MEDUSA MINING LIMITED

ABN 60 099 377 849

Consolidated Entity

ASX APPENDIX 4E AND ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Appendix 4E

Preliminary final report
Period ending 30 June 2016

Name of entity

MEDUSA MINING LIMITED

ABN or equivalent company reference	Half yearly (tick)	Preliminary final (tick)	Half year/ financial ended ("current period")
60 099 377 849		√	**30 June 2016**

Results for announcement to the market

Revenues and profits:		US$'000		US$'000
Revenues from ordinary activities	up 4%	123,204	to	128,091
Profit from ordinary activities after tax attributable to members	N/A	(218,109)	to	43,792
Net profit for the period attributable to members	N/A	(218,109)	to	43,792

(All comparisons to the previous period ended 30 June 2015)

Dividends:	Amount per security	Franked amount per security
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 2016.

Net tangible assets per share:

The net tangible assets per share as at 30 June 2016 was US$1.103 (30 June 2015: US$0.909)

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 2016 which accompany this report.

DIRECTORS' 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
Non-Executive Directors:	
Mr Andrew Boon San Teo (Chairman)	since 15 February 2010 (appointed Chairman on 22 November 2013)
Mr Ciceron Angeles	since 28 June 2011
Mr Roy Daniel	appointed 25 November 2015
Dr Robert Maurice Weinberg	resigned 01 December 2015
Executive Directors:	
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 37 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, Remuneration, Nomination and Safety, Health & Environment Committees.

Mr Ciceron. A. Angeles
B.Sc (Geology), MAppSc (Mineral Exploration), FAusIMM (CP), FSEG.
Independent Non-Executive Director
(appointed 28 June 2011)

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 a member of the Audit and Remuneration Committees.

Mr Roy Daniel
B.Com, UWA
Independent Non-Executive Director
(appointed 25 November 2015)

Mr Roy Daniel was appointed Non-Executive Director on 25 November 2015. Mr Daniel's previous association with the Company was as the Chief Financial Officer from December 2004 until his retirement from office in June 2013 and also an executive member of the Board from April 2006 until June 2011.

Mr Daniel has been associated with the resource and mining industry for over 35 years and has held various senior management and accounting positions at corporate level with overseas and Australian companies. His association with the Company since its formative years has proven invaluable, and his financial business acumen and corporate experience has complemented and strengthened the Board.

Mr Daniel is Chairman of the Audit Committee and also serves as a member on the Remuneration, Nomination and Safety, Health & Environment Committees.

Mr Raul Conde Villanueva
LL.B., Attorney and Counselor-at-Law
Executive Director
(appointed 24 January 2013)

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 is Chairman of the Safety, Health and Environment Committee and is a member of the Nomination Committee.

Dr Robert Maurice Weinberg
BA (Hons) Geology, MA, DPhil, FGS, FIMMM
Independent Non-Executive Director
(resigned 01 December 2015)

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

3. COMPANY SECRETARY

Mr Peter Alphonso
B.Com, UWA, (CPA)

Mr Peter Alphonso was appointed Company Secretary on 11 December 2007 and as Chief Financial Officer on 01 July 2013.

Mr Alphonso has over 35 years of experience 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, financial and statutory reporting of the Company as well as directing and monitoring of all financial aspects of the Company's overseas operations.

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 Meetings		Audit Committee		Remuneration Committee		SHE Committee		Nomination Committee	
	Number (1)	Attended	Number (1)	Attended	Number (1)	Attended	Number (1)	Attended	Number (1)	Attended
Andrew Teo	6	6	2	2	1	1	3	3	1	1
Ciceron Angeles	6	6	2	2	1	1	-	-	1	1
Raul Villanueva	6	6	-	-	-	-	3	3	1	1
Roy Daniel (2)	4	4	1	1	-	-	2	2	-	-
Dr Robert Weinberg (3)	2	2	1	1	1	1	1	1	-	-

(1) Number of meetings held during the time the Director held office during the year;
(2) Roy Daniel was appointed a Director on 25 November 2015;

(3) Dr Robert Weinberg resigned from the Board on 01 December 2015;

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 profit for the financial year attributable to members of Medusa Mining Limited after provision of income tax was US$43.8 million [2015: Consolidated loss of US$218.1 million].

Key financial results:

Description	Unit	30 June 2016	30 June 2015 (1)	Variance	(%)
Revenues	US$	US$128.1M	US$123.2M	US$4.9M	4%
EBITDA (1)	US$	US$69.6M	(US$186.8M)	US$256.4M	N/A
NPAT (1)	US$	US$43.8M	(US$218.1M)	US$261.9M	N/A
EPS (basic)	US$	US$0.211	(US$1.050)	US$1.261	N/A
Dividends per share	A$	-	-	-	N/A
(1) includes asset impairment losses totalling US$259.6 million for year ended 30 June 2015					

Medusa recorded earnings before interest, tax depreciation and amortisation ("EBITDA") of US$69.6 million for the year to 30 June 2016, compared to a loss of US$186.8 million in the previous year.

Revenues increased by approximately 4% from US$123.2 million in the previous year to US$128.1 million.

Medusa is an un-hedged gold producer and received an average price of US$1,173 per ounce from the sale of 108,529 ounces of gold for the year (previous year: 97,200 ounces at US$1,220 per ounce).

At year end, the Company had total cash and cash equivalent in gold on metal account of US$22.0 million (2015: US$14.6 million).

During the year,

- the Company produced 108,578 ounces of gold for the year, compared to 98,3597 ounces from the previous corresponding period, at an average recovered grade of 6.40 g/t gold (June 2015: 5.61 g/t gold).
- the average cash costs of US$466 per ounce, inclusive of royalties and local business taxes was higher than the previous year's average cash costs of US$385 per ounce, primarily due to a change in methodology on the allocation of total mining costs introduced in July 2015.
- All in Sustaining Costs ("AISC") for the year was US$999 per ounce of gold and includes discretionary exploration expenditure of US$9.3 million
- depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US$23.4 million (2015: US$31.7 million);
- US$17.2 million was expended on capital works associated with the new mill construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2015: US$11.2 million);
- exploration expenditure, inclusive of underground diamond drilling was US$9.3 million (2015: US$11.3 million); and
- capitalised mine development costs totalled US$25.6 million for the year (2015: US$37.7 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:

- Mr Roy Daniel joined the Board of Medusa as a Non-Executive Director on 25 November 2015;
- Dr Robert Weinberg resigned from the Board of Medusa on 01 December 2015;
- Mr Boyd Timler was appointed Chief Executive Officer of Medusa on 21 March 2016.

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	-	-
Ciceron Angeles	-	-	-
Raul Villanueva	50,000	500,000	-
Roy Daniel	815,875	-	-

13. 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 Executive 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 (Interim CEO from 13 November 2015 to 20 March 2016);

Ciceron Angeles;

Roy Daniel (appointed 25 November 2015);

Robert Weinberg (resigned 1 December 2015).

Executive Directors:

Raul Villanueva

Executives

Boyd Timler (CEO) appointed 21 March 2016;

Peter Alphonso (Company Secretary);

Geoffrey Davis (Interim CEO) from 01 September 2014 to 12 November 2015;

Robert Gregory (COO) ceased employment on 16 March 2016.

(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 2016 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 [1]	Super-annuation	Other[2]	Incentive plans	LSL[3]	Shares/ units	Options/ rights [4]					
Directors:																
Non-Executive																
Andrew Teo [5]	2016	44,688	62,799	-	-	-	-	-	-	-	-	-	-	107,487	-	-
	2015	-	80,850	-	-	-	-	-	-	-	-	-	-	80,850	-	-
Ciceron Angeles	2016	22,903	47,099	-	-	-	-	-	-	-	-	-	-	70,002	-	-
	2015	52,624	60,287	-	-	-	-	-	-	-	-	-	-	112,911	-	-
Roy Daniel [6]	2016	-	27,385	-	-	-	-	-	-	-	-	-	-	27,385	-	-
	2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Robert Weinberg [7]	2016	-	20,098	-	-	-	-	-	-	-	-	-	-	20,098	-	-
	2015	-	60,287	-	-	-	-	-	-	-	-	-	-	60,287	-	-
Gary Powell [8]	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2015	168,548	27,836	-	-	15,008	-	-	-	-	-	-	-	211,392	-	-
Executive																
Peter Hepburn-Brown [9],	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2015	80,142	-	-	-	1,725	-	-	-	-	-	-	498,285	580,152	-	-
Raul Conde Villanueva	2016	370,592	-	-	-	-	-	-	-	-	-	-	-	370,592	-	-
	2015	438,663	-	-	-	-	-	-	-	-	204,000	-	-	642,663	-	31.7%
Executives:																
Boyd Timler [10]	2016	116,590	-	-	-	-	9,087	-	-	-	-	-	-	125,677		
	2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Peter Alphonso	2016	229,631	-	-	-	22,886	17,216	-	5,595	-	-	-	-	275,328	-	-
	2015	315,727	-	-	-	28,158	27,611	-	6,524	-	54,120	-	-	432,140	-	12.5%
Geoffrey Davis [11]	2016	197,164	-	-	-	26,068	-	-	-	-	-	-	-	223,232	-	-
	2015	541,287	-	-	-	28,983	50,201	-	-	-	-	-	-	620,471	-	-
Robert Gregory [12]	2016	290,990	-	-	-	18,090	-	-	-	-	-	-	-	309,080	-	-
	2015	336,042	-	-	-	19,961	21,963	-	-	-	164,000			541,966		30.2%
Total	**2016**	**1,272,558**	**157,381**	**-**	**-**	**67,044**	**26,303**	**-**	**5,595**	**-**	**-**	**-**	**-**	**1,528,881**	**-**	**-**
	2015	**1,933,033**	**229,260**	**-**	**-**	**93,835**	**99,775**	**-**	**6,524**	**-**	**422,120**	**-**	**498,285**	**3,282,832**	**-**	**12.9%**

(1) 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 2016/17 relating to the financial year ended 30 June 2016.
(2) Comprises Annual Leave accrued during the year but not paid.
(3) Comprises Long Service Leave accrued during the year but not paid
(4) Comprises value of Options granted but not yet vested
(5) Mr Andrew Teo assumed the role of interim CEO from 13 November 2015 to 20 March 2016.
(6) Mr Roy Daniel was appointed Director on 25 November 2015.
(7) Dr Robert Weinberg resigned from the Board on 01 December 2015.
(8) Mr Gary Powell resigned from the Board on 07 December 2014.
(9) Mr Peter Hepburn-Brown resigned as Managing Director on 19 August 2014.
(10) Mr Boyd Timler was appointed CEO on 21 March 2016.
(11) Mr Geoffrey Davis was interim CEO from 19 August 2014 to 12 November 2015.
(12) Mr Robert Gregory ceased employment with the Company on 16 March 2016.

(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 2015/2016

Name	Balance 01/07/15	Options/rights granted as remuneration	Options/ rights exercised	Options/ Rights not exercised and lapsed	Balance held 30/06/16	Vested & exercisable 30/06/16 (1)	Total not exercisable 30/06/16 (2)
Directors: Non-Executive							
Andrew Teo	-	-	-	-	-	-	-
Ciceron Angeles	-	-	-	-	-	-	-
Roy Daniel (3)	-	-	-	-	-	-	-
Robert Weinberg (4)	-	-	-	-	-	-	-
Executive							
Raul Villanueva	500,000	-	-	-	500,000	150,000	350,000
Executives: Boyd Timler (5)	-	-	-	-	-	-	-
Peter Alphonso	165,000	-	-	-	165,000	49,500	115,500
Geoffrey Davis (6)	-	-	-	-	-	-	-
Robert Gregory (7)	500,000	-	-	(350,000)	150,000	150,000	-

(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 Roy Daniel was appointed Director on 25 November 2015
(4) Mr Robert Weinberg resigned from the Board on 01 December 2015
(5) Mr Boyd Timler was appointed CEO on 21 March 2016
(6) Mr Geoffrey Davis resigned as Interim CEO on 12 November 2015
(7) Mr Robert Gregory ceased employment on 16 March 2016

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)
Directors: Non-Executive							
Andrew Teo	-	-	-	-	-	-	-
Ciceron Angeles	-	-	-	-	-	-	-
Robert Weinberg	-	-	-	-	-	-	-
Peter Hepburn-Brown (3)	-	-	-	-	-	-	-
Gary Powell (4)	-	-	-	-	-	-	-
Executive							
Raul Villanueva	300,000	500,000	-	(300,000)	500,000	-	500,000
Executives: Geoffrey Davis (5)	-	-	-	-	-	-	-
Robert Gregory (6)	-	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 as Managing Director on 19 August 2014
(4) Mr Gary Powell resigned from the Board on 07 December 2014
(5) Mr Geoffrey Davis was appointed Interim CEO on 19 August 2014
(6) Mr Robert Gregory commenced employment on 19 November 2014

(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 2015/16

Name	Balance 30/06/15	Shares held at appointment	Bonus Issue of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/16
Directors: Non-Executive							
Andrew Teo	95,000	-	-	-	-	-	95,000
Ciceron Angeles	-	-	-		-	-	-
Roy Daniel (1)	-	815,875	-	-	-	-	815,875
Robert Weinberg (2)	82,675	-	-	-	-	(82,675)	-
Executive							
Raul Villanueva	50,000	-	-	-	-	-	50,000
Executives:							
Boyd Timler (3)	-	-	-	-	-	-	-
Peter Alphonso	127,500	-	-	-	-	-	127,500
Geoffrey Davis (4)	3,234,809	-	-	-	-	(3,234,809)	-
Robert Gregory (5)	23,950	-	-	-	-	(23,950)	-

(1) Mr Roy Daniel was appointed Director on 25 November 2015
(2) Mr Robert Weinberg resigned from the Board on 01 December 2015
(3) Mr Boyd Timler was appointed CEO on 21 March 2016
(4) Mr Geoffrey Davis resigned as Interim CEO on 12 November 2015
(5) Mr Robert Gregory ceased employment on 16 March 2016

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
Directors: Non-Executive							
Andrew Teo	75,000	-	-	20,000	-	-	95,000
Ciceron Angeles	-	-	-		-	-	-
Robert Weinberg	62,675	-	-	20,000	-	-	82,675
Gary Powell (1)	-	-	-	-	-	-	-
Executive							
Peter Hepburn-Brown (2)	22,000	-	-	-	-	-	22,000
Raul Villanueva	-	-	-	50,000	-	-	50,000
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 from the Board on 07 December 2014
(2) Mr Peter Hepburn-Brown resigned as Managing Director on 19 August 2014
(3) Mr Geoffrey Davis appointed Interim CEO on 19 August 2014
(4) Mr Robert Gregory commenced employment on 19 November 2014

(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, Executive Directors 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.

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 (Chairman): A$100,000 per annum;
- Roy Daniel: A$75,000 per annum;
- Ciceron Angeles: A$75,000 per annum

Executive Remuneration:

<u>Objective</u>

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.

<u>Fixed Remuneration</u>

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.

- *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 2016.

- *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.

(h) Company performance

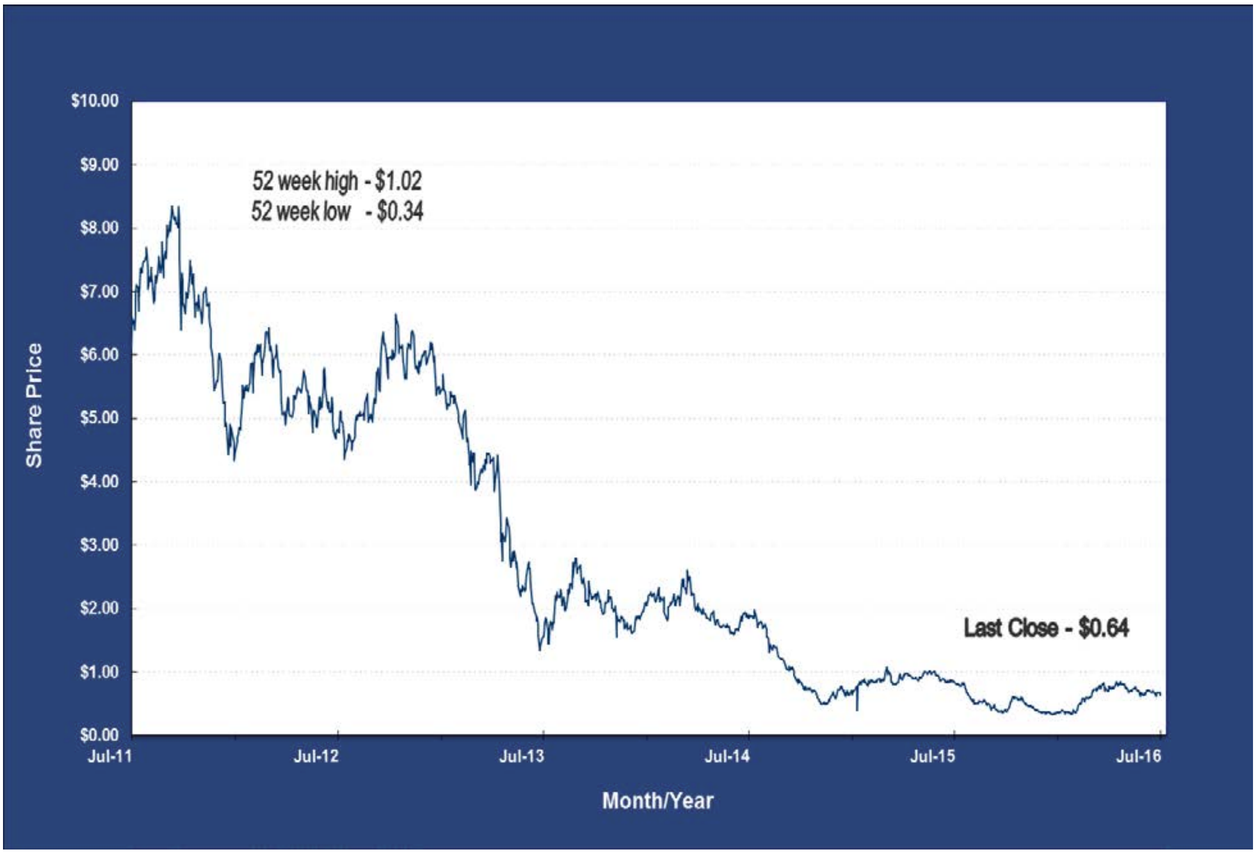
In considering the Company's performance and benefits for shareholder wealth, the Remuneration Committee take into account the following indices in respect of the current financial year and the previous four financial years.

Year ended 30 June	Note	2012	2013	2014	2015	2016
Basic earnings per share (EPS)	(1)	US$0.261	US$0.266	US$0.154	(US$1.050)	US$0.211
Share price at 30 June		A$4.83	A$1.55	A$1.85	A$0.84	A$0.64
Share price increase	(2)	(A$1.76)	(A$3.28)	A$0.30	(A$1.01)	(A$0.20)
Total shareholder returns (TSR)	(3)	(26.7%)	(67.5%)	19.4%	(54.6%)	(23.8%)

(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, 2015 or 2014 financial years. (Dividend totalling A$0.10 was paid in the 2012 financial year 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 2011).



(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).

(i) Employment contracts

Executives

Boyd Timler (Chief Executive Officer)

Contract description:	Employment contract between the Company and Boyd Timler ("Employee").
Term:	Commencement date of 21 March 2016 until the Employee is terminated.
Services:	The Employee is employed as Chief Executive Officer ("CEO") of the Company and is responsible to the Board for: • the general control and management of the Group (at all times subject to the direction of the Board); and • the operation and strategic development of the Group, which includes being responsible for the technical input into the mining, milling, safety and exploration functions of the Employer.
Remuneration:	<u>Fixed remuneration:</u> The Employee's annual Remuneration Package is $550,000, inclusive of a superannuation contribution that satisfies the Minimum SGC Contribution and is subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standard. <u>Variable remuneration - Short term incentive:</u> 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. <u>Variable remuneration - Long term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's Share option and performance rights plans.
Termination:	<u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee four months written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice. The Company may immediately terminate the Employee's provisions of the employee's contract are breached, engages in serious misconduct, fails to discharge properly the Employee's duties or responsibilities, engages in conduct which is likely to affect adversely the reputation of the Group or the Employee becomes bankrupt or makes an arrangement or composition with creditors. <u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.
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.

(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:	<u>Fixed remuneration:</u> 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. <u>Variable remuneration - Short term incentive:</u> 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.
Termination:	<u>Termination by the Company:</u> 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. 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.
	<u>Termination by the Employee:</u> 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.
	<u>Termination by reason of Material Diminution:</u> 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. 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.
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.

(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:	Andrew Teo, Ciceron Angeles, Raul Villanueva, Roy Daniel, Boyd Timler, Peter Alphonso, Gary Powell, Geoffrey Davis, Robert Weinberg and Robert Gregory.
Type of transaction:	Director Protection Deed ("Deed")
Transaction details:	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. 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. 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.

Related party:	Cedardale Holdings Pty Ltd
Nature of relationship:	Director related entity (Geoffrey Davis – served as interim CEO of the Company from 19 August 2014 to 12 November 2015).
Type of transaction:	Lease of office premises.
Transaction details:	The Company occupies and leases its office premises (inclusive of parking bays) from Cedardale Holdings Pty Ltd at an average rate of A$6,424; (2015: A$6,273) per month. Cedardale Holdings Pty Ltd charged the Company A$77,087 for the lease of office premises (2015: A$75,281). No amounts were outstanding at year end (2015: nil).

(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
Employee options			
16 December 2018	A$1.00	2,740,500	2,740,500
9 February 2019	A$1.00	1,000,000	1,000,000
TOTAL		3,740,500	3,740,500

(m) Shares issued on exercise of options/rights

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

End of Remuneration Report

14. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the following current Directors and Officers of the Company, Messrs Teo, Angeles, Daniel, Villanueva, Alphonso and Powell and the following former Directors and Officers Messrs Tomlinson, Jones, Hepburn-Brown, Weinberg, Davis and Gregory 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.

15. 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.

16. 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.

17. 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.

18. NON-AUDIT SERVICES

During the year, Grant Thornton, a Company related to Grant Thornton Audit Pty Ltd, 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 2016.

	2016 (US$)	2015 (US$)
Taxation and other services	12,000	15,000
Total non-audit services	12,000	15,000

19. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2016 has been received and can be found on page 18 of the Financial Report.

20. ROUNDING OFF AMOUNTS (ASIC Class Order 2016 /191)

The Company is an Entity to which ASIC Class Order 2016 /191 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 29th day of August 2016

AUDITORS INDEPENDENT DECLARATION

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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 2016, 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Petricevic
Partner - Audit & Assurance

Perth, 29 August 2016

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Note	Consolidated 2016 US$000	Consolidated 2015 US$000
Revenue	2	128,090	123,204
Cost of sales		(73,818)	(71,976)
Exploration & evaluation expenses	3	-	(267)
Administration expenses		(6,610)	(8,428)
Impairment expense	3,13	-	(259,595)
Other expenses		(1,714)	(1,732)
Profit/(Loss) before income tax expense		45,948	(218,794)
Income tax (expense)/benefit	5	(2,156)	685
Profit/(Loss) attributable to members of the Group		43,792	(218,109)
Other comprehensive income/(loss), net of income tax:			
Add: Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations and other comprehensive income /(loss) for the year		(1,896)	(2,493)
Total comprehensive income/(loss) for the year		41,896	(220,602)
Overall operations:			
Basic earnings/(loss) per share (US$ per share)	6	0.211	(1.050)
Diluted earnings/(loss) per share (US$ per share)	6	0.207	(1.035)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Note	Consolidated 2016 US$000	Consolidated 2015 US$000
CURRENT ASSETS			
Cash & cash equivalents	23	9,517	9,987
Trade & other receivables	7	25,977	22,585
Inventories	8	24,304	19,837
Other current assets	9	636	615
Total Current Assets		60,434	53,024
NON-CURRENT ASSETS			
Trade & other receivables	10	22,915	16,311
Property, plant & equipment	11	53,064	45,022
Intangible assets		552	632
Exploration, evaluation & development expenditure	12	119,353	98,075
Deferred tax assets	16	2,208	3,755
Total Non-Current Assets		198,092	163,795
TOTAL ASSETS		258,526	216,819
CURRENT LIABILITIES			
Trade & other payables		13,438	16,282
Borrowings	14	6,064	3,822
Employee benefits	15	346	504
Total Current Liabilities		19,848	20,608
NON-CURRENT LIABILITIES			
Borrowings	14	1,503	2,151
Deferred tax liability	16	245	290
Employee benefits	15	2,591	1,762
Total Non-Current Liabilities		4,339	4,203
TOTAL LIABILITIES		24,187	24,811
NET ASSETS		234,339	192,008
EQUITY			
Issued capital	18	102,902	102,902
Reserves	19	5,152	6,613
Retained profits	22	126,285	82,493
TOTAL EQUITY		234,339	192,008

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Note	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 2014		**102,902**	**295,964**	**4,638**	**8,802**	**412,306**
Comprehensive Income						
Net (loss) after tax		-	(218,109)	-	-	(218,109)
Other comprehensive income/(loss)		-	-	-	(2,493)	(2,493)
Total comprehensive income/(loss) for the year		-	(218,109)	-	(2,493)	(220,602)
Transactions with owners, in their capacity as owners, and other transfers						
Expiration of Options during the period	19	-	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**
Comprehensive Income						
Net profit/(loss) after tax		-	43,792	-	-	43,792
Other comprehensive income/(loss)		-	-	-	(1,896)	(1,896)
Total comprehensive income/(loss) for the year		-	43,792	-	(1,896)	41,896
Transactions with owners, in their capacity as owners, and other transfers						
Share options issued during the period in accordance with AASB 2 - share based payment	20	-	-	435	-	435
Sub-total		102,902	126,285	739	4,413	234,339
Dividends paid		-	-	-	-	-
Balance at 30 June 2016		**102,902**	**126,285**	**739**	**4,413**	**234,339**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Note	Consolidated 2016 US$000	2015 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		120,004	122,570
Payments to suppliers & employees		(64,831)	(58,071)
Interest received		74	73
Net cash provided by operating activities	23	55,247	64,572
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant & equipment		(17,203)	(13,235)
Payments for intangible assets		-	(534)
Payments for exploration & evaluation activities		(4,492)	(4,461)
Payment for development activities		(32,940)	(42,070)
Net cash from (used in) investing activities		(54,635)	(60,300)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		1,594	(3,360)
Net cash provided by / (used in) financing activities		1,594	(3,360)
Net increase in cash and cash equivalents held		2,206	912
Cash & cash equivalent at the beginning of the financial year		9,987	13,063
Exchange rate adjustment		(2,676)	(3,988)
Cash & cash equivalent at the end of the financial year	23	9,517	9,987

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

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 2016.

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's financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. 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 2016 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) 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 2016, 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:

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New standards and interpretations not yet adopted (continued)

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.

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 (e.g. 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 16 Leases

The new AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. 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 2020.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New standards and interpretations not yet adopted (continued)

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.

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.*

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax (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.

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.

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

This 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.

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.

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.

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 Group 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.

The Group has used the Reserve Statement released in September 2015 taking into account ore utilised throughout the period and replenished to estimate the recoverable amount of long lived assets. The updated Reserve Statement is not available at the date of these financial statements. Estimates of ore reserves in

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Critical accounting estimates and judgments (continued)

themselves are dependent on various assumptions, in addition to those described above, including cut-off grades. Changes in these estimates could impact on ore reserves, and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

Key estimates - Determination of ore reserves and remaining mine life

The Group estimates its ore reserves and mineral resources based on information compiled on the 25th of September 2015 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 - GST/VAT

The Group has net GST/VAT of US$36 million that comprises tax credit certificates (TCC) and GST/VAT claimable for cash. The current asset portion of GST/VAT US$13 million comprises amounts that are estimated to be utilised by TCC to offset various indirect taxes within the current period. The non-current amount of GST/VAT receivable of US$23 million represents the estimated amount utilised in future periods against tax liabilities of US$36 million.

(y) Rounding of amounts

The Group has applied the relief available to it under Class Order 2016 /191 and accordingly, amounts in the financial report and directors' report have been rounded to the nearest $1,000.

	Note	Consolidated 2016 US$000	Consolidated 2015 US$000
2. REVENUE			
Operating activities:			
Gold and silver sales		127,755	123,093
Non-operating activities:			
Interest revenue		75	79
Foreign exchange gain		149	-
Other		111	32
Total revenue		128,090	123,204
3. EXPENSES			
Profit/(loss) before income tax expense/(income) has been determined after charging/(crediting) the following items:			
Depreciation & amortisation:			
- Depreciation expense		9,254	12,449
- Amortisation expense		14,163	19,240
Total depreciation & amortisation		23,417	31,689
Employee benefits expense		12,662	8,332
Defined contribution plans		240	123
Defined benefit plans		476	291
Exploration expenditure written off		-	267
Foreign exchange gain		(150)	224
Impairment losses:			
- impairment expense	13	-	259,595
- assets written off		1,241	819
		1,241	260,414
Operating lease rental:			
- minimum lease payments		36	37
4. DIVIDENDS			
No final dividend was declared (2015: Nil)		-	-
No Interim or final dividend was declared or paid during the current or previous financial years.		-	-

	Consolidated 2016 US$000	Consolidated 2015 US$000
5. TAXATION		
(a) The components of tax expense comprise:		
Current tax	654	1,578
Deferred tax	1,502	(2,263)
	2,156	(685)
(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Operating profit before income tax	45,948	(218,795)
Prima facie income tax expense/(credit) at 30% (2015: 30%) on operating profit	13,784	(65,638)
less – tax effect of:		
other non-deductible/(non-assessable) expenses	-	424
difference of effective foreign income tax rates	(12,764)	(18,467)
deferred tax adjustment	-	649
impairment of assets	-	82,273
Amortisation and Depreciation Adjustment	2,634	-
share based payments expense	131	91
non-deductible foreign expenditure	1,006	1,124
foreign exchange	(2,832)	(1,946)
charitable contribution	(2)	157
under/over	-	648
inventory written off	243	-
deferred tax assets not brought to account	(44)	-
Income tax expense/(benefit)	2,156	(685)
The applicable weighted average effective tax rates are as follows: The reason for the 0% weighted average effective tax rate for the prior 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.	4.60%	-
(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€ occur:		
- Temporary differences	103	165
- Australian tax losses	4,135	3,576
	4,238	3,741

The benefit of tax losses will only be obtained if:

(i) the Group derives future assessable income of a nature & 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

	2016	2015
Earnings used to calculate basic and diluted EPS	43,792	(218,109)
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	207,794,301	207,794,301
Weighted average unlisted options outstanding	4,125,725	2,859,315
Weighted average of ordinary shares diluted as at 30 June 2016	211,920,026	210,653,616

	Note	Consolidated 2016 US$000	Consolidated 2015 US$000
7. CURRENT RECEIVABLES			
Gold awaiting settlement		12,511	4,626
GST/VAT receivables		13,441	17,165
Other receivables		25	794
Total current receivables		25,977	22,585
Refer ageing analysis in Financial Instruments Note 25(b)			
8. INVENTORIES			
Consumables – at cost		18,854	14,965
Ore stockpile – at cost		3,520	2,270
Gold Inventory – at cost		1,930	2,602
Total inventories		24,304	19,837
9. OTHER CURRENT ASSETS			
Prepayments		636	615
10. NON-CURRENT RECEIVABLES			
GST/VAT receivables		22,915	16,311
Total non-current receivables		22,915	16,311
11. PROPERTY, PLANT & EQUIPMENT			
Plant & equipment:			
At cost		174,456	157,334
less – provision for impairment		(67,873)	(67,873)
less – assets disposal		(460)	-
less – accumulated depreciation		(53,135)	(44,439)
Total plant & equipment at net book value		52,988	45,022
Furniture & fittings:			
At cost		996	908
less – provision for impairment		(253)	(253)
less – accumulated depreciation		(667)	(655)
Total furniture & fittings at net book value		76	-
Total carrying amount at end of year		53,064	45,022
Reconciliations:			
Plant & equipment:			
Carrying amount at beginning of year		45,022	115,184
plus – additions		16,657	11,247
less – disposal		(460)	(1,259)
less – forex differences on translation		825	-
less – impairment	13	-	(67,872)
less – depreciation		(9,056)	(12,278)

Carrying amount at end of year		52,988	45,022
		Consolidated	
		2016	**2015**
	Note	US$000	US$000

11. PROPERTY, PLANT & EQUIPMENT (continued)

	Note	2016 US$000	2015 US$000
Furniture & fittings:			
Carrying amount at beginning of year		-	286
plus – additions		88	109
less – disposals		-	-
less – forex differences on translation		-	-
less – impairment	13	-	(254)
less – depreciation		(12)	(141)
Carrying amount at end of year		76	-
Total carrying amount at end of year		53,064	45,022

12. EXPLORATION, EVALUATION & DEVELOPMENT EXPENDITURE

	Note	2016 US$000	2015 US$000
Exploration & evaluation expenditure:			
At cost		14,873	15,157
less – provisions for impairment	13	(4,130)	(4,130)
Total carrying amount at end of year		10,743	11,027
Development expenditure:			
At cost		361,798	326,654
less – provisions for impairment		(187,339)	(187,339)
less – accumulated amortisation		(65,849)	(52,267)
Net development expenditure		108,610	87,048
Total carrying amount at end of year		119,353	98,075

Reconciliations:

	Note	2016 US$000	2015 US$000
Exploration & evaluation expenditure:			
Carrying amount at beginning of year		11,027	29,857
plus – costs incurred		9,317	10,122
less - transferred to development		(8,845)	(21,842)
less – expenditure written off		-	(266)
less - impairment		-	(4,130)
less – forex differences upon translation		(756)	(2,714)
Carrying amount at end of year		10,743	11,027
Development expenditure:			
Carrying amount at beginning of year		87,048	231,886
plus – costs incurred		26,261	36,635
plus – transferred from exploration		8,845	21,842
less – amortisation expense		(13,325)	(19,193)
less – impairment	13	-	(187,339)
less – forex differences upon translation		(219)	3,217
Carrying amount at end of year		108,610	87,048

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 2016. 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 2016 included;

- *long range planning and scheduling meeting the JORC 12 Compliances:*
- *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 2017 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 2016 carrying value assessments. Comparison to the prior period has been provided.

Assumptions		2016 *(2017- 2021)*	2015 *(2016 – 2020)*
Gold price	US$/ounce	1,350	1,200
Average AISC cost	US$/ounce	820	1,057
Post-Tax Discount rate (%)	%	11.1	11.1
Probable reserves	ounces	427,000	590,000
Production capacity per annum	ounces	105,000 - 130,000	135,000 - 150,000

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.

13. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

a) Impairment testing (continued)

ii) Key Assumptions (continued)

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 the Group's JORC 2012 compliant Annual Resource and Reserve Update Statement announced to the Australian Stock Exchange on 25 September 2015.

iii) Impacts

Due to the estimated carrying amount exceeding the recoverable amount of the Group's Co-O mining operations CGU a non-current assets impairment charge was not required for the year ending 2016 (2015: US$259.6 million):

Description	Note	2016			2015		
		Carrying amount ($'000)	Impairment ($'000)	Balance ($'000)	Carrying amount ($'000)	Impairment ($'000)	Balance(($'000)
Development	12	108,610	-	108,610	278,517	(191,469)	87,048
Plant & equipment	11	53,064	-	53,064	113,148	(68,126)	45,022
Total	3	161,674	-	161,674	391,665	(259,595)	132,070

b) Sensitivity Analysis

Variation movements in any key assumptions may result in a change to the estimated recoverable amount which may indicate an 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 2016 statutory accounts:

Assumption changes	2016	2015
	Effect on recoverable amount ($'000)	Effect on recoverable amount ($'000)
US $100 per ounce increase/decrease in gold price	31,235	54,200
1% increase/decrease in the discount rate	4,649	4,780
5% increase in operating costs	17,239	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.

	Consolidated 2016 US$000	Consolidated 2015 US$000
14. BORROWINGS		
Current borrowings:		
Unsecured liability - interest bearing loan	6,064	3,822
Total current borrowings	6,064	3,822
Non-current borrowings:		
Secured liability - interest bearing loan	1,423	873
Unsecured liability - interest bearing loan	80	1,278
Total non-current borrowings	1,503	2,151
Total Borrowings	7,567	5,973

Secured Borrowing, are bank loans secured by transportation equipment of the Group. Interest rates on the loans range between 2.75% to 7.12% (2015: 3.75% to 4.00%)

15. EMPLOYEE BENEFITS

	2016	2015
Current employee benefits:		
Employee benefits	346	504
Total current employee benefit	346	504
Non-current employee benefits:		
Retirement Benefit	2,591	1,762
Total non-current employee benefits	2,591	1,762

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 2016. 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 applied - 4.65% (2015: 4.65%);
- Expected rate of salary increase – 3.00% (2015: 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.

15. EMPLOYEE BENEFITS (continued)

	Consolidated 2016 US$000	Consolidated 2015 US$000
Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
Current service cost	384	369
Interest on obligation	75	63
Total	459	432
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	2,062	2,172
Unrecognised actuarial loss	-	(313)
Unamortised past service cost - non vested	-	(97)
Total	2,062	1,762
Movements in the present value of the defined benefit obligation in the current period were as follows:		
Opening balance	2,172	1,745
Current service cost	383	369
Interest costs	75	63
Actuarial loss	-	(6)
Foreign exchange gain/(loss)	(568)	1
Closing balance	2,062	2,172

The Company has no plan assets held by trustees but an employee retirement fund amounting to US$1,312,035 (2015:US$1,100,879) was held as at June 30, 2016. The employee retirement fund is presented as part of cash at bank.

16. DEFERRED TAX

	Consolidated Opening Balance US$000	Forex on translation US$000	Credit/charged) to Income US$000	Closing Balance US$000
Consolidated Group				
30 June 2016				
Deferred tax liability				
Capitalised exploration & evaluation expenditures	290	-	(45)	245
Deferred tax assets				
Carried forward tax losses	2,008	-	(1,734)	274
Other	1,747	-	187	1,934
Total carried forward tax losses	3,755	-	(1,547)	2,208

16. DEFERRED TAX (continued)

	Consolidated			
	Opening Balance	**Forex on translation**	**Credit/(charged) to Income**	**Closing Balance**
	US$000	US$000	US$000	US$000
Consolidated Group				
30 June 2015				
Deferred tax liability				
Capitalised exploration & evaluation expenditures	1,782	-	(1,492)	290
Deferred tax assets				
Carried forward tax losses	1,453	-	555	2,008
Other	1,530	-	217	1,747
Total carried forward tax losses	2,983	-	772	3,755

17. AUDITOR'S REMUNERATION

	Consolidated	
	2016	**2015**
	US$000	US$000
Remuneration received or due and receivable by the Company's auditors, Grant Thornton Audit Pty Ltd for:		
• auditing or reviewing the financial reports	112	110
• other services provided by related practice of auditor - taxation & compliance	12	15
Total remuneration of the Company's auditors	124	125
Remuneration of other auditors of the Company's Philippines subsidiaries for:		
• auditing or reviewing the financial reports	57	97
• other services provided by related practice of auditor - taxation & compliance	17	5
Total remuneration of other auditors of the Company's Philippines subsidiaries	74	102

	Consolidated	
	2016	**2015**
	US$000	US$000

18. ISSUED CAPITAL

207,794,301 ordinary shares (30 June 2015: 207,794,301)	102,902	102,902
Total issued capital	102,902	102,902
Ordinary shares		
Balance at beginning of year	102,902	102,902
Ordinary shares issued during the year:		
(i) ordinary shares issued - new issues	-	-
Balance at end of year	102,902	102,902

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.

No ordinary shares were issued during the year or during the prior 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.

	Consolidated	
	2016	**2015**
	US$000	US$000
Capital for the reporting period under review is summarised as follows:		
Total equity	234,339	192,008
Cash and cash equivalents	(9,517)	(9,987)
Capital	224,822	182,021
Total equity	234,339	192,008
Borrowings	7,567	5,973
Overall financing	241,906	197,981
Capital-to-overall financing ratio	93%	92%

	Consolidated 2016 US$000	Consolidated 2015 US$000
19. RESERVES		
Option & performance rights reserve	739	304
Foreign currency translation reserve	4,413	6,309
Total Reserves	5,152	6,613

(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 2016
(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. During the year 2016, 459,500 were forfeited resulting in 2,740,500 options remaining at reporting date.
  (945,000 options were vested at reporting date (2015: nil)).
- 1,000,000 options expiring 9 February 2019 and exercisable at A$1.00 each
  (300,000 options were vested at reporting date (2015: nil)).

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 2016:

(i) 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.

(ii) 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.

Share based options	2016		2015	
	Number of options & performance rights	Weighted average exercise price (A$)	Number of options & performance rights	Weighted average exercise price (A$)
Outstanding at start of year	4,200,000	1.0000	1,575,000	6.0487
Granted	-	-	4,200,000	1.0000
Forfeited	(459,500)	1.0000	-	-
Expired	-	-	(1,575,000)	6.0487
Exercised	-	-	-	-
Outstanding at year end	3,740,500	1.0000	4,200,000	1.000
Exercisable at year end	1,245,000	1.0000	-	1.000

During the year 2016, 459,500 were forfeited (2015: nil) and no options expired (2015: 1,575,000).

The options outstanding at 30 June 2016 (all of which are unlisted) had a weighted average exercise price of A$1.00 and a weighted average remaining contractual life of 30.46 months.

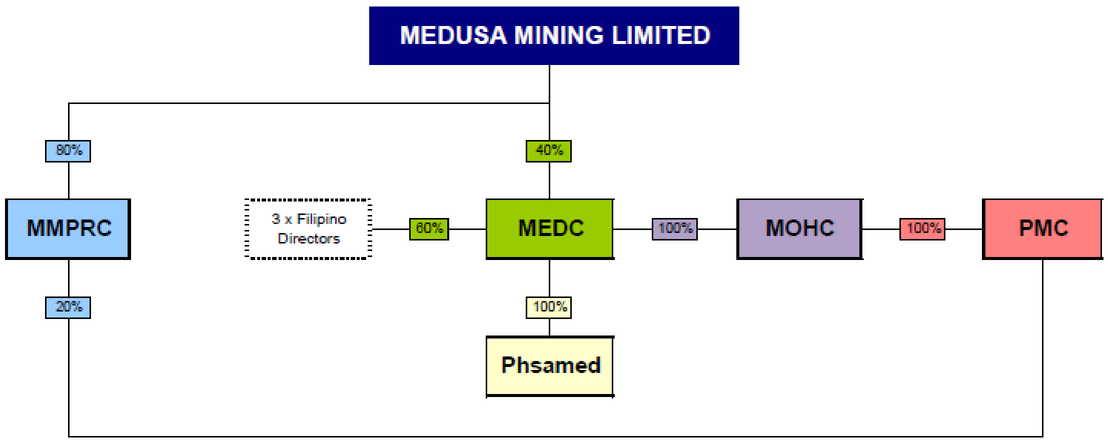
Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is US$435,286 (2015: US$304,025) and relates, in full, to equity-settled share based payment transactions relating to employees.

21. INVESTMENT IN SUBSIDIARIES

The following companies are controlled entities of Medusa Mining Limited as at 30 June 2016:

Controlled Entities	Date of incorporation	Country of incorporation	% interest held 2016	% interest held 2015
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%

ORGANISATION CHART



Philippines entities:

- Mindanao Mineral Processing & Refining Corporation ("MMPRC") - Processing Company
- Medusa Overseas Holding Corporation ("MOHC") - Holding Company
- Medusa Exploration & Development Corporation ("MEDC") - Company providing geological services
- Phsamed Mining Corporation ("Phsamed") - Mining and Exploration Company
- Philsaga Mining Corporation ("PMC") - Mining and Exploration Company

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.

	Consolidated 2016 US$000	Consolidated 2015 US$000
22. RETAINED PROFITS		
Retained profit at start of year	82,493	295,964
Net profit/(loss) attributable to members of Company	43,792	(218,109)
Transfer from share option reserve	-	4,638
Retained profits at end of year	126,285	82,493

	Consolidated 2016 US$000	Consolidated 2015 US$000

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:

	2016 US$000	2015 US$000
Cash at bank	9,516	9,986
Cash on hand	1	1
Total cash assets	9,517	9,987

(b) Reconciliation of profit /(loss) after income tax to net cash provided by operating activities:

	2016 US$000	2015 US$000
Profit/(Loss) after income tax	43,792	(218,109)
add/(less)-		
Non-cash items:		
- Depreciation/amortisation	23,417	31,689
- Exploration expenses written off	-	267
- Recognition of share based expenses	435	304
- Impairment expense	-	259,595
- Inventory write off	809	-
- Foreign exchange (gain) / loss	150	223
- Bad debts written off	(7)	393
- VAT write off	-	188
- Withholding tax for Dividend	30	-
- Deferred tax credit	1,248	(283)
- Loss on asset disposal/write off	439	222
- Income tax credit/(expense)	908	1,540
	71,221	76,029
add/(less) -		
Changes in assets & liabilities		
- (increase)/decrease in trade & other receivables	(10,459)	(5,376)
- (increase)/decrease in prepayments	(21)	(103)
- (increase)/decrease in inventories	(4,468)	(1,756)
- (decrease)/increase in trade & other payables	(2,528)	(3,501)
- increase/(decrease) in deferred taxes payable	1,502	(721)
Net cash provided by operating activities	55,247	64,572

(c) Restricted Funds

The Group's total cash assets mentioned above include restricted bank accounts as follows:

(i) A rehabilitation fund of US$338,383 (2015: US$463,363) to be used at the end of life of mine for environmental rehabilitation.

(ii) An employee retirement fund of US$1,312,035 (2015: US$1,100,879) established to meet employee entitlements on retirement.

(iii) The Company has a provident fund of US$746,353 (2015: US$266,673) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

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.

24. FINANCIAL RISK MANAGEMENT (continued)

(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.

Consolidated Group	Weighted average Effective interest		Floating interest rate		Within 1 Year		Within 1 to 5 Years		Non-Interest Bearing		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(%)		(US$000)									
Financial Assets												
Cash & cash equivalent	0.36	0.32	8,015	8,283	-	-	-	-	1,502	1,704	9,517	9,987
Loans and receivables	-	-	-	-	-	-	-	-	12,536	5,420	12,536	5,420
			8,015	8,283	-	-	-	-	14,038	7,124	22,053	15,407
Financial Liabilities												
Financial liabilities at amortised cost												
Bank Loan - Current	-	-	-	-	6,064	3,822	-	-	-	-	6,064	3,822
Bank Loan - Non-current	-	-	-	-	-	-	1,503	2,151	-	-	1,503	2,151
Trade & sundry payables	-	-	-	-	-	-	-	-	13,438	16,282	13,438	16,282
			-	-	7,567	5,973	1,503	2,151	13,438	16,282	21,005	22,255

	Consolidated 2016 US$000	Consolidated 2015 US$000
Receivables are expected to be collected as follows:		
Less than 6 months	12,536	5,420
6 months to 1 year	-	-
	12,536	5,420

As at 30 June 2016 and 2015, all receivables were neither past due nor impaired.

	Consolidated 2016 US$000	Consolidated 2015 US$000
Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	13,438	16,282
	13,438	16,282

(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.

24. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial instruments (continued)

(iii) Sensitivity analysis (continued)

Interest Rate Sensitivity Analysis

At 30 June 2016, 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:

	Consolidated	
	2016	**2015**
Change in profit/(loss) before income tax/equity	US$000	US$000
- increase in interest rate by 100 basis points	80	87
- decrease in interest rate by 100 basis points	(80)	(87)

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 2015 and 2016 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.

Consolidated	Net Financial Assets/(Liabilities) in US$000			
	AUD	US$	PHP	TOTAL US$
2016				
Functional currency of Group Entity				
Australian Dollar	n/a	1,053	-	1,053
US Dollar	-	-	588	588
Philippine Peso	-	1,009	-	1,009
Total	-	2,062	588	2,650
2015				
Functional currency of Group Entity				
Australian Dollar	n/a	1,114	-	1,114
US Dollar	-	-	273	273
Philippine Peso	-	2,912	-	2,912
Total	-	4,026	273	4,299

	Consolidated	
	2016	**2015**
Change in profit /(loss) before income tax/equity	US$000	US$000
- strengthening of A$ to US$ by 15%	(137)	(145)
- strengthening of Philippine Peso to US$ by 15%	(75)	(401)
	(212)	(546)
- weakening of A$ to US$ by 15%	137	145
- weakening of Philippine Peso to by 15%	75	401
	212	546

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$1,352 (2015: US$1,168) 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$13.965 million (2015: US$11.356 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.

	Consolidated 2016 US$000	Consolidated 2015 US$000

25. COMMITMENTS

(a) Exploration commitments:

The Group 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:

	2016 US$000	2015 US$000
- no later than 1 year	666	3,140
- 1 year or later and no later than 5 years	2,313	3,129
Total exploration commitments	2,979	6,269

(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:

	2016 US$000	2015 US$000
- no later than 1 year	63	85
- 1 year or later and no later than 5 years	121	3
Total operating lease expense commitments	184	88

(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:

	2016 US$000	2015 US$000
- no later than 1 year	178	62
- 1 year or later and no later than 5 years	239	249
Total other contractual commitments	417	311

(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:

	2016 US$000	2015 US$000
- no later than 1 year	89	51
- 1 year or later and no later than 5 years	392	259
Total other contractual commitments	481	310

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/Chief Operating Officer (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.

27. SEGMENT INFORMATION (continued)

	Mining US$000	Exploration US$000	Other US$000	Total US$000
12 months to June 2016:				
Segment Revenue	127,755	-	-	127,755
Reconciliation of segment revenue to group revenue				
add:				
Interest revenue				75
Other				260
Group revenue				128,090
Segment Result	46,865	(63)	(1,189)	45,613
Reconciliation of segment result to group result:				
add back:				
Gain on disposal of asset				111
Other revenue				149
Interest revenue				75
less:				
Income tax expense				(2,156)
Group profit				43,792
Segment Assets	252,942	1,038	2,338	256,318
Reconciliation of segment asset to group assets:				
plus: Deferred tax assets				2,208
Total group assets				258,526
Segment Liabilities	23,116	9	817	23,942
Reconciliation of segment liabilities to group liabilities				
plus: Deferred liabilities				245
Total group liabilities				24,187
12 months to June 2015:				
Segment Revenue	123,093	-	-	123,093
Reconciliation of segment revenue to group revenue				
add:				
Interest revenue				79
Other				32
Group revenue				123,204
Segment Result	(208,421)	(4,426)	(6,058)	(218,905)
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 loss				(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	23,462	12	1.047	24,521
Reconciliation of segment liabilities to group liabilities				
plus: Deferred liabilities				290
Total group liabilities				24,811

Revenue and non-current assets by geographical region	Australia	Philippines	Total
	US$000	US$000	US$000
12 months to June 2016:			
Segment Revenue	-	127,755	127,755
Non-Current Assets	28,885	169,207	198,092
12 months to June 2015:			
Segment Revenue	-	123,093	123,093
Non-Current Assets	31,906	128,134	160,040

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 2016, all of the Group's revenues depended on a single customer (2015:100%).

28. PARENT COMPANY INFORMATION

	2016	2015
	US$000	US$000
Parent Entity:		
Current Assets	2,140	2,247
Total Assets	31,123	34,248
Current Liabilities	817	1,047
Total Liabilities	817	1,047
Net Assets	30,306	33,201
Issued capital	102,902	102,902
Option premium reserve	739	304
Foreign exchange reserve	11,304	11,894
Accumulated losses	(42,370)	(39,630)
Dividends paid	(42,269)	(42,269)
Total Equity	30,306	33,201
(Loss)/profit for the year	(2,740)	(3,466)
Total Comprehensive Loss/(Profit)	(3,330)	(6,168)

29. NEW AND REVISED STANDARDS THAT ARE EFFECTIVE FOR THESE FINANCIAL STATEMENTS

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2015. Information on the more significant standard(s) is presented below.

AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

AASB 2015-4 amends AASB 128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015.

The adoption of this amendment has not had a material impact on the Group.

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 10
100 Mill Point Road
South Perth
Western Australia 6151

DIRECTORS' DECLARATION

for the year ended 30 June 2016

1. In the opinion of the Directors of Medusa Mining Limited:

   a The consolidated financial statements and notes of Medusa Mining Limited are in accordance with the *Corporations Act 2001*, including:

      i Giving a true and fair view of its financial position as at 30 June 2016 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

   b There are reasonable grounds to believe that Medusa Mining Limited 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 2016.

3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors

Andrew Teo
Chairman

Dated the 29th day of August 2016

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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 2016, 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.

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 2016 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.

Emphasis of matter

Without qualification to the audit opinion expressed above, we draw attention to Notes 1(x) and Note 13 which outlines that the Company estimates its ore reserves and mineral resources based on information compiled by Competent Persons in the Annual Mineral Resources and Ore Reserves Update Statement (the "Statement"). The last Statement was released in September 2015. The determination of ore reserves and remaining mine life affects the estimate of the recoverable amount of a number of the Company's assets including the deferred mining costs. At the date of this report, an updated Statement has not been completed. Should the results of the updated Statement be materially different from

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the estimated ore reserves this may have an impact on the estimated recoverable amount of the deferred mining costs.

Report on the remuneration report

We have audited the remuneration report included in pages 6 to 15 of the directors' report for the year ended 30 June 2016. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Medusa Mining Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Petricevic
Partner - Audit & Assurance

Perth, 29 August 2016