund of US\$1,100,879 (2014: US\$1,129,391) established to meet employee entitlements on retirement.
- The Company has a Provident fund of US\$266,673 (2014: US\$258,020) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

24. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

The Group does not speculate in the trading of derivative instruments.

(i) Treasury risk management

Senior executives of the Group regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Group's overall risk management strategy is outlined in the Corporate Governance Statement in the Director's Report.

(ii) Financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

Interest rate risk is managed by investing cash with major financial institutions in both cash on deposit and term deposit accounts. Interest rates on major deposits that are re-invested, are at a fixed rate on a monthly basis.

Price risk

The Group sells its gold produced at spot rate and no forward contracts or hedging is utilised. Whilst the Group is cognisant of its exposure to fluctuations in the gold price, the current policy of the Board is not to hedge primarily because the Group produces gold in the current economic environment at a very low cash cost. The Board's risk management policy acknowledges that as market factors are dynamic in nature all risk positions are monitored to ensure that the Group's activities are consistent with the approach and strategy approved by the Board. The Board therefore regularly reviews the spot price of gold to consider whether it should adopt any measures to mitigate risk.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

Credit risk refers to the risk that counterparty will default on, its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The maximum credit risk on financial assets of the Group which have been recognised in the Statement of Financial Position, other than investment in shares, is generally the carrying amount, net of any provisions for impairment.

There are no other material amounts of collateral held as security.

The Company holds bullion in an unallocated account (referred to as "Gold awaiting settlement" in the Current Receivables of the Statement of Financial Position) with a single reputable refiner.

The consolidated group does not have any other material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk can be measured by performing a sensitivity analysis that quantifies the impact of different assumed exchange rates on the Group's forecast cash flows.

Whilst the Group is aware of its exposure to fluctuations in foreign currency, the current policy of the Board is not to hedge.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

(b) Financial instruments

(i) Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

	Weighted Average		Floating Interest Rate		Within 1 Year		Non-Interest Bearing		Total	
	Effective interest									
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	%	%	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Consolidated Group										
Financial Assets										
Cash & cash equivalent	0.32	0.71	8,283	12,265	-	-	1,704	798	9,987	13,063
Loans and receivables	-	-	-	-	-	-	5,420	3,620	5,420	3,620
			8,283	12,265	-	-	7,124	4,418	15,407	16,683
Financial Liabilities										
<u>Financial liabilities at amortised cost</u>										
Bank Loan - Current	-	-	-	-	3,822	7,132	-	-	3,822	7,132
Bank Loan – Non Current	-	-	-	-	2,151	2,202	-	-	2,151	2,202
Trade & sundry payables	-	-	-	-	-	-	16,282	19,954	16,282	19,954
			-	-	5,973	9,334	16,282	19,954	22,255	29,288

	Consolidated	
	2015	2014
	US\$000	US\$000
<u>Receivables are expected to be collected as follows:</u>		
Less than 6 months	5,420	3,620
6 months to 1 year	-	-
	5,420	3,620

As at 30 June 2015 and 2014, all receivables were neither past due nor impaired.

Trade and sundry payables are expected to be paid as follows:

Less than 6 months	16,282	19,891
	16,282	19,891

(ii) Net fair values

The fair value of cash and cash equivalents and non- interest bearing monetary financial assets and liabilities approximates their carrying value. The fair value of financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

(iii) Sensitivity analysis

The Group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity, which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2015, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	Consolidated	
	2015	2014
	US\$000	US\$000
<u>Change in profit before income tax / equity</u>		
- increase in interest rate by 100 basis points	87	123
- decrease in interest rate by 100 basis points	(87)	(123)

Foreign currency risk sensitivity analysis

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the consolidated entity's functional currency. The consolidated entity operates internationally and is exposed to foreign exchange risk arising from the United States dollar. No programs for hedging foreign exchange risk were implemented by the consolidated entity in the 2014 and 2015 financial years.

The following table shows the foreign currency risk on the financial assets and liabilities of the Groups operations denominated in currencies other than the functional currency of the operations.

<u>Consolidated</u>	Net Financial Assets/(Liabilities) in US\$000			
	AUD	US\$	PHP	TOTAL US\$
2015				
Functional Currency of Group Entity				
Australian Dollar	n/a	1,114	-	1,114
US Dollar	-	-	273	273
Philippine Peso	-	2,912	-	2,912
	-	4,026	273	4,299
2014				
Functional Currency of Group Entity				
Australian Dollar	n/a	574	-	574
US Dollar	-	-	707	707
Philippine Peso	-	740	-	740
	-	1,314	707	2021

	Consolidated	
	2015	2014
	US\$000	US\$000
<u>Change in profit /(loss) before income tax / equity</u>		
- strengthening of A\$ to US\$ by 15%	(145)	(75)
- strengthening of Philippine Peso to US\$ by 15%	(401)	(19)
	(546)	(94)
- weakening of A\$ to US\$ by 15%	145	75
- weakening of Philippine Peso to by 15%	401	19
	546	94

Price risk sensitivity analysis

The policy of the Company is to sell gold at spot price and has not entered in hedging contracts. The Company's revenues were exposed to fluctuations in the price of gold. If the average selling price of gold of US\$1,168 (2014: US\$1,299) for the financial year had increased/decreased by 10% the change in the profit before income tax for the consolidated group would have been an increase/decrease of US\$11.356 million (2014: US\$8.564 million). The above interest rate, foreign exchange rate and price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

		Consolidated	
		2015	2014
		US\$000	US\$000
<hr/>			
25. COMMITMENTS			
(a) Exploration commitments:			
The Company has certain obligations to perform minimum exploration work to maintain rights of tenure to its exploration tenements. These obligations may vary from time to time in accordance with tenements held and are expected to be fulfilled in the normal course of operations of the Group so as to avoid forfeiture of any tenement.			
These obligations are not provided in the financial report and are payable:			
- no later than 1 year		3,140	3,171
- 1 year or later and no later than 5 years		3,129	3,158
Total exploration commitments		6,269	6,329
<hr/>			
(b) Operating lease expense commitments:			
Non-cancellable operating lease contracted for but not capitalised in the financial statements.			
The Group leases office premises under two operating leases expiring in June 2016 and July 2016. Under the terms of the operating leases, the Group is provided with a right of renewal and the lessor has the right to increments in lease payments on an annual basis based on movements in the Consumer Price Index.			
These obligations are not provided in the financial report and are payable:			
- no later than 1 year		85	9
- 1 year or later and no later than 5 years		3	-
Total operating lease expense commitments		88	9
<hr/>			
(c) Other contractual commitments:			
(i) On 26 March 2008, Philsaga was granted Mineral Production Sharing Agreement ("MPSA") number 262-2008-XIII over the Co-O mine. Under the terms of the Agreement Philsaga is committed to mine related expenditure in the Philippines as follows:			
These commitments are not provided in the financial report and are payable:			
- no later than 1 year		62	45
- 1 year or later and no later than 5 years		249	460
Total other commitments		311	505
<hr/>			
(ii) On 24 November 2009 Philsaga was granted Mineral Production Sharing Agreement ("MPSA") number 299-2009-XIII over the Co-O mine. Under the terms of the Agreement Philsaga is committed to mine related expenditure in the Philippines as follows:			
These commitments are not provided in the financial report and are payable:			
- no later than 1 year		51	44
- 1 year or later and no later than 5 years		259	454
Total other commitments		310	498
<hr/>			

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

26. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and/or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

27. SEGMENT INFORMATION

The Consolidated Group has identified its reportable operating segments based on the internal management reports that are reviewed and used by the Managing Director (the chief operating decision maker) and his management team in assessing performance and in determining the allocation of resources.

The Group segments are structured as Mine, Exploration and Other. Currently the only operational mine is the Co-O mine. Other incorporates the Parent Entity's activities

Segment Result, Segment Assets and Segment Liabilities

The measurement of segment results is in line with the basis of information presented to management for internal management reporting purposes.

Segment Result is based on the net of revenues and expenditure corresponding to the specific segment.

Segment Revenues represent gold and silver sales at spot prices.

Segments Assets are allocated to segments based on their nature and physical location.

Segment Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment Liabilities include trade and other payables.

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- income tax expense;
- gain on disposal of assets;
- deferred tax assets and liabilities;
- interest revenue;
- intercompany receivables and payables.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	Mining US\$000	Exploration US\$000	Other US\$000	Total US\$000
<u>12 months to June 2015:</u>				
Segment revenue	123,093	-	-	123,093
Reconciliation of segment revenue to Group revenue				
add:				
Interest income				79
Other				32
Group Revenue				123,204
Segment result	(208,421)	(4,426)	(4,688)	(217,535)
Reconciliation of segment result to group result:				
add back:				
Gain on disposal of asset				-
Other revenue				32
Interest revenue				79
less:				
Income tax expense				685
Group profit				(218,109)
Segment assets	209,591	1,047	2,426	213,064
Reconciliation of segment asset to group assets:				
plus: Deferred tax assets				3,755
Total Group assets				216,819
Segment liabilities				
Reconciliation of segment liabilities to group liabilities	23,462	12	1,047	24,521
plus: Deferred liabilities				290
Total Group liabilities				24,811
<u>12 months to June 2014:</u>				
Segment revenue	83,882	-	-	83,882
Reconciliation of segment revenue to Group revenue				
add:				
Interest income				160
Other				154
Group Revenue				84,196
Segment result	35,508	(20)	(4,739)	30,749
Reconciliation of segment result to group result:				
add back:				
Gain on disposal of asset				19
Other revenue				154
Interest revenue				160
less:				
Income tax expense				211
Group profit				30,871
Segment assets	434,822	3,836	3,829	442,487
Reconciliation of segment asset to group assets:				
plus: Deferred tax assets				2,983
Total Group assets				445,470
Segment liabilities	29,373	5	2,004	31,382
Reconciliation of segment liabilities to group liabilities				
plus: Deferred liabilities				1,782
Total Group liabilities				33,164

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

Revenue and non-current assets by geographical region	Australia US\$000	Philippines US\$000	Total US\$000
<u>12 months to June 2015:</u>			
Segment Revenue	-	123,093	123,093
Non-Current Assets	31,906	128,134	160,040
<u>12 months to June 2014:</u>			
Segment Revenue	-	83,882	83,882
Non-Current Assets	41,946	356,852	398,798

In accordance with AASB 8 disclosure requirements Non-Current Assets shown in geographical information include tangible and intangible assets but exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

The Group sells its gold on the open market. Selection of a customer is at the Group's discretion and there is no commitment to exclusive sales to a particular customer. During the financial year ended 30 June 2015, all of the Group's revenues depended on a single customer (2014:100%).

28. PARENT COMPANY INFORMATION

	2015 US\$000	2014 US\$000
<u>Parent Entity:</u>		
Current Assets	2,247	3,636
Total Assets	34,248	45,707
Current Liabilities	1,047	2,004
Total Liabilities	1,047	2,004
<u>Net Assets</u>	33,201	43,703
Issued Capital	102,902	102,902
Option Premium Reserve	304	4,638
Foreign Exchange Reserve	11,894	14,596
Accumulated Losses	(39,630)	(36,164)
Dividends paid	(42,269)	(42,269)
Total Equity	33,201	43,703
Profit/(loss) for the year	(3,466)	(4,704)
Total Comprehensive Income/(loss)	(6,168)	(4,073)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

29. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2014, but have not been applied in preparing this financial report.

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting period, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9 *Financial Instruments*

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Effective date (annual reporting periods beginning on or after 1 January 2018).

The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018 and the IASB is yet to finalise the remaining phases of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 in Australia).

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

Effective date (annual reporting periods beginning on or after 1 January 2014).

- When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.

AASB 2013-3 *Recoverable Amount Disclosures for Non-Financial Assets*

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets.

Effective date (annual reporting periods beginning on or after 1 January 2014).

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

AASB 2014-1 *Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)*

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and

amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119))

Part B of AASB 2014-1 makes amendments to AASB 119 Employee Benefits to incorporate the IASB's practical expedient amendments finalised in International Financial Reporting Standard Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) in relation to the requirements for contributions from employees or third parties that are linked to service.

The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of AASB 119 for the gross benefit.

Effective date (annual reporting periods beginning on or after 1 July 2014).

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

Effective date (annual reporting periods beginning on or after 1 January 2015).

- *The entity has not yet assessed the full impact of these amendments.*

IFRS 15 Revenue from Contracts with Customers

IFRS 15:

- replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations
- establishes a new control-based revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

In the Australian context, the Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian Standard (AASB 15 Revenue from Contracts with Customers), along with a new Exposure Draft (ED) on income from transactions of Not-for-Profit (NFP) entities by September 2014.

Effective date (annual reporting periods beginning on or after 1 January 2017).

This standard is first adopted for the year ending 30 June 2018, the Company has not yet assessed the impact of the transactions and balances to be recognised in the financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to IAS 38 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two limited circumstances:

- the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.

Effective date (annual reporting periods beginning on or after 1 January 2016).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 *Business Combinations*, should:

- apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by IFRS 3 and other IFRSs.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.

Effective date (annual reporting periods beginning on or after 1 January 2016).

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

- *The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.*

30. FRANKING ACCOUNT

The Company has no franking credits available.

31. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Suite 7
11 Preston Street
Como
Western Australia 6152

DIRECTOR'S DECLARATION

for the year ended 30 June 2015

1. In the opinion of the Directors of Medusa Mining Limited (the "Company"):
 - (a) the financial statements and notes set out on pages 26 to 59 and the remuneration disclosures that are contained in pages 7 to 18 of the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (iii) complying with International Financial Reporting Standards as disclosed in Note 1.
 - (b) the remuneration disclosures that are contained in pages 7 to 18 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015.

Signed in accordance with a resolution of the Board of Directors



Andrew Teo
Chairman

Dated at Perth this 27 day of August 2015

AUDITORS INDEPENDENT REPORT



Level 1
10 Kings Park Road
West Perth WA 600
Correspondence to: PO Box 570
West Perth WA 6872
T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Members of Medusa Mining Limited

Report on the financial report

We have audited the accompanying financial report of Medusa Mining Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

AUDITORS INDEPENDENT REPORT



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Medusa Mining Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 10 to 18 of the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



AUDITORS INDEPENDENT REPORT

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Medusa Mining Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Registered Company Auditor
Perth, 27 August 2015

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 18 September 2015.

1. Shareholding

(a) Distribution of shareholders and shares

Distribution	Number of Shareholders	Number of Shares
1 - 1,000	1,669	851,985
1,001 - 5,000	1,992	5,478,917
5,001 - 10,000	718	5,570,866
10,001 - 100,000	951	28,535,598
100,001 - 1,000,000	90	24,117,903
1,000,000 and over	15	143,239,032
Total	5,435	207,794,301

The number of shareholdings held in less than marketable parcels is 1933.

(b) Voting rights

The voting rights attaching to ordinary shares are, on a show of hands, every member present in person or by proxy shall have one vote and upon a poll, each share shall have a vote.

(c) Twenty largest shareholders

Total number of ordinary shares on issue – 207,794,301

Name of shareholders	Number of shares held	(%)
1 NATIONAL NOMINEES LIMITED	36,842,024	17.73
2 J P MORGAN NOMINEES AUSTRALIA LIMITED	25,617,798	12.33
3 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,243,848	12.15
4 CITICORP NOMINEES PTY LIMITED	18,729,613	9.01
5 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	7,914,988	3.81
6 ZERO NOMINEES PTY LTD	7,630,000	3.67
7 AMALGAMATED DAIRIES LIMITED	3,296,881	1.59
8 CAZNA (OXFORD 1) LIMITED + CAZNA (OXFORD 2) LIMITED <THE OXFORD A/C>	3,141,925	1.51
9 BERNE NO 132 NOMINEES PTY LTD <594138 A/C>	2,591,880	1.25
10 CEDARDALE HOLDINGS PTY LTD <G & S DAVIS SUPER FUND A/C>	2,546,955	1.23
11 BNP PARIBAS NOMS PTY LTD <DRP>	2,312,166	1.11
12 MR SAMUEL GONZALES AFDAL	2,260,000	1.09
13 ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,894,242	0.91
14 MR GIOVANNI SANTALUCIA	1,880,000	0.90
15 WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,336,712	0.64
16 MR GIOVANNI SANTALUCIA	950,000	0.46
17 MR BRIAN JOHN GREENFIELD + MRS VIRGINIA ELIZABETH GREENFIELD <GREENFIELD SUPER A/C>	932,732	0.45
18 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	891,669	0.43
19 MR ROY PHILIP DANIEL + MRS DONNA MARY DANIEL <DANIEL SUPER FUND A/C>	815,875	0.39
20 WARBONT NOMINEES PTY LTD <ACCUMULATION ENTREPOT A/C>	761,327	0.37
Total: Top 20 holders of ORDINARY FULLY PAID SHARES	147,590,635	71.03
Total: Remaining Holders Balance	60,203,666	28.97

ADDITIONAL SHAREHOLDER INFORMATION

(d) On market buy back

There is no current on-market buy back.

(e) Substantial shareholders

An extract of the Company's register of substantial shareholders is set out below:

Name	Ordinary shares held	
	Number of shares	Percentage
Van Eck Associates	13,440,522	6.47%
Paradice Investment Management Pty Ltd	11,234,219	5.40%
Dimensional Fund Advisors LP	10,401,492	5.00%

2. UNQUOTED EQUITY SECURITIES AND RESTRICTED SECURITIES

The following classes of unquoted equity securities and restricted securities are on issue:

Type of securities	Number of securities	% held
• 3,200,000 unquoted options to subscribe for ordinary shares exercisable at \$1.00 per share, with an expiry date of 16 December 2018 <u>Persons holding 20% or more:</u>	-	-
• 1,000,000 unquoted options to subscribe for ordinary shares exercisable at \$1.00 per share, with an expiry date of 9 February 2019 <u>Persons holding 20% or more:</u>	-	-
<u>Raul Conde Villanueva</u>	500,000	50%
<u>Gary Raymond Powell</u>	500,000	50%

3. The name of the Company Secretary is:

Mr Peter Alphonso

4. The Principal Registered Office of the Company is:

Suite 7,
11 Preston Street
Como, WA 6152

Telephone: (08) 9367 0601
Facsimile: (08) 9367 0602
Email: admin@medusamining.com.au

5. The Register of the Company's securities is held at the following address:

Computershare Investor Services Pty Limited
Level 11
172 St George's Terrace
Perth, WA 6000
Australia

Telephone: +618 9323 2000
Facsimile: +618 9323 2033
Investor enquiries: 1300 557 010

6. Stock Exchange Listings

Quotation has been granted for all the ordinary shares of the Company on:

- Australian Stock Exchange Limited (ASX)
(Home Exchange)

TENEMENT SCHEDULE

Tenement Schedule

Name	Tenement ID	Registered Holder	Company's Interest ¹ at		Royalty ²	Area (hectares) at	
			30-Jun-14	30-Jul-15		30-Jun-14	30-Jul-15
Co-O Mine	MPSA 262-2008-XIII	PMC	100%	100%	-	2,539	2,539
	MPSA 299-2009-XIII	PMC	100%	100%	-	2,200	2,200
Co-O Regional	APSA 00012-XIII	BMMRC	100%	100%	-	340	340
	APSA 00087-XIII	Afdal	100%	-	-	846	-
	APSA 00088-XIII ³	Phsamed	100%	100%	-	7,304	4,742
	APSA 00098-XIII ³	Philcord	100%	100%	1% NPI	1,184	507
	APSA 00099-XIII ³	Philcord	100%	100%	1% NPI	677	592
Saugon	EP 017-XIII	PMC	100%	100%	-	3,132	3,132
	EP 031-XIII ³	PMC	100%	100%	-	3,979	2,456
	EP 032-XIII	PMC	100%	100%	-	3,048	3,048
	EPA 00066-XIII	PMC	100%	100%	-	6,769	6,769
	EPA 00067-XIII	Afdal	100%	-	-	1,693	-
	EPA 00069-XIII ³	Phsamed	100%	100%	-	7,790	2,540
	EPA 00087-XIII ³	PMC	100%	100%	-	764	84
Tambis	MPSA 344-2010-XIII	Philex	100%	100%	7% NSR	6,208	6,208
Das-Agan	MPSA 343-2010-XIII	Das-agan	100%	100%	3% GSR	3,810	3,810
Apical	APSA 00028-XIII ³	Apmedoro	Earning 70% (JV)		-	2,084	1,235
Corplex	APSA 00054-XIII	Corplex	100%	100%	3% NSR	2,118	2,118
	APSA 00056-XIII	Corplex	100%	100%	-	162	162
	APSA 00077-XIII	Corplex	100%	100%	4% GSR	810	810
	EPA 00186-XIII ³	Corplex	100%	100%	3% NSR	7,111	7,111
Tagbina	EPA 00176-XIII	Sursur	100%	-	-	3,823	-
	EPA 00180-XIII	Sursur	100%	-	-	5,948	-
	EPA 00181-XIII	Sursur	100%	-	-	6,118	-
Sinug-ang	EPA 00114-XIII	Salcedo / PMC	100%	100%	-	190	190
SUB-TOTAL						806	506
Coal Project	COC Area 6	Philsaga	-	100%	-	-	4,000
	COC Area 7	Philsaga	-	100%	-	-	5,000
TOTAL						806	596

NOTES:

- There have been material changes to the Company's interest since 30 June 2015, as reflected in the above table.
- Royalties payable to registered holders, aside from the prescribed royalties payable to the Philippine government and the Indigenous People.
- Awaiting for approval and confirmation by MGB of area reduction.

ABBREVIATIONS:

Tenement Types

MPSA	Mineral Production Sharing Agreement	APSA	Application for Mineral Production Sharing Agreement
EP	Exploration Permit	EPA	Application for Exploration Permit

Registered Holders

PMC	Philsaga Mining Corporation	Afdal	Samuel Afdal
BMMRC	Base Metals Mineral & Resources Corporation	Das-Agan	Das-Agan Mining Corporation
Phsamed	Phsamed Mining Corporation	Apmedoro	APMEDORO Mining Corporation
Philcord	Mindanao Philcord Mining Corporation	Salcedo	Neptali P. Salcedo
Philex	Philex Gold Philippines Incorporated	Sursur	Sursur Mining Corporation
Corplex	Corplex Resources Incorporated		

Royalty

NPI	Net Profit Interest	GSR	Gross Smelter Royalty
NSR	Net Smelter Royalty		