MEDUSA

MEDUSA MINING LIMITED
ABN: 60 099 377 849

Unit 7, 11 Preston Street
Como WA 6152

PO Box 860
Canning Bridge WA 6153

Telephone: 618-9367 0601
Facsimile: 618-9367 0602

Email: admin@medusamining.com.au
Internet: www.medusamining.com.au

ANNOUNCEMENT

18 October 2013

2013 ANNUAL REPORT

(ASX & LSE: MML)

Please find attached a pdf version of Medusa's 2013 Annual Report which is also viewable on the Company's website www.medusamining.com.au

For further information please contact:

Peter Alphonso
Company Secretary
Phone: +618 9367 0601
Website: www.medusamining.com.au

MEDUSA

ANNUAL REPORT

2013

CONTENTS

Appendix 4E

Preliminary final report
Period ending 30 June 2013

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 2013**

Results for announcement to the market

Revenues and profits:		US$'000		US$'000
Revenues from ordinary activities	up 24%	81,188	to	100,680
Profit from ordinary activities after tax attributable to members	up 2%	49,184	to	50,181
Net profit for the period attributable to members	up 2%	49,184	to	50,181

(All comparisons to the previous period ended 30 June 2012)

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

Dividend paid for period ended 30 June 2012 was A0.07 per share.

Net tangible assets per share:

The net tangible assets per share as at 30 June 2013 was US$1.893 (30 June 2012: US$1.672)

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 have been 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 2013 which accompany this report.

CORPORATE DIRECTORY

DIRECTORS

Geoffrey John Davis
Non-Executive Chairman

Peter Gordon Hepburn-Brown
Managing Director

Raul Conde Villanueva
Executive Director

Dr Robert Maurice Weinberg
Non-Executive Director

Andrew Boon San Teo
Non-Executive Director

Ciceron Angeles
Non-Executive Director

Gary Raymond Powell
Non-Executive Director

COMPANY SECRETARY

Peter Stanley Alphonso

EXECUTIVE MANAGEMENT

Peter Gordon Hepburn-Brown
Chief Executive Officer

Roy Philip Daniel
Chief Financial Officer

Peter Stanley Alphonso
Company Secretary

AUSTRALIAN BUSINESS NUMBER (ABN)

60 099 377 849

PRINCIPAL & REGISTERED OFFICE

Suite 7, 11 Preston Street
Como WA 6152

Postal address:	PO Box 860 Canning Bridge WA 6153
Telephone:	+ 618 9367 0601
Facsimile:	+ 618 9367 0602
Email:	admin@medusamining.com.au
Website:	www.medusamining.com.au

AUDITORS

Australia:

Grant Thornton Audit Pty Ltd
Level 1
10 Kings Park Road
West Perth WA 6005

Philippines:

RSB & Associates
18 Floor Cityland Condominium 10 - Tower 1
Makati City Philippines 1200

SOLICITORS

Australia:

Ashurst Australia
Level 32, Exchange Plaza
2 the Esplanade
Perth WA 6000

Philippines:

BMD Law Offices
18 Floor Cityland Condominium 10 - Tower 1
Makati City Philippines 1200

United Kingdom:

K&L Gates LLP
One New Change
London EC4M 9AF
United Kingdom

FINANCIAL ADVISOR & BROKER (UK)

S.P. Angel Corporate Finance LLP
35 Berkeley Square
Mayfair, London W1J 5BF
United Kingdom

BANKERS

Commonwealth Bank
150 St George's Terrace
Perth WA 6000

STOCK EXCHANGE LISTINGS

- **Australian Stock Exchange Limited (ASX)**
  (Home Exchange)
- **London Stock Exchange (LSE)**

Trading Code on ASX & LSE: MML

SHARE REGISTRIES

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

Computershare Investor Services

Australia:

Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000

Telephone: + 618 9323 2000
Facsimile: + 618 9323 2033
Investor enquiries: 1300 557 010

United Kingdom:

PO Box 82
The Pavilions
Bridgewater Road
Bristol BS99 7NH United Kingdom

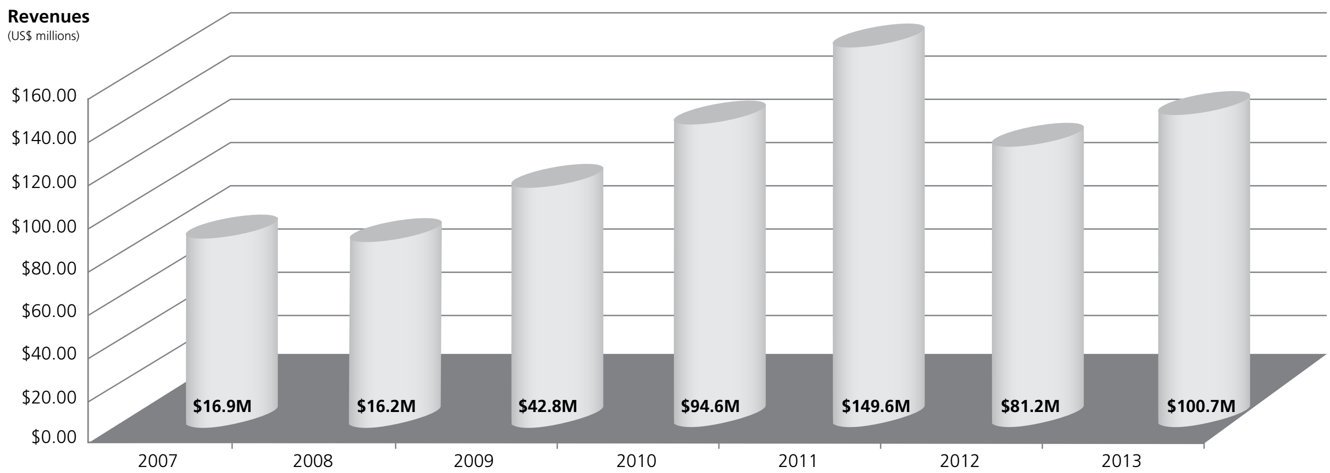
Telephone: + 44 (0)870 702 0003
Facsimile: + 44 (0)870 703 6116

FINANCIALS

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") of US$63.2M (US$58.0M the previous year)
- Earnings per share ("EPS") of US$0.266 on a weighted average basis, based on net profit after tax ("NPAT") of US$50.2M (2012: EPS of US$0.261 based on NPAT of US$49.2M)
- Revenues of US$100.7M compared to US$81.2M. Medusa is an un-hedged gold producer and received an average gold price of US$1,610 per ounce from the sale of 77,488 ounces of gold for the year.
- No dividends were declared nor paid during the year.

Item	30 Jun 2013	30 Jun 2012	Variance
Revenues	US$100.7M	US$81.2M	24%
EBITDA	US$63.2M	US$58.0M	9%
NPAT	US$50.2M	US$49.2M	2%
EPS (basic)	US$0.266	US$0.261	2%
Dividend paid	Nil	A$0.07	-

- The Company had total cash and cash equivalent in gold on metal account US$7.45M at year end (2012: US$51.8M).



OPERATIONS

Description	Unit	30 June 2013	30 June 2012
Tonnes mined	WMT	364,257	274,185
Ore milled	DMT	309,648	253,138
Head grade	gpt	7.02	8.10
Recovery	%	90%	92%
Gold produced	ounces	62,243	60,595
Cash costs [1]	US$/oz	$313	$261

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

- The Company produced 62,243 ounces of gold for the year, compared to the previous year's gold production of 60,595 ounces, at an average recovered grade of 7.02 g/t gold (2012: 8.10 g/t gold);
- The average cash cost for the year of US$313 per ounce, was higher than the previous year's average cash costs of US$261 per ounce due primarily to the treatment of lower grade development ore, higher power costs and operating inefficiencies associated with increasing on-going maintenance associated with the old mill.

PRODUCTION GUIDANCE FOR SEPTEMBER AND DECEMBER 2013 QUARTERS

The production guidance for the September and December 2013 quarters is approximately 17,000 ounces and 35,000 ounces respectively. Full year guidance for 2014 will be available once the new Co-O mill is fully commissioned and further development has been completed on Level 8.

NEW Co-O MILL AND MINE EXPANSION

In November 2010, the Board approved a major expansion of the Co-O Mine and the construction of a new Mill with capacity to produce 200,000 ounces of gold per year based on processing up to 750,000 tonnes per year. The approved Capital Expenditure was estimated at approximately US$70M for the mine expansion and new mill.

The Environmental Clearance Certificate for 2,500 tonnes per day for the new mill has been granted.

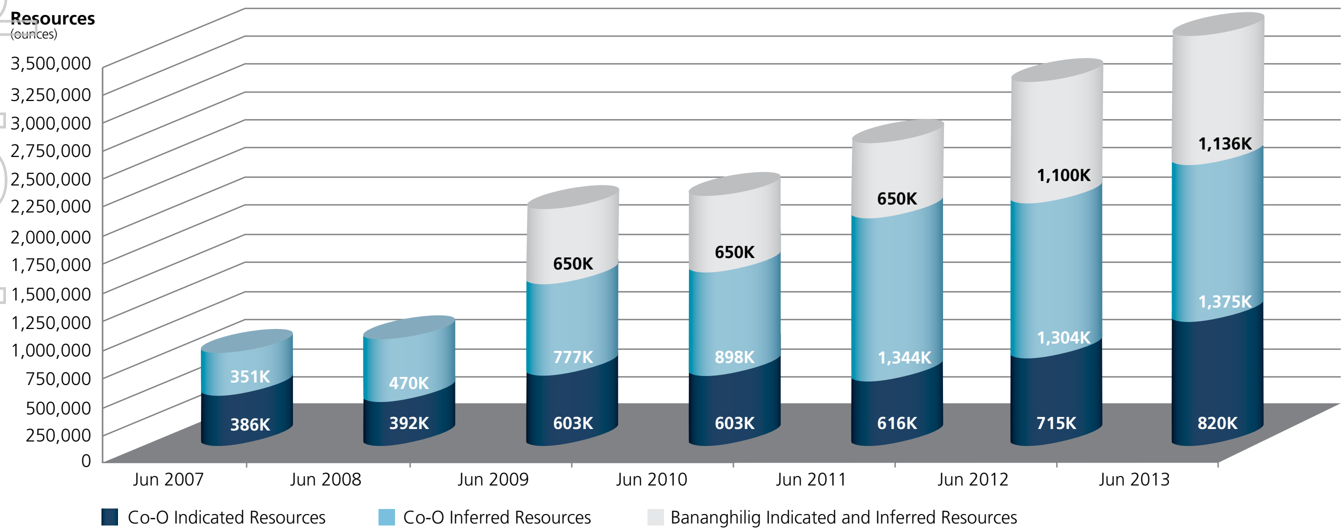
The current status of activities is:

- L8 Shaft (formerly Saga Shaft) operational;
- Commissioning of New Mill nearing completion; and
- New electrical supply systems to the mine and mill operational.

RESERVES AND RESOURCES

Co-O Reserves	Jun 2013	Jun 2012	Variance
Probable reserves *	570,000	568,000	2,000
Co-O Resources	**Jun 2013**	**Jun 2012**	**Variance**
Indicated resources	820,000	715,000	105,000
Inferred resources	1,375,000	1,304,000	71,000
Bananghilig Resources	**Jun 2013**	**Jun 2012**	**Variance**
Indicated & Inferred resources	1,136,000	1,100,000	36,000
Saugon Resources	**Jun 2013**	**Jun 2012**	**Variance**
Indicated & Inferred resources	15,700	0	15,700

- Gold reserves at Co-O increased marginally to 570,000 ounces (after depletion);
- Co-O's gold resources comprised of 820,000 indicated and 1,375,000 inferred resource ounces, representing increases of 105,000 and 71,000 ounces within the indicated and inferred categories respectively and excludes mining depletion for the year;
- Bananghilig's total resources increased by 36,000 ounces to 1,136,000 ounces;
- The initial indicated and inferred resources for Saugon are 15,700 ounces.
- (*) "as per JORC 2004"



EXPLORATION

- Contiguous tenement package maintained at >800km^2;
- The Company wrote off US$6.8 million in exploration expenditures primarily due to the relinquishment of the Anoling gold project;
- Budgeted exploration for fiscal year 2014 of US$15.0 million (2013 actual: US$24.0 million);
- Exploration highlights at **Co-O** include:
  - the global resources pass 2.1 million ounces and are still open at depth, to the east, north and to the west;
  - underground drilling continues to extend mineralisation; and
  - the Conceptual Exploration Target ** for the Co-O Mine of between 3 and 7 million ounces of gold continues to be validated with global resources and mined ounces now totalling in excess of 2.7 million ounces;

** The potential target size and grade of the Co-O Mine is conceptual in nature and there has been insufficient exploration to define a mineral resource. It is also uncertain if further exploration will result in the target being defined as a mineral resource.

- At the **Bananghilig** disseminated gold deposit, drilling has converted 766,000 ounces to the Indicated category and 370,000 ounces are in the Inferred category. During the year, the Company announced the discovery of a new zone of gold mineralisation, B2, proximal to the current Bananghilig gold deposit. There is potential for defining a new resource at B2 from continued drilling;
- At **Saugon**, Cube Consulting Pty Ltd completed a resource for the Saugon deposit. A cut-off of 2 g/t was used resulting in an Indicated Resource of 47,000 tonnes at 6.99 g/t gold containing 10,700 ounces and an Inferred Resource of 34,000 tonnes at 4.55 g/t gold containing 5,000 ounces; and
- Induced Polarisation, Resitivity and Ground Magnetics geophysical programme have been completed over **Saugon** and **Lingig** and in progress for the **Co-O** area.

HIGHLIGHTS OF FINANCIAL YEAR

CORPORATE

DIVIDEND:

No dividends were declared nor paid during the year.

FUNDING:

With the current subdued gold price and the delay to the commissioning of the new Co-O Mill caused by the situation with Arccon, Medusa has been reviewing the efficiency of its operations and also its costs. As a result of this review, the Company has deemed it prudent to arrange funding facilities with two Philippine banks.

The overdraft facilities available to the Group total Php600 million (approximately US$14 million) and as reported in the announcement on Quarterly Activities dated 31 July 2013, the Company has drawn down Php120 million (approximately US$3 million).

MANAGING DIRECTORS REVIEW

Dear Shareholders,

This has been a difficult year as we strived to complete the new mill and the L8 Shaft (formerly Saga Shaft) whilst endeavouring to keep gold production on target. The old mill is 25 years old and its availability during the year has contributed to reduced gold production as breakdowns occurred more frequently and for longer periods.

The construction of the new mill was scheduled to be completed in July 2013, but due to the ECPM contractor, Arccon going in to administration, the commissioning of the new mill has been delayed.

A new contractor has been appointed and the new mill is now being commissioned. The ramp up to full production of 2,500 tpd will commence shortly. The power upgrade and tailings dams have been completed, together with the upgrading/replacement of existing infrastructure including new administration and accommodation buildings, new surface fleet maintenance workshops, new core farm, accommodation at the mine site and communications.

The L8 Shaft was completed in the March quarter and it is now completely operational, hauling development ore and waste from Level 8. Development ore along Level 8 has been hampered due to narrow veins and faulting around the L8 Shaft, but as the development has moved away from the shaft, the veins widths and grades have improved. Development and stoping is still occurring on Levels 1 to 6 and will continue for a number of years.

The Safety, Environmental and Community activities throughout the year have been very positive, with only one lost time accident during the year, no environmental breaches and a local community that is very supportive of our operations.

Exploration at the Co-O Mine and at Bananghilig has continued to be successful. The Resources at Co-O and Bananghilig has been increased again this year and at Bananghilig exploration has discovered a new area, called B2, proximal to the Bananghilig resource where drilling is continuing to delineate this deposit.

The Company is now positioned to move forward with increased gold production and to rebuild its cash balance.

The decision to suspend dividends was unfortunately necessary due to the cash being required for construction of the new plant as well as for working capital. We expect that once the milling rate has been achieved (2,500 tpd) and the cash balance has been sufficiently built up, the Company will be in a position to re-introduce dividend payments.

In closing, I wish to thank my fellow Directors, Perth office staff and the dedicated Filipino team who have strived to achieve our objectives under difficult circumstances during the year. We also very much appreciate the continued support of the local communities and the relevant Philippine government agencies which enable us to expand our activities and thereby provide benefits to an increasing number of people.

Yours sincerely,

Peter Hepburn-Brown
Managing Director

REVIEW OF OPERATIONS

HIGHLIGHTS

"The Company is nearing the completion of its expansion program as the L8 Shaft has been operating since the first quarter of CY 2013 and the mill is currently undergoing commissioning.

The Company's resource base continued to increase with the addition of approximately 200,000 ounces, bringing the total resource ounces to over 3.3 million."

MINERAL RESOURCES AND RESERVES:

Table 1. Mineral Resources and Ore Reserves as at 30 June 2013 (2004 JORC Code)

DEPOSIT	CATEGORY	TONNES	GRADE G/T GOLD	OUNCES GOLD
RESOURCES				
Co-O Resources	Indicated	2,100,000	12.1	820,000
	Inferred	4,780,000	9.0	1,375,000
Total Co-O Resources	**Indicated & Inferred**	**6,880,000**	**9.9**	**2,195,000**
Bananghilig Resources	Indicated	16,060,000	1.48	766,000
	Inferred	8,460,000	1.36	370,000
Total Bananghilig Resources	**Indicated & Inferred**	**24,520,000**	**1.44**	**1,136,000**
Saugon Resources	Indicated	47,500	6.99	10,700
	Inferred	34,000	4.55	5,000
Total Saugon Resources	**Indicated & Inferred**	**81,500**	**5.97**	**15,700**
TOTAL RESOURCES	**Indicated & Inferred**	**31,481,500**	**3.31**	**3,346,700**
Total Indicated Resources		18,207,500	2.73	1,596,700
Total Inferred Resources		13,274,000	4.10	1,750,000
RESERVES				
Co-O Reserves	Probable	1,650,000	10.7	570,000

NOTE: Resources include reserves

RESOURCES:

- a lower cut-off of 3.0 g/t gold has been applied at Co-O
- various upper cut-off gold grades up to 300 g/t gold have been applied to different veins at Co
- a lower cut-off of 0.8 g/t gold has been applied at Bananghilig and various upper cuts
- a lower cut-off of 2.0 g/t gold has been applied at Saugon
- rounding to the nearest 1,000 may result in some slight discrepancies in totals

RESERVES:

- Reserves are a subset of Resources
- a cut-off grade of 4.0 g/t gold has been applied to developed ore
- a cut-off grade of 4.7 g/t gold has been applied to un-developed ore
- a gold price of US$1,200 has been applied

THE Co-O OPERATIONS:

- Produced 62,243 ounces of gold for the year at cash costs of US$313 per ounce;
- Increased the Indicated Resources by 14% to 820,000 ounces at an average grade of 12.1 g/t gold;
- Completed the L8 Shaft in the March 2013 Quarter. The shaft is operational and currently hauling ore and waste from the Level 8 loading pocket. 350m of development has been completed on Level 8;
- Deepened the Baguio Shaft from Level 3 to Level 5 which will be operational from Level 5 at the end of August 2013; and
- The New Primary Crusher and Sag Mill were commissioned during August 2013.

TAMBIS REGION - BANANGHILIG GOLD DEPOSIT:

- Drilling achieved the objective of increasing the total resources to 1,136,000 ounces of gold comprising Indicated Resources of 766,000 ounces and Inferred Resources of 370,000 ounces;
- At Bananghilig an additional 14 infill holes for resources were completed in April 2013;
- Sterilisation drilling to delineate areas for a proposed plant site, tailings and waste storage facilities is nearing completion, as is geotechnical drilling for tailings and waste storage facilities, open pit walls and mill plant areas;
- Extension drilling of the newly discovered B2 mineralisation is in progress with two drill rigs.

ON THE EXPLORATION FRONT:

DRILLING STATISTICS

PROJECT	PURPOSE	NUMBER OF HOLES	METERAGE
Co-O Mine			
Co-O Mine	Surface	67	45,578
Co-O Mine	Underground	62	13,749
Sub-total Co-O Mine		**129**	**59,327**
Bananghilig/Canugas/Supon			
Bananghilig	Resource In-fill	42	8,174
Bananghilig	B2	12	4,126
Bananghilig	Sterilisation	12	3,409
Canugas	Surface	14	7,483
Supon	Surface	4	1,235
Sub-total Bananghilig/Canugas/Supon		**84**	**24,427**
GRAND TOTAL		**213**	**83,753**

SUMMARY OF SURFACE EXPLORATION PROJECT ACTIVITIES

Co-O MINE

- Surface exploration drilling was put on-hold, with the last completed hole being EXP237 in April 2013, while underground drilling is continuing;
- Evaluation of South Agsao vein system is continuing through surface work; and
- Surface and underground drilling results are being continuously reviewed.

BANANGHILIG

- Infill drilling completed in April 2013 to upgrade resources from Inferred to Indicated Category of the Bananghilig Deposit;
- Preliminary Scoping Study demonstrates favourable economics for development of the Bananghilig Deposit;
- Sterilisation and geotechnical drilling in progress; and
- Extension drilling of the newly discovered B2 mineralisation in progress.

Co-O REGIONAL

- Induced Polarization, Resistivity and Ground Magnetics surveys are in progress;
- Regional mapping and sampling programmes are continuing; and

The Company has maintained its exploration area of more than 800 square kilometres.

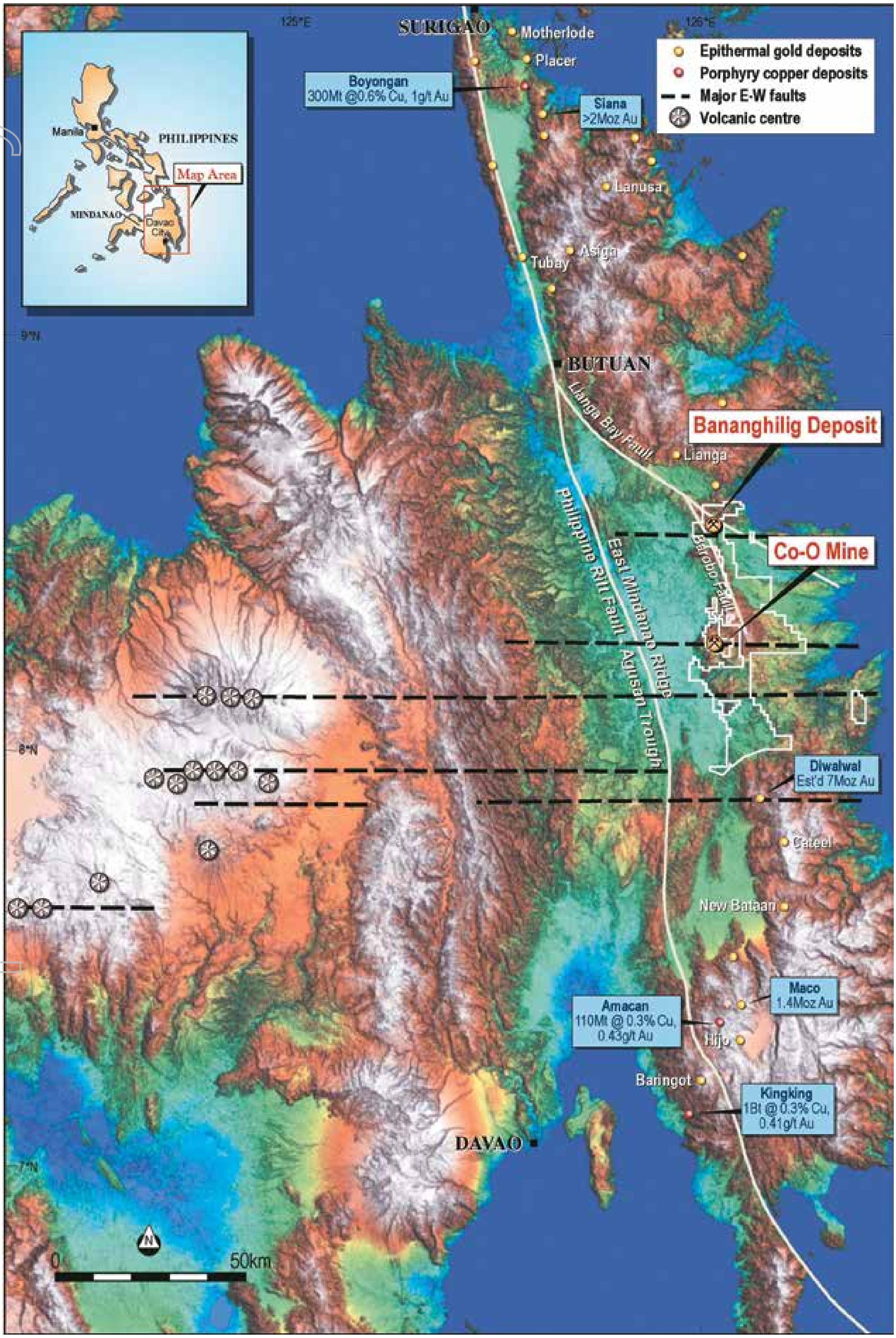


Figure 1: Locations diagram of the Company's tenement areas and prominent East-West structures

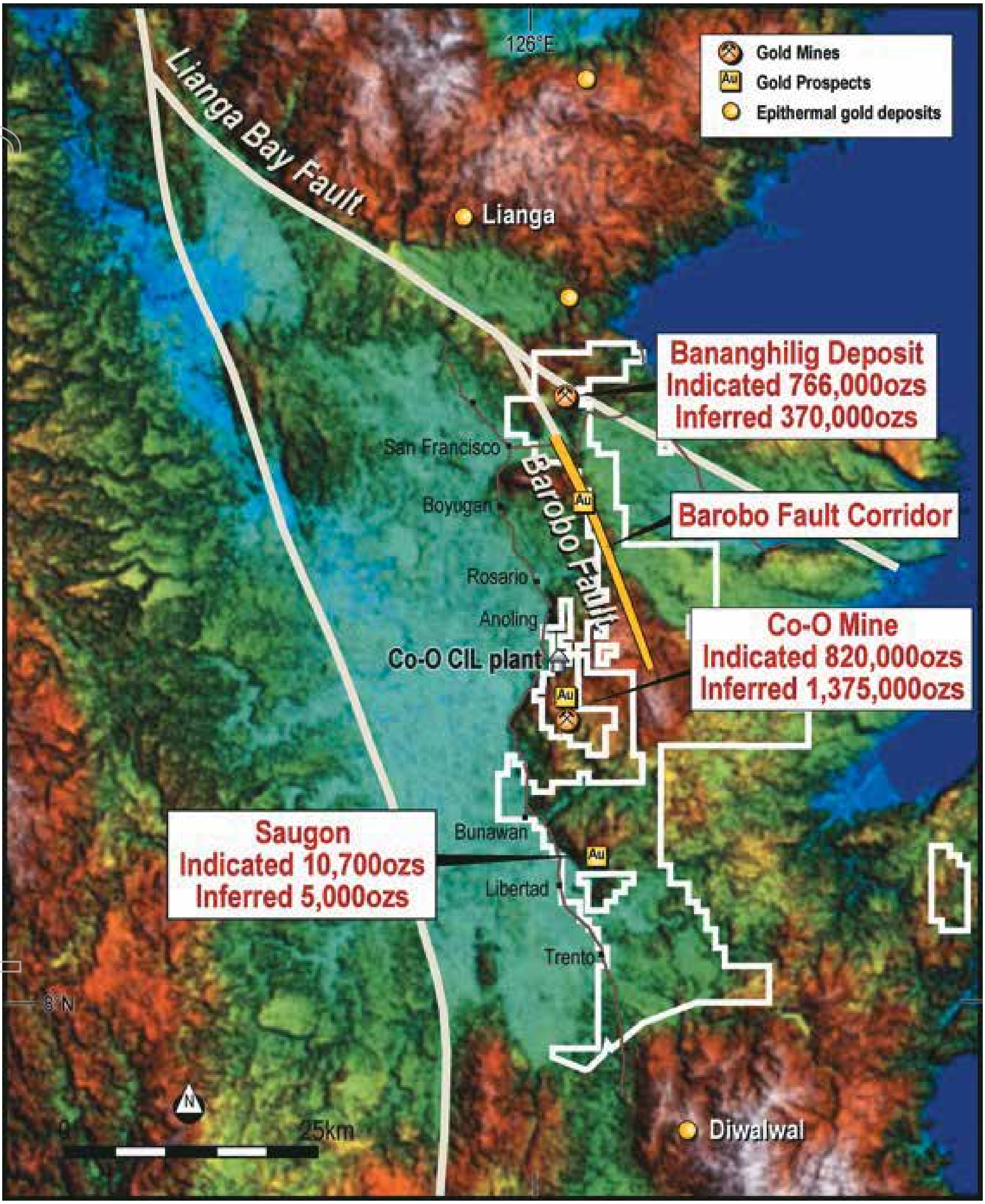


Figure 2: Tenement location map showing the mines and prospects (Note: excised areas east of Co-O mine and mill are small scale mining reservations).

EXECUTIVE ORDER ON MINING IN THE PHILIPPINES

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

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

The EO requires the issuing of new implementing rules and regulations within 60 days of the EO publication after which the granting of exploration tenements will re-commence. The granting of construction permits for new projects will commence only after the new fiscal regime has been legislated. The fiscal settings of all existing contracts will be honoured.

IMPLICATIONS OF THE EXECUTIVE ORDER ON MINING

Co-O Operations

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

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

Bananghilig Project

The EO will have no immediate impact on the project as the Company can continue to explore, conduct feasibility studies and planning.

However, should the feasibility study be positive and the Company commits to constructing the project, timely issuance of the relevant permits to commence construction maybe subject to new law on mining taxes and royalties being passed by Congress.

Updates will be provided as information becomes available.

Co-O PROJECT

Co-O GOLD PRODUCTION

The Co-O Mine produced 62,243 ounces of gold during the year

Table II. Gold production statistics for financial years ended 30 June 2012 and 2013

Period	Unit	Year ended 30 June 2013	Year ended 30 June 2012
Tonnes mined	wet tonnes	346,257	274,185
Ore milled	dry tonnes	309,648	253,138
Head grade	gpt	7.02	8.10
Recovery	%	90%	92%
Gold produced	ounces	62,243	60,595
Cash costs (1)	US$	$313	$261
Gold sold	ounces	77,488	55,446
Average gold price received	US$	$1,610	$1,658

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

The Co-O Mine produced 62,243 ounces of gold for the year compared to the previous year's gold production of 60,595 at a recovered grade of 7.02 g/t gold (2012: 60,595 ounces at recovered grade of 8.10 g/t gold).

The average cash cost for the year of US$313 per ounce, was higher than the previous year's average cash costs of US$261 per ounce due primarily to the treatment of lower grade development ore, higher power costs and operating in-efficiencies associated with increasing on-going maintenance associated with the old mill.

The production guidance for the September and December 2013 quarters is approximately 17,000 ounces and 35,000 ounces respectively. Full year guidance for 2014 will be available once the new Co-O mill is fully commissioned and further development has been completed on Level 8.

Co-O MILL AND MINE EXPANSION

In November 2010, the Board approved a major expansion of the Co-O Mine and the construction of a new Mill with capacity to produce 200,000 ounces of gold per year based on processing up to 750,000 tonnes per year. The approved Capital Expenditure was estimated at approximately US$70M for the new mill and mine expansion.

Photo 1: Crushed ore being loaded into Sag Mill

The Environmental Clearance Certificate for 2,500 tonnes per day for the new mill has been granted.

The current status of activities is:

- L8 Shaft (formerly Saga Shaft) operational;
- Commissioning of New Mill nearing completion; and
- New Electrical supply systems to the mine and mill operational.

Photo 2: L8 Shaft

Co-O MINING OPERATIONS

MINE OPERATION AND DEVELOPMENT

The Co-O Mine is a rail or tracked mine utilising battery driven electric locomotives and 1.2 to 1.5 tonne mine cars. The mine operates using two adits, four inclined 60º internal shafts (Sabor, 8E, 10W and 3W shafts), two vertical external shafts (Ventilation and L8 shafts) and two inclined external shafts (Agsao and Baguio shafts) as marked on Figure 3 & 4. The combination of small surface and underground shafts has been upgraded to haul approximately 1,000 tonnes per day and the L8 Shaft can haul 1,500 tonnes per day, giving a total of 2,500 tonnes per day.

Conventional airleg or jackleg mining is used for level development and in narrow vein shrink stopes (which are backfilled with waste where possible to mitigate hauling waste to the surface).

Photo 3: Mucking Don Pedro Ore

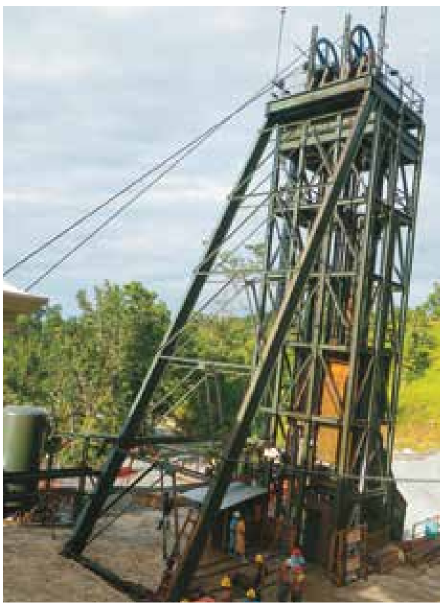


Photo 4: L8 Shaft

REVIEW OF OPERATIONS

Development continued on Levels 1 to 6 and development commenced on Level 8 from the L8 Shaft. The Baguio Shaft was deepened from Level 3 to level 5 during the year.

The level development target advance rates have been achieved of 1,500 metres per month resulting in a high percentage of development ore in the current mill feed. This accelerated development program has been essential to prepare the mine for the increased production rates required under the expansion plans. Development ore from level development (which converts Inferred Resources to Indicated Resources which are then used to estimate the Probable Reserves) provided the majority of the mill feed during the year. The same rate of development will continue for the future.

Photo 5: Loading ore into loading pocket 8L

Co-O MINE RESOURCES

"Since 30 June 2012, the Co-O Mine indicated resources have increased by 14% to 820,000 ounces and the global resources have increased by 8% to 2,195,000 ounces (after allowing for production depletion).

Re-estimation of the Co-O Mine resources as announced on 8 August 2013 returned the following:

Table III. Co-O Mine Resources as at 30 June 2013

Category	≥ 3 g/t gold		
	tonnes	g/t gold	ounces
Indicated resources	2,100,000	12.1	820,000
Inferred resources	4,780,000	9.0	1,375,000
TOTAL	**6,880,000**	**9.9**	**2,195,000**

Note:
- a lower cut-off of 3 g/t gold has been applied
- various upper cut-off gold grades up to 300 g/t gold have been applied to different veins at Co-O
- rounding to the nearest 1,000 may result in some slight discrepancies in totals

VEIN MODELLING

Cube Consulting Pty Ltd of Perth, Western Australia, was contracted to undertake the resource estimate. A wireframe model of the vein system and the mine depletions were based on all available information as at 30 June 2013. A Specific Gravity value of 2.62 was used in the estimations. A 2D longitudinal modelling approach was used and is based on an accumulation variable incorporating mineralised vein horizontal width and intercept grade. Variography was used to analyse the spatial continuity of the horizontal width and accumulation variables within the mineralised veins and to determine appropriate estimation inputs to the interpolation process. The accumulation variables were interpolated into blocks using Ordinary Kriging. High grade limits were applied to gold prior to the calculation of the accumulation variable.

The Co-O Mineral Resources have been reported in accordance with The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

Co-O MINE RESERVES

"Since 30 June 2012, the Co-O Mine reserve has been maintained at 570,000 ounces."

The Probable Reserve as at 30 June 2013 is 570,000 ounces contained in 1,650,000 tonnes at 10.7 g/t gold.

Carras Mining Pty Ltd of Perth, Western Australia was contracted to complete the reserve estimation based on the resource wireframe model provided by Cube Consulting Pty Ltd.

The Probable Reserve was estimated from an Indicated Resource of 2,100,000 tonnes at 12.1 g/t gold containing 820,000 ounces of gold. The estimate was based on a gold price of US$1200 per ounce, a minimum stope width of 1.2 metre, a horizontal development width of 2 metres, with cut-off grades of 4.0 g/t gold applied to developed ore and 4.7 g/t gold to un-developed ore.

Compared to the information available at the time of the previous reserve estimate at 30 June 2012, the reserve grade has increased slightly and the tonnes decreased slightly.

Co-O EXPLORATION

"Exploration drilling continues to expand the Co-O Vein system along a strike length to more than 2,000 metres, with a new focus on extensions of the vein system to the west of the Tinago Fault and at depth to the west of the Oriental Fault."

RESOURCE DRILLING

A total of 59,327 metres of diamond core drilling in 129 surface and underground holes were completed.

Currently there are four diamond drill rigs operating, two on contract and two owned by the Company on Levels 3 and 8.

Announcements dated 09 July 2012, 14 August 2012 and 21 February 2013, and the March 2013 and June 2013 quarterly reports contain details of the drill hole intersections achieved during the year.

A composite vein plan derived from the 3D model projected to Level 6 is shown in Figures 3 & 4. Plan projection of recent surface and underground exploration drillholes are shown respectively.

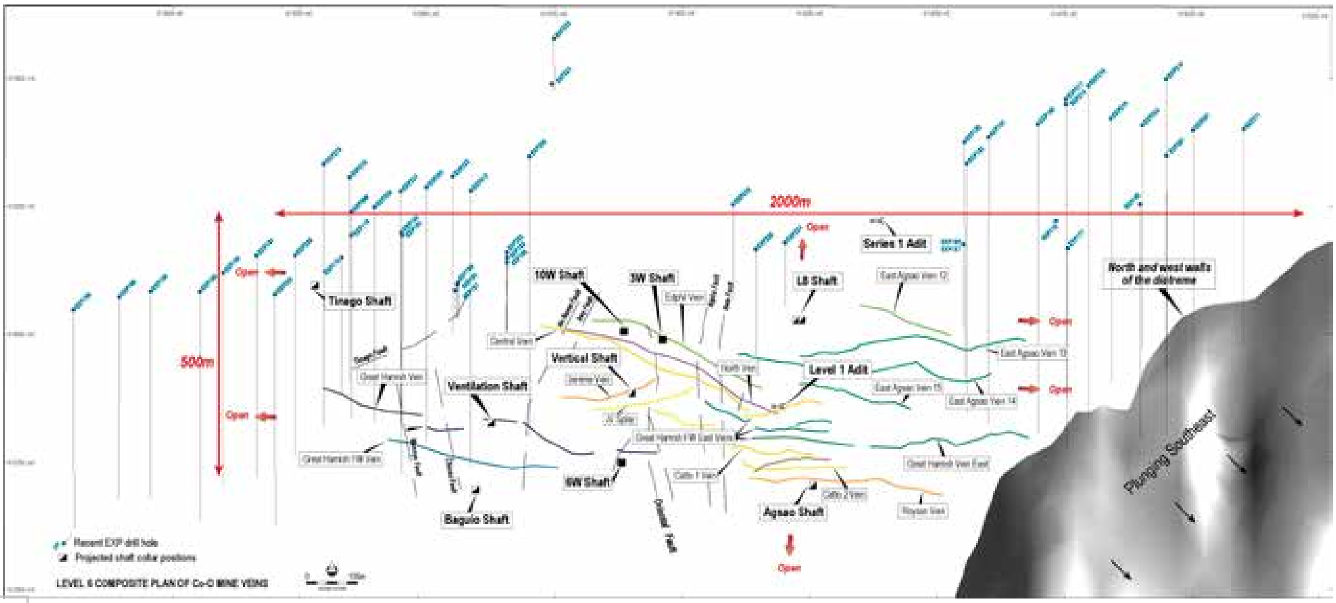


Figure 3: Co-O Mine Level 6 composite vein plan showing diatreme and recent surface exploration drillhole projection

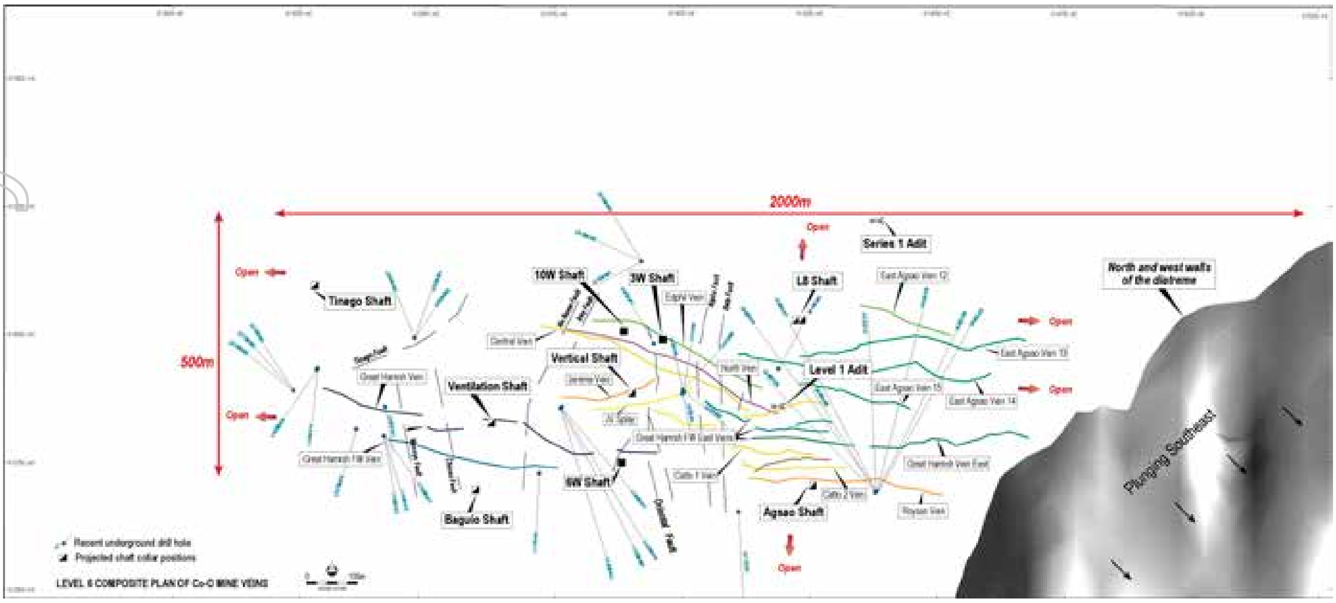


Figure 4: Co-O Mine Level 6 composite vein plan showing diatreme and recent underground exploration drillhole projection

IP Survey

A ground geophysics Induced Polarisation ("IP")/ Resistivity ("RES") survey continues within the Co-O tenements including the Co-O mine environs. Up to the end of the June quarter, approximately 25 line kilometres of the survey was completed. It is anticipated that the balance of the IP survey (~230 line kilometres) will be completed during the March 2014 quarter, with interpretation being carried out during the March/June 2014 quarters.

Reconnaissance Programmes

Reconnaissance mapping and sampling programmes are ongoing.

Co-O MINE LOCAL GEOLOGY AND MINERALISATION

Detailed discussions and interpretations of the Co-O Mine geology and mineralisation were announced on 14 August 2012 and are also contained, with plans and sections in the 2012 Annual Report. These interpretations are summarised below:

- The Co-O Mine area is underlain by gently north-dipping basaltic andesitic to andesitic volcanic flows and minor volcaniclastics (Fig. 5) which have been intruded by andesitic to dioritic stocks and cut by north-trending faults.
- There are three large outcropping intrusives, namely the Nangka, Road 17 and Pinayungan Intrusives, located east and southwest of the Co-O vein system, and several smaller ones in the vicinity. The Nangka and Pinayungan Stocks are in place while the rest are "floating" in the Co-O Diatreme including the large Road 17 Mega Block.
- Porphyry-related copper-gold mineralization is hosted only in the Nangka Stock and the surrounding volcanics. Generally grades range from 0.11 to a maximum of 0.31 % Cu and 0.11 to 0.24 g/t Au with a Cu:Au ratio of about 1:1 to 1:2.
- After a period of substantial uplift and erosion, a diatreme/maar complex explosively intruded all the above rock types. Although the diatreme is pre-mineralization, it does not substantially host the veins due to lithological (or rheological) contrast where the veins are preferentially emplaced in the competent pre-mienralization non-diatreme rocks. Its presence explains the general absence of near surface epithermal veins east of the Oriental Fault instead of invoking a large down thrown movement of the zone as the veins are masked by the flare of the diatreme.

- The Co-O Diatreme is upward flaring in all directions towards the surface, measuring about 1.5 kilometres in diameter, and narrows down at depth like a funnel of unknown dimensions. Its root is probably located at the southern part of the Road 17 Intrusive. It is inferred that the diatreme may easily reach 1 kilometre or more in depth as indicated by its surface dimension wherein the vertical extent is more than its lateral extent. The maar volcanics, which are the extrusive equivalent of the diatreme were deposited during the explosive activity of the diatreme emplacement.
- After the emplacement of the diatreme/maar complex, mineralised hydrothermal breccias followed by epithermal gold veins were formed, overprinting the older porphyry-related copper-gold mineralisation. The veins generally strike west-northwest to due west and dip 55 to 75° to the north for all veins except the Central Vein which is vertically dipping.
- After another episode of uplift and erosion, a thin veneer of polymictic conglomerate to a maximum thickness of about 30 metres, was deposited on top of the diatreme/maar complex.

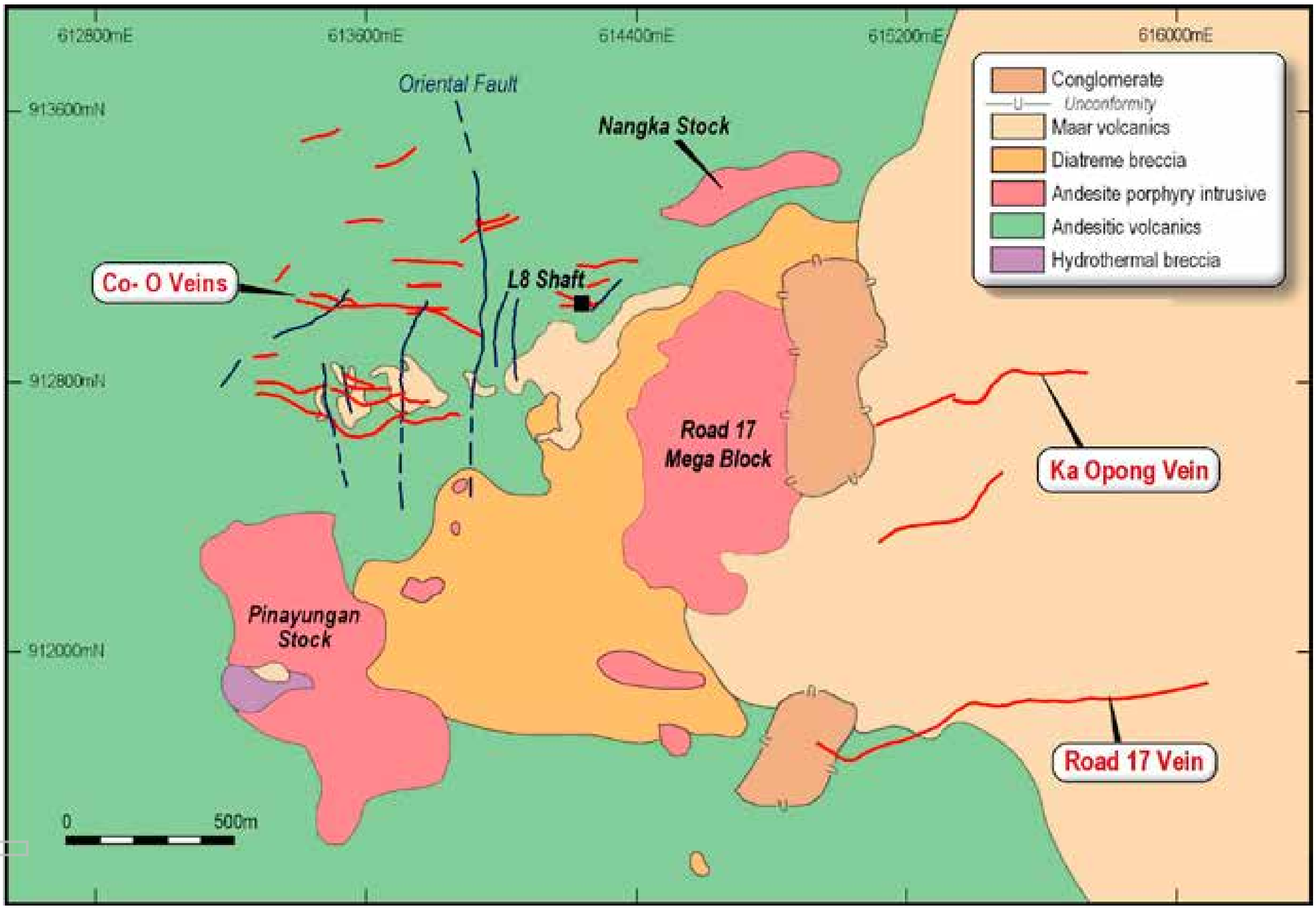


Figure 5: Co-O Mine area interpreted geological map

Implications

On the eastern side of the Oriental Fault, now that the diatreme breccia pipe has been defined, the outcropping of northern veins such as the Royal Vein set and the non-outcrop of others is readily explained as the outcropping ones are not masked by the diatreme complex. Some of the non-outcropping veins are hidden below the flare of the diatreme and below Maar volcanics.

This new interpretation also negates the need to invoke a substantial vertical displacement on the Oriental Fault. The consequence is that there is now no geological reason why the vein system on the west side of the Oriental Fault should not continue to similar depths to those on the eastern side of the fault.

Research

Detailed studies of the Co-O Mine and surrounds have continued through 2012-13 with the Centre for Exploration Targeting at the University of Western Australia. This work is still in progress involving primarily fluid inclusion, alteration and detailed vein texture studies on a large suite of samples collected from throughout the Co-O veins to assist in determining the extent and nature of the hydrothermal system.

Co-O EXTENSIONAL DRILLING

The philosophy of exploring for additional extensional and new mineralisation by stepping outwards from current mine infrastructure is continuing during the 2012-13 financial year.

Figure 6 shows the updated regional vein map around the Co-O Mine including the projection to Level 6 of the veins in the 2013 resource model and the northwestern edge of diatreme.

Figure 7 is a composite longitudinal projection of the Co-O Mine showing recent drillhole intercepts.

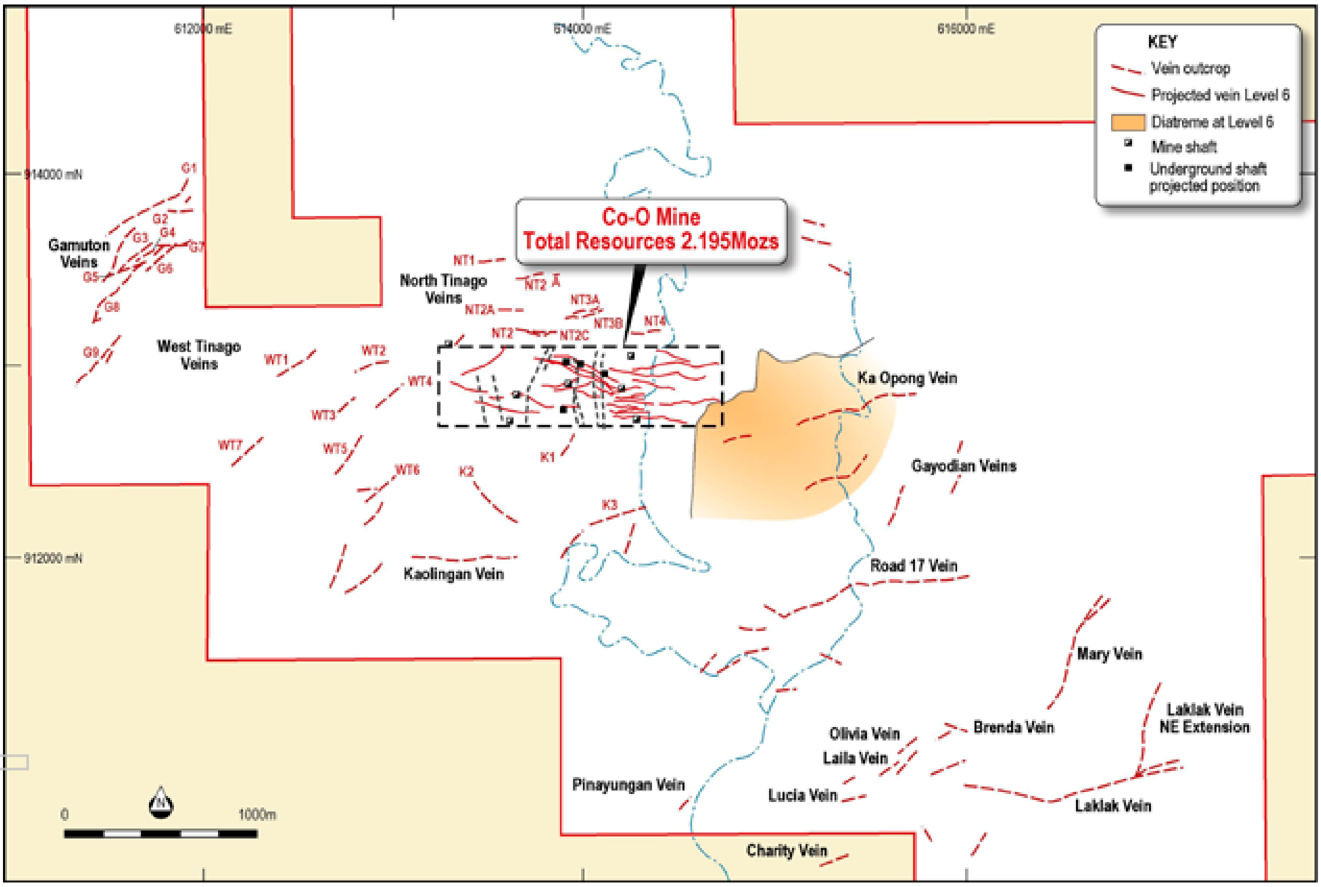


Figure 6: Co-O Mine area showing the Co-O veins and diatreme at Level 6 and regional vein targets.

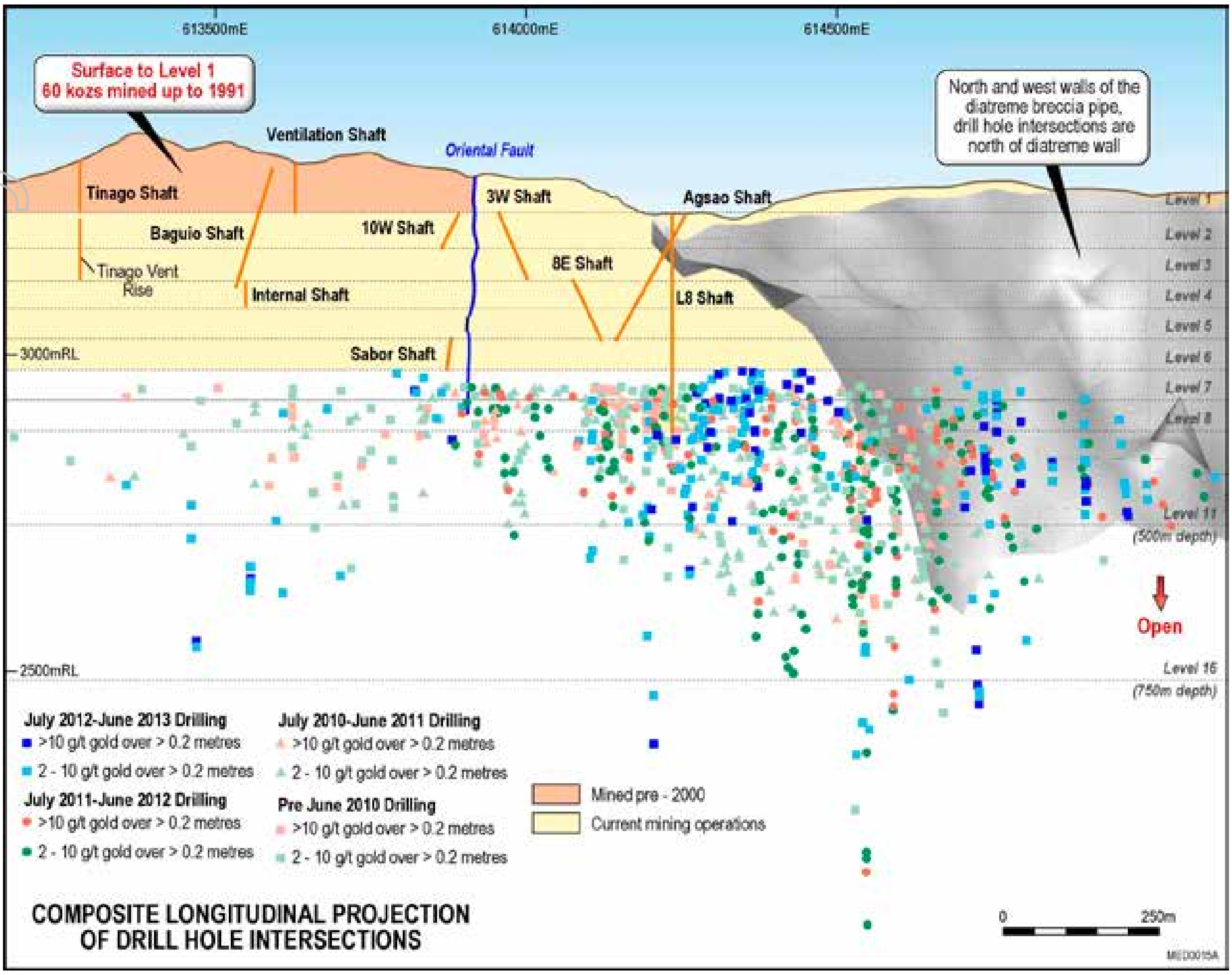


Figure 7: Co-O Mine composite longitudinal projection showing recent drill hole intercepts.

TAMBIS REGION

The Tambis project comprising the Bananghilig Gold Deposit (Fig. 2 & 10) is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement ("MPSA") 344-2010-XIII, which covers 6,262 hectares.

The Executive Order on Mining (EO79) signed on 6 July 2012, by the President of the Philippines, will have no immediate impact on the Bananghilig Project as the Company can continue to explore, conduct feasibility studies and planning.

BANANGHILIG GOLD DEPOSIT

The announcement of 12 September 2011 summarises the Tambis regional geological setting, local geological setting, deposit description and mineralisation. Additional information is contained in the September 2011 quarterly report dated 24 October 2011, drilling updates on 17 January 2012, 08 August 2012, 21 November 2012 and 02 April 2013, operations update on 08 July 2013 and resource estimation updates on 29 January 2013 and 08 August 2013.

Resource Drilling

Since 30 June 2012, a total of 8,173.5 metres of core drilling in 42 holes have been completed, including a 14 hole infill drilling programme (Fig. 8), within the Bananghilig resource area, which were all used in the recent resource estimation update.

Indicated & Inferred Mineral Resource Estimation

On 29 January 2013, the Company announced the results of resource estimation undertaken by Cube Consulting Pty Ltd of Perth, Western Australia. The Indicated Mineral Resource estimate for the Bananghilig Deposit, comprises 608,000 ounces of gold at 1.59 g/t gold in 11,900,000 tonnes and an Inferred Mineral Resource of 472,000 ounces of gold at 1.62 g/t gold in 9,000,000 tonnes using a cut-off grade of 0.8 g/t gold. The 29 January 2013 announcement comprises a summary of the parameters utilised in the resource estimation.

On 08 August 2013, a mineral resource update was announced utilising all drilling data up to 30 June 2013. Using a 0.8 g/t gold lower cut-off applied to the resource estimate, a total combined Indicated and Inferred Resources of 24,520,000 tonnes was reported, containing 1,136,000 ounces at a grade of 1.44 g/t gold (compared to 1,080,000 ounces in 20,900,000 tonnes at 1.60 g/t gold as reported on 29th January 2013). The Indicated Resource ounces have increased by 26% to 766,000 ounces at 1.48 g/t gold (from 608,000 ounces at 1.59 g/t gold).

Resource modelling

The 08 August 2013 announcement comprises a summary of the parameters utilised in the resource estimation, viz:

Cube Consulting Pty Ltd of Perth, Western Australia, was contracted to undertake the resource estimate. The Bananghilig Mineral Resource estimate is based on a number of factors and assumptions, some of which are listed below:

- all available drilling data as at 30 June 2013 was used for the Mineral Resource estimate;
- wire-frames were generated on plan and cross sectional interpretations based on available geology and assay data available. A lower cut off of approximately 0.3 g/t Au was used to define a single mineralised domain;
- all wireframes were corrected for artisanal miners' depletion;
- upper cut of 40 g/t was applied to the 2 metre composites prior to grade estimation;
- the bulk densities used range from 1.8 to 2.76 t/m^3 depending on the modelled lithology. A total of 4,000 bulk density measurements have been completed;
- the Resource has been estimated using Ordinary Block Kriging and Uniform Conditioning (UC). UC is a mathematical method that allows the discrimination of ore and waste at an assumed selective mining unit size within an estimated panel of significantly larger size. In theory, this provides a more correct prediction of estimated resource grade and tonnes above a cut off than an Ordinary block Kriging alone. The method draws information from the composite data variogram model and Krige's Relationship; and
- the application of the (UC) technique at Bananghilig is based on the premise that mining would be by open pit extraction. A Selective Mining Unit ("SMU") of 5 metres by 5 metres by 2 metres was evaluated within Ordinary Kriged panels Y = 25 metres; X = 25 metres and Z = 5 metres for the purposes of reporting recoverable resources.

The Bananghilig Mineral Resources have been reported in accordance with The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

Bananghilig Scoping Study

On 09 April 2013, the Company published the results of a first pass Scoping Study[1] of the Bananghilig Gold Deposit. The Scoping Study was conducted to ± 25% accuracy and the results considered positive, warranting the commencement of a Feasibility Study to be undertaken by external consultants. The Scoping Study parameters and discussion on other parameters, including metallurgy, mining and operations is included in the 09 April 2013 and 12 April 2013 announcements.

1 The Scoping Study referred to in this report is based on low-level technical and economic assessments of Indicated and Inferred Mineral Resources, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

B2 PROSPECT

B2 Discovery Area

On 02 April 2013, the Company announced the discovery of a new zone of gold mineralisation (now known as the B2 area) proximal to the current Bananghilig gold deposit (Fig. 8). The results of recent drilling are believed by the Company to have implications for the development of the current Bananghilig resource. There is potential for increasing the resource base in both tonnes and gold grades, such that the currently ongoing Bananghilig feasibility study will be reviewed and possibly re-scoped.

A total of 4,126 metres of core drilling in 12 holes have now been completed in the B2 area.

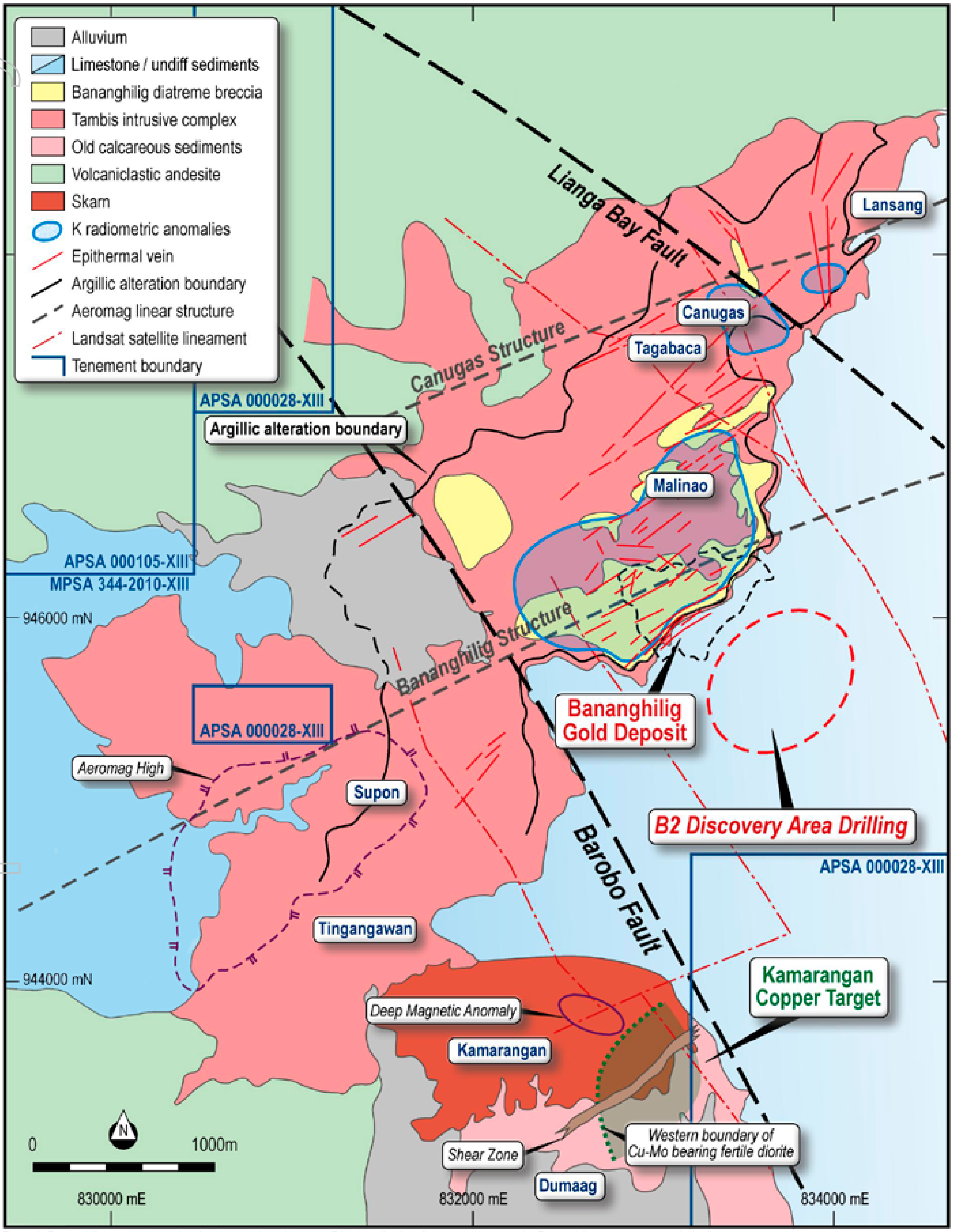


Figure 8: Bananghilig area geology showing the position of the new B2 mineralisation discovery, relative to the Bananghilig resource, beneath the limestone cover.

B2 Drilling Results

Drilling at B2 is continuing with two diamond rigs drilling on a 150 metre x 150 metre grid pattern. Results of the initial drilling at B2 were announced on 02 April 2012, 08 July 2013 and the March 2013 Quarterly Report. A summary of significant results from drilling at the B2 area, including those not previously announced, are included in Table IV below.

Table IV: Bananghilig - B2 Discovery Area drill hole results ≥1 g/t gold.
Results not previously reported are marked †

Hole Number	East[4]	North[4]	Depth (Metres)	Dip (O)	Azimuth (O)	From (Metres)	Width[2] (Metres)	Gold Grade[1,3] (g/t Gold)
TDH279	613838	944891	647.10	130	-60	125.40	6.05	1.03
						137.85	1.20	5.15
						143.05	4.00	1.47
						198.30	7.70	1.15
						288.55	5.60	2.11
						325.40	1.70	10.89
						422.70	12.40	7.69
						466.10	6.90	1.35
						526.15	6.50	1.03†
						554.10	6.00	2.03
						572.85	1.20	4.22
						599.70	1.00	5.85
						617.60	8.00	3.16
TDH280	613555	944594	317.60	130	-60	247.40	12.70	7.00
						251.40	1.30	25.84
						252.70	0.75	15.27
						253.45	1.00	23.40
						264.10	8.85	1.54
TDH283	613668	944503	308.60	130	-60	147.90	7.00	1.06
						229.10	5.00	1.17
						281.10	2.00	7.19
TDH284	613605	945083	309.30	130	-60	117.65	6.45	2.11†
						129.70	5.00	1.03
						138.75	31.60	7.33
						173.45	1.00	9.64
						178.45	13.05	2.24
						195.50	43.70	2.48
						289.50	13.30	2.20
TDH285	613727	944982	308.10	130	-60	117.65	6.45	2.11
						150.80	10.85	1.87
						175.10	12.00	5.47
						206.10	2.00	2.80
						228.60	4.00	2.74
						260.30	1.30	5.49
						298.20	6.40	1.18
TDH286	613939	944798	323.60	130	-60	273.80	8.10	1.73
						306.25	5.40	20.64
						318.70	2.00	3.51
TDH303	613502	945189	321.60	-60	130	155.10	21.55	0.94
						190.85	7.45	1.51
						207.30	13.90	5.15
						229.90	10.70	19.28
						309.00	2.10	3.28†

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

Geotechnical and Sterilisation Drilling Programmes

A geotechnical investigation drilling programme commenced in July 2013 to investigate sites suitable for infrastructure associated with the development of the Bananghilig Deposit, including plant site, waste, tailings and process water storage facilities. A sterilisation drilling programme is also being conducted. As at 30 June 2013, twelve sterilisation drill holes have been completed for 3,409 metres and to date, no significant results have been received for these areas.

Both programmes are anticipated to be completed during the September 2013 quarter.

TAMBIS REGIONAL

KAMARANGAN - SUPON

Four diamond drill holes have been completed for a total of 1,234.60 metres. Drilling to date has not encountered significant mineralisation

The northern segment of the NNW-trending Barobo Fault structural corridor abuts both the Supon and Kamarangan copper-gold prospects on its eastern side, and bound the southwest portion of the Bananghilig hydrothermal system. A NNW-trending zone encompassing an area 1 kilometre long and 500 metres wide, located at the eastern edge of the Kamarangan prospect has been identified for further work.

CANUGAS

A scout drilling program was completed in the Canugas area, with fourteen diamond drill holes totalling 7,482.70 meters. Drilling at the Tagabaca target and Canugas milled breccia target failed to encounter significant mineralization.

LINGIG COPPER PROSPECT

The Lingig copper discovery is located within the Das-Agan Project consisting of Mineral Production Sharing Agreement (“MPSA”) 343-2010-XIII and situated in Surigao del Sur province in east Mindanao (Figs. 2 & 10). The MPSA covers approximately 80 km^2 (8,019 hectares) in one block.

GEOLOGICAL SETTING

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

There are two known copper mineralization in Lingig, namely Zone 1 (Au-bearing porphyry related Cu), and Zones 2 & 3 (porphyry-related Cu with related magmatic-hydrothermal breccias-hosted Cu)

Basalt-hosted mineralisation

The porphyry-related Cu mineralization at Zone 1 is gold-bearing, and is hosted mainly in basalt. Mineralization consists predominantly of chalcopyrite-pyrite fracture fills and disseminations and minor occurrences of thin (≤1 cm) ±quartz±calcite±sulphide veins and veinlets. It is interpreted that the bottom of this mineralisation may be truncated by an underlying thrust fault and potentially the rest of the mineralised zone is yet to be located. The diorite porphyry and the barren hornblende quartz diorite beneath the thrust fault are all propylitic. One of the hisotrical drill holes (LIN002) is well mineralized, starting at 2 metres below surface and containing 267.3 metres at 0.52% Cu and 0.06 g/t Au to the intersection with the thrust zone.

Breccia-hosted mineralisation

Magmatic-hydrothermal breccia pipes have been recognized at Zones 2 and 3. They consists of angular to subrounded, pebble to boulder-sized basalt clasts in a quartz diorite plutonic matrix. The basalt clasts sometimes have quartz-sulphide veinlets and are cut again by later veinlets. The mineralization consists of pyrite±chalcopyrite fracture fills, quartz-sulphide veinlets and/or breccia fills up to 2 cm wide. Copper grades are generally 0.1 to 0.3% Cu with negligible Au. Both the host quartz diorite and the breccias pipes are variably altered. The breccia body is tabular and open to the south with copper mineralisation in intensely altered hydrothermal breccias with the most recent intersections of 154.7 metres at 0.19 % copper in hole LIN 37 and 86.0 metres of 0.12% copper in hole LIN 40.

A geophysics Induced Polarisation, Resistivity and ground magnetics surveys have been completed. Data processing and interpretations have recently been completed by an independent geophysical consultant. Two IP high chargeability zones have been identified, with the smaller anomalies coincident with the known mineralisation described above. The larger of the two IP anomalies will be the focus for additional drilling with the aim of delineating additional mineralisation.

Three Mineralized Zones (Zones 1, 2 & 3) identified to date are located along a NE-trending structure associated with (i) a moderate to high IP chargeability anomaly and (ii) the eastern boundary of the NE-trending high resistivity anomaly centred on the quartz diorite stock (Angeles, 2013).

There is a coincident Cu-Mo soil anomaly, 1 x >1km in size, at the mineralized Zones 1 and 2 and still open to the north. This strengthens the hope that there is still higher-grade porphyry-related copper mineralization to the north (Angeles, 2013).

Test pitting, soil sampling and re-mapping are in progress, to complement the recent geochemistry and geophysics surveys and will be utilised to assist in target definition for future drilling programmes.

SAUGON

FIRST HIT VEIN

Background

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

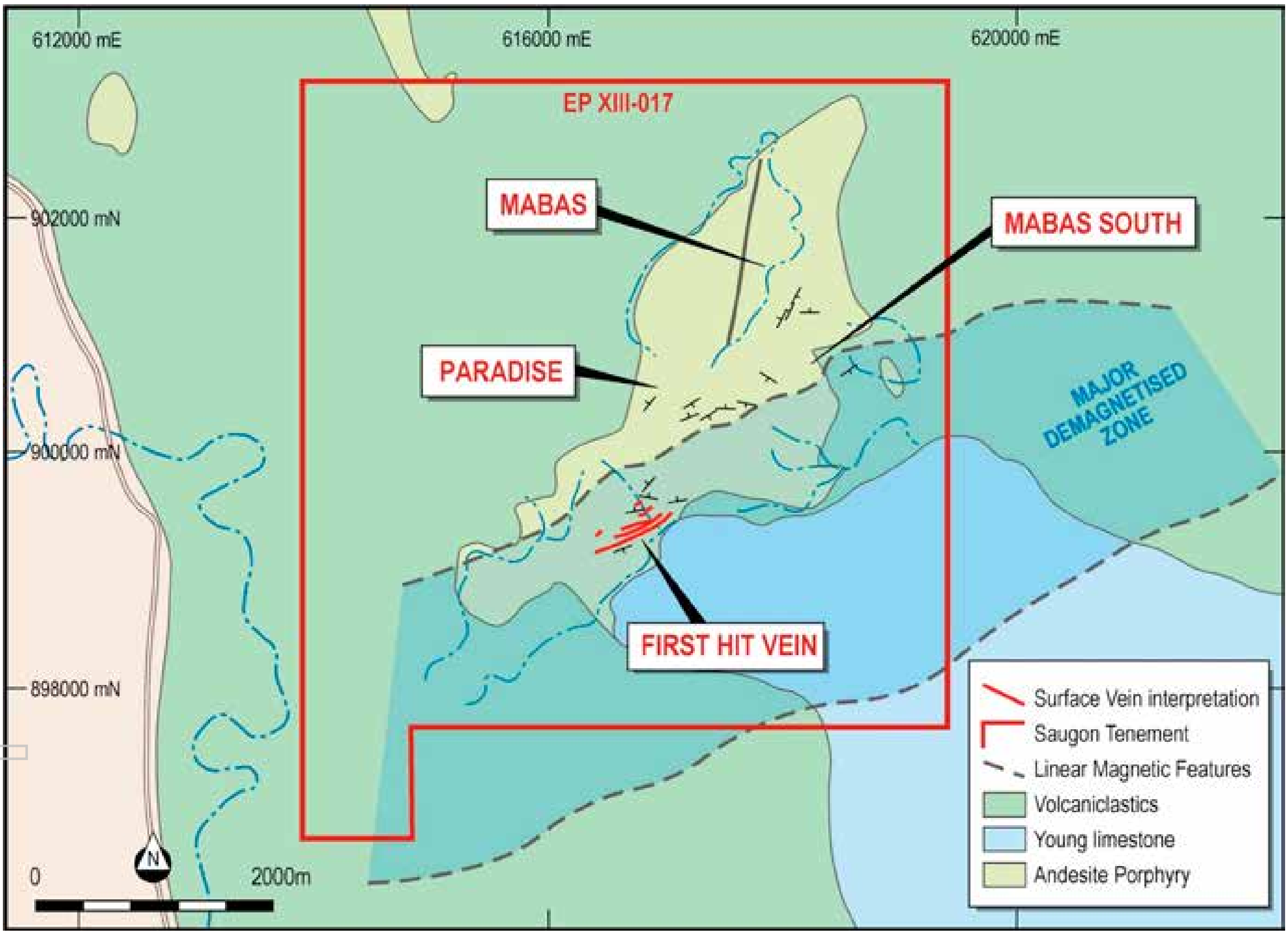


Figure 9: Saugon regional geology map

Regional Setting

Subsequent to the drilling in 2004, an aeromagnetic survey was completed which showed the First Hit Vein ("FHV") set is on the northern edge of a large, northeast-trending demagnetised zone over 2,000 metres wide and approximately 8,000 metres long, part of which is shown on Figure 9. A number of features within this zone were interpreted to be suggestive of intrusive bodies, possibly porphyry copper–related. Field work has established that outcropping areas of the northern side of this zone show intense silica–barite and clay-pyrite alteration, particularly in the Paradise area.

The eastern sections of the demagnetised zone are covered by younger sediments comprising grits and mudstones capped by white, semi-massive to massive limestone. These sediments appear to be remnants of the same younger sequence that occurs elsewhere to the north in the Company's tenements.

Surface indications of FHV extensions and alteration are evident to extend towards the SW, with a potential strike length of 1.5km. This area is coincident with a broad to moderate chargeability anomaly extending from surface to depth.

Mineral Resources

Cube Consulting Pty Ltd was contracted to complete a preliminary resource estimate for the FHV (refer to the March 2013 quarterly report). A cut-off of 2 g/t gold was used resulting in an Indicated Resource of 47,000 tonnes at 6.99 g/t gold containing 10,700 ounces and an Inferred Resource of 34,000 tonnes at 4.55 g/t gold containing 5,000 ounces.

ANOLING

Following a review of all exploration and drilling results, the Mines Operating Agreement with Alcorn Gold Resources Inc. covering MPSA application 039-XIII was terminated due to unfavourable economics for the project, and the Anoling tenements handed back to the vendors.

APICAL (MEDUSA EARNING 70%)

A Joint Venture Agreement ("JVA") with MRL Gold Phils, Inc. ("MRL") and an underlying claim owner covers MPSA application number 0028-XIII situated in the provinces of Agusan del Sur and Surigao del Sur in east Mindanao to the north of the Co-O Mine and Plant. The MPSA comprises approximately 20.84 km^2 (2084 hectares) in the Tambis area. MRL is the Philippine operating company of Mindoro Resources Ltd, a public company listed on the TSX Venture Exchange in Canada and the ASX in Australia.

The tenement is being progressed towards granting.

CORPLEX

The Company through Philsaga has Memorandum of Agreement ("MOA") with Corplex Resources Incorporated ("CRI") on four tenement applications, being an application for Mineral Production Sharing Agreement ("APSA") 000054-XIII covering approximately 2118 hectares, APSA 000056-XIII covering 162 hectares and APSA 000077-XIII covering approximately 810 hectares (including the Usa copper prospect described above), and Exploration Permit ("EPA") application 0000186-XIII covering 7,111 hectares.

The tenements are being progressed towards granting.

SURSUR PROJECT

A Mines Operating Agreement ("MOA") was signed between Philsaga Mining Corporation ("Philsaga") and Sursur Mining Corporation ("Sursur") for Exploration Permit applications XIII - 00176, 000180 and 000181, with a total combined area of 15,825 hectares. Sursur will receive a 3% gross royalty and Philsaga is responsible for all tenement processing and expenditures.

The tenements are being progressed towards granting.

USA PORPHYRY COPPER- GOLD TARGET

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

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

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

The tenement application is still in progress.

TENEMENTS

Figure 10 shows the locations of the Company's granted tenements. During the year, the tenement applications in process have been stalled due to the introduction of EO 79, and the review currently being undertaken by the government to determine the new legislation on mining taxes and royalties for submission to Congress.

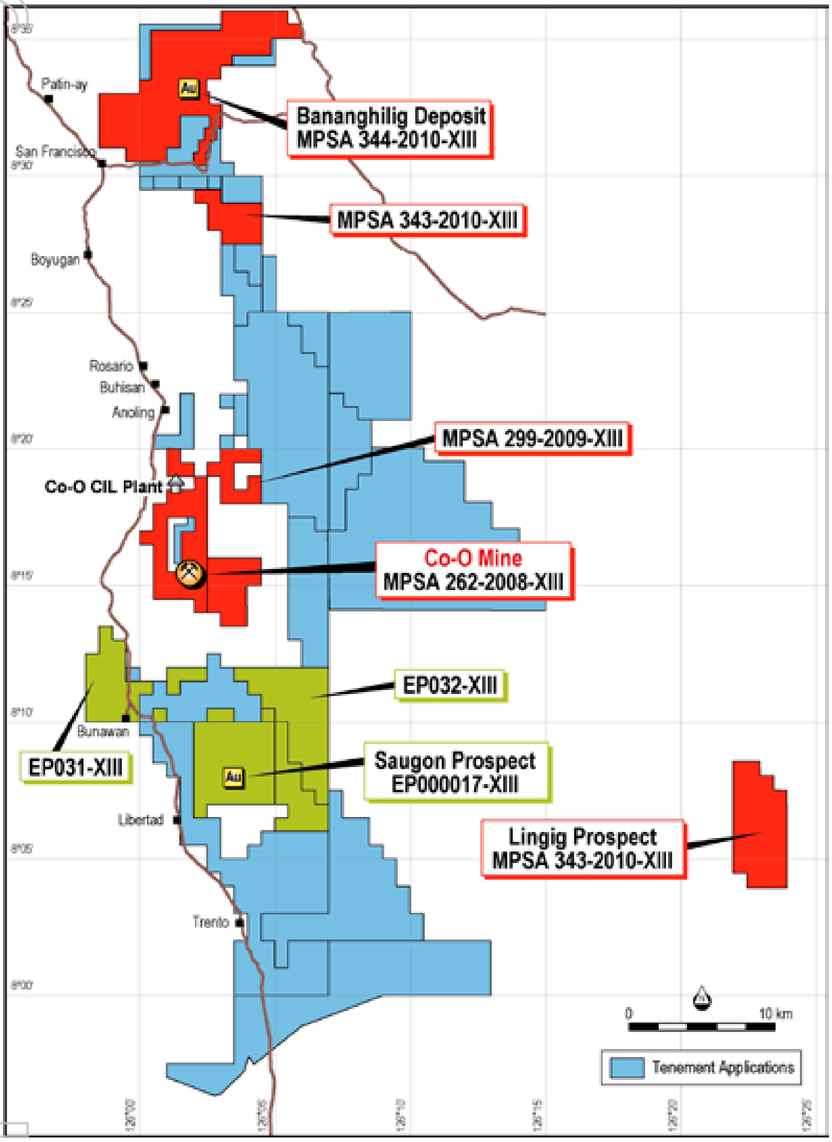


Figure 10: Map showing granted tenements and tenement applications.

DRILL HOLE SAMPLING AND ASSAYING PROCEDURES

Co-O

Drilling is carried out predominantly by SBF using wireline diamond coring techniques, with the core being mainly HQ triple-tube (HQ3) diameter (OD 61 mm). If difficult drilling conditions are encountered, then the drill bit is changed to NQ3 (core OD 45 mm) and the hole continued until the planned depth or bad ground conditions prevent further drilling, whichever occurs first.

The selected sample intervals are halved by diamond saw and half the core is bagged, numbered and sent to the Company laboratory. In a small number of cases to confirm the geological logging, the selected interval was re-split and ¼ core re-submitted for assay.

The Company has very recently acquired two portable underground diamond drilling rigs capable of obtaining TT46 (OD 36.5 mm) sized drill core to depths up to 90 metres. Due to the smaller diameter of the drill core, whole core samples from these holes will be submitted to the Company laboratory for analysis.

Initial sample preparation and assaying is undertaken at the Company's on–site laboratory. Samples are dried at 105ºC for 6 to 16 hours, crushed to less than 1.25 cm by jaw crusher, re-crushed to less than 50 mm using a secondary crusher followed by ring grinding of 1kilogram of sample to nominal particle size of less than 200 mesh. Barren rock wash is used after every five samples in the preparation equipment. The samples are assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5 g/t gold are re-assayed using gravimetric fire assay techniques on a 30 gram sample. Duplicate samples are inserted every 10 samples and standard samples are included in every sample batch.

Check assaying of samples used in the yearly resource estimates is undertaken by Intertek McPhar Mineral Services ("Intertek"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps are airfreighted to intertek who fire assay 30 grams of samples using AAS finish and a selected number of samples are checked using gravimetric fire assay techniques. Duplicate samples and standards are included in each batch of check samples. When reporting results, where available, the assays of Intertek as an independent laboratory have been given priority over the Company laboratory's results.

BANANGHILIG

Drilling Procedures

Drilling, sampling and analytical methodologies are of internationally acceptable standards. Drilling and analyses are carried out by independent contractors, SBF Philippines Drilling Resources Corp. ("SBF") and Intertek McPhar Mineral Services Inc. ("Intertek") respectively.

Drilling is carried out by SBF using wireline diamond coring techniques, with the core being predominantly HQ triple-tube (HQ3) diameter (OD 61 mm). The holes are initially collared using PQ drill bits (OD 123 mm) to recover PQ3 core (OD 83 mm) until the drill bit encounters competent ground, then the coring bit is reduced to HQ3 for the remainder of the drill hole. If difficult conditions are encountered, then the drill bit is changed to NQ3 (core OD 45 mm) and the hole continued until the planned depth or bad ground conditions prevent further drilling, whichever occurs first. Core recovery is generally better than 95% and is considered to be good.

Drill Core Sampling

Drill core is recovered from the inner tube and handled carefully to preserve the integrity of the drill core. Structural measurements are taken including Rock Quality Determinations ("RQD") and Fracture Densities. The core is then placed in plastic core trays, aligned, photographed and marked up for sampling.

The drill core is then cut in half by diamond core saw and sampled at one metre intervals or at lithological boundaries. The samples are placed in individually labelled plastic sample bags, a sample number ticket included, and then sealed for despatch to Intertek's sample preparation laboratory in Surigao City. The integrity of the core samples are supervised at all times by the geologist until despatch to the laboratory where they are accompanied by Company personnel until receipt by Intertek.

One Certified Reference Material ("CRM"), one Blank and if possible, one Duplicate is included within each successive group of twenty samples that are submitted to the laboratory. QA/QC monitoring is maintained for the drilling program and the results.

Analytical Procedures

Sample preparation is undertaken by Intertek at their Surigao City laboratory, where each sample is registered, dried at 105ºC for 6 to 8 hours and crushed to 95% passing 2 mm by jaw crusher, before a 1kg split is taken for fine pulverising, using a riffle splitter or rotary sample divider. Pulverised sample is nominally pulverised to 95% passing 75µm (200 mesh).

Quality control procedures include a 1 in 15 re-split after crushing for partial preparation and after pulverising for total preparation. These re-splits are also analysed and included in the analysis report. Sizing tests are carried out on 1 in 20 assay pulps at 75µm (200 mesh) to monitor the pulverising stage. Four 250 gram splits are obtained, one for sample analyses and the remaining three for storage for future reference.

Standard laboratory procedure is to clean the crusher and pulveriser after each sample treatment with barren material and/or bowl wash, to minimise carry-over contamination.

Pulverised samples are analysed by classical fire assay techniques on a 50 gram charge with Atomic Absorption Spectrometer ("AAS") finish. All assays over 5 g/t gold and other selected samples are re-assayed using gravimetric fire assay techniques on a 50 gram sample.

SUSTAINABILITY

The Company believes its business should be founded on four key components which encompass our commitment to all stakeholders. Continual improvements are being made to organisational coherence, internal procedures, checks and balances, performance and efficiencies. The four key components are:

- Health and Safety;
- Environmental Management and Monitoring;
- Workforce; and
- Community Participation, Programmes and Benefits

HEALTH AND SAFETY

During the year the following practices were undertaken:

- a comprehensive Safety Review was undertaken of the Company's operations by an external consultant (this is the third audit completed and is done annually);
- continued comprehensive health checks for all employees;
- expanded training activities for all underground personnel;
- first aid training for all mine employees for use at work and in the home;
- mine rescue and fire fighting teams and equipment have been upgraded with the teams participating in annual national competitions; and
- regular safety meetings that emphasise workforce participation in ensuring safety and hazard minimisation.

The 12 month Lost Time Accident Frequency Rate to 30 June 2012 was 1.04, and to 30 June 2013 was 0.10, which is better than industry standards for manually intensive, narrow vein, underground mines and shows the continuing progress achieved in Safety during the year.

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

Photo 5: Rope Rescue Exercise

Photo 7: Vegetation

ENVIRONMENTAL MANAGEMENT AND MONITORING

The Company is committed to its environmental performance and to complying with all applicable statutory and regulatory environmental obligations.

Code of Conduct

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

In accordance with the Code of Conduct, the Company:

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

Safety, Health and Environment Committee

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

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

Co-O Gold Project Environmental Conditions

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

The Company's mining operations are underground resulting in very small surface footprints for each operation. Rehabilitation of any disturbed areas around new operations is part of the Company's normal operating procedure. Water samples are taken on a monthly basis to monitor water quality in and around the Company's facilities and during the year over 1,600 samples were collected, and analysed with the results submitted to the relevant authorities.

The Company has also adopted the Mining Forest, Green Philippines and Tree for Life Programmes as prescribed by the Philippines Government. The Company has its own nursery which produces local tree species (mahogany and madre de caco) for reforestation projects as well as the coconut and rubber tree seedlings required for the establishment of the rubber and coconut plantations. At the end of the financial year, the nursery held over 50,000 seedlings.

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

- institute a number of commitments, mitigating measures and monitoring requirements to minimise any adverse impact of the project to the environment throughout its implementation, including:

  - observing good vegetative practices, proper land use and sound soil management;
  - conducting an effective information, education and communication programme to inform and educate all stakeholders, especially local residents, on the project's mitigating measures;
  - rehabilitating roads with minimal land and ecological disturbance; and
  - establishing a reforestation and carbon sink programme to mitigate greenhouse gas emissions of the project;

- ensure that its mining and milling processing operations conform with the provisions of R.A. No, 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), R.A. No. 9003 (Ecological Solid Waste Management Act of 2000), R.A. No. 9275 (Philippine Clean Water Act of 2004), and R.A. No. 8749 (Philippine Clean Air Act of 1999);

- comply with the environmental management and protection requirements of the Philippine Mining Act of 1995 (RA. No. 7942) and its Revised Implementing Rules and Regulations (D A, O No, 96-40, as amended), as well as the pertinent provisions of the Memorandum of Agreement between the EMB and Mines and Geosciences Bureau ("MGB") executed on 16 April 1998, which include:

  - submitting an Environmental Protection and Enhancement Programme with the Final Mine Rehabilitation and/or Decommissioning Plan integrated thereto, to the MGB, for approval;
  - setting up a Contingent Liability and Rehabilitation Fund and Environmental Trust Fund;
  - maintaining the existing Mine Environmental Protection and Enhancement Office to competently handle the environmental aspects of the project;
  - establishing a Mine Rehabilitation Fund Committee and Multipartite Monitoring Team;
  - submitting a Social Development and Management Programme; and
  - designating a Community Relations Officer;

- ensure that the Company's contractors and subcontractors properly comply with the relevant conditions of the ECC; and

- protect the headwaters and natural springs/wells within the project site that are being utilised as sources of potable water by the community.

Photo 8: Sampling Water

Photo 9: Revegetation on Slopes

The Co-O Gold Project remains in compliance with all material environmental laws and regulations. The operations are subject to regular inspections and monitoring by the MGB to ensure compliance. No material failures to comply with the above requirements, or material issues, were identified by the inspections that occurred during the financial year.

Climate Change

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

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

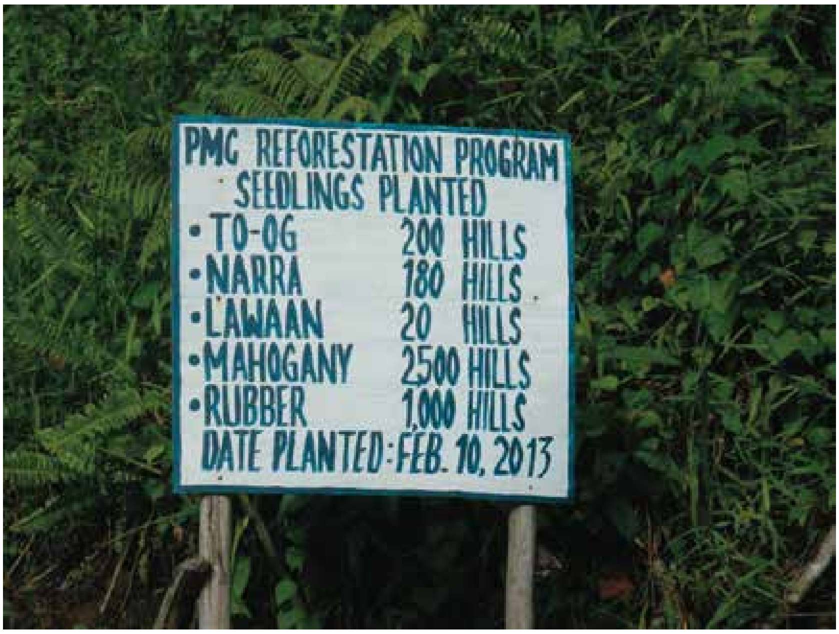


Photo 9: Revegetation (Hills refer to number of trees)

WORKFORCE

The Company is an equal opportunity employer that aims to provide a safe and healthy, hazard free work environment. As at 30 June 2013 the Company employed 4,800 people in the Philippines.

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

COMMUNITY PARTICIPATION, PROGRAMMES AND BENEFITS

COMMITMENT

Philsaga since 2001, in conjunction with the Mindanao Philsaga Foundation Inc., ("MPFI") has established an enviable record in the local communities in which it operates. This record is acknowledged by municipal and regional governments, and at a national level.

The vision of MPFI is:

"To see the Filipino people improve their quality of life by addressing the unmet basic needs of the people at the provincial and village levels with special emphasis on the youth and the environment, by providing scholarship to the poor and deserving students, by assisting them in their livelihood and for uplifting their social and economic needs".

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

EDUCATION

"Through all our education initiatives, it is pleasing to report that over 5,500 students are enrolled at the schools supported by the Company."

Scholarships

The Company support for two scholarship programmes, which commenced in 2003, has continued strongly during the year:

- Full education scholarships currently support 76 students;
- Educational assistance currently supports 41 students; and
- Twenty-seven students graduated with college degrees through the scholarship programme.

Company schools and Adopt-a- School programme

During the year, the Company through MPFI managed the Philsaga High School at the mill, supported the Upper Co-O Elementary School at the Co-O Mine and continued its "adopt–a-school" programme in which 21 schools participated. Corporate sponsorship also assisted in achieving its aims.

The following were achieved:

- Supported 39 teacher's salaries and support for training seminars for teachers to upgrade their teaching skills, as well as provision of instructional materials;
- Since commencement of the Adopt-a-School programme 24 classrooms have been constructed. During the year, two class rooms have been added to the Philsaga High School and six class rooms at the Upper Co-O Elementary School;
- In conjunction with its partner agencies, provided school supplies for students; and
- Provided two daily return bus services for high school students from remote areas to attend high school.

LIVELIHOOD PROJECTS

Rice production financing

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

Organic fertiliser production

The Company through MPFI has continued its organic fertiliser production programme and demonstration cropping plots. The aim is to address the issue of increasing acidification of rice fields and other crop growing areas caused by the continued use of artificial fertilisers and to provide fertiliser to the rubber and fruit tree plantations.

Rubber tree plantation re-afforestation

The Company provides interest free loans in the form of rubber tree seedlings and other inputs to indigenous landowners for the establishment of rubber plantations which provide income for 50-60 years from around year seven. This year approximately 70 hectares were planted and so far approximately 200 hectares have been planted comprising over 100,000 seedlings which were generated in the Company's nurseries.

Water Monitoring

Regular water testing and in-house testing of cyanide is conducted in conjunction with 24 hour monitoring of Tailings Dams. This year, two water treatment plants were installed, one at the mine site and one at the mill site.

Photo 10: Rubber tree seedlings

COMMUNITY DEVELOPMENT AND ASSISTANCE PROGRAMMES

The Company through MPFI continued to provide assistance with a number for community-based projects.

Teacher training

The Company continued to support teacher salaries for volunteer teachers as well as teacher training to improve teacher knowledge and skills in conjunction with the Department of Education for the fifth year.

Day care centres

Support was provided for 12 day care centres which cater for children below six years old. MPFI provides teacher and staff salaries, school supplies and instructional materials.

Community health

The Company provides general health and dental services to its employees and dependants and undertakes minor surgical and dental missions to nearby villages within its sphere of operation.

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

Organic fruit tree programmes

The adoption of four sitios (or small villages) aims to provide a sustainable livelihood by planting of fruit trees suitable in the area and by encouraging the use of organic fertilizer over that of inorganic. The programs have the technical support of the Department of Agriculture and the Department of Trade and Industry conducts various financial seminars.

During the year the Company's nursery produced over 10,000 fruit trees for distribution.

Institutional partnering

MPFI frequently partners various local government departments such as Department of Social Work and Development, Department of Trade and Industry, Department of Agriculture and Department of Education to achieve common goals.

In addition MPFI partners Local Government Units and Indigenous Peoples' groups in various projects.

Non-government organisation partnering

MPFI is partnering three non-government organisations involved in community assistance

- A home for abandoned or orphaned children of local indigenous people;
- An orphanage for 26 boys aged 6 to 17 years where support is provided for the boys to develop small business skills; and
- Care for the Elderly Foundation Inc. which provides comfort for 38 residents and 5 staff.

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

EMPLOYMENT, LOCAL SUPPLIERS & PAYMENT OF LOCAL TAXES & WAGES

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

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

References

Angeles, C.A., 2013. Feb and Mar 2013 Progress Report for Philsaga Mining Corporation. Internal Reports.

Ruelo, H.B, 2013. Jun and Jul 2013 Progress Report for Philsaga Mining Corporation. Internal Reports.

JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

MEDUSA MINING LIMITED

Information in this report relating to **Exploration Results** has been reviewed and is based on information compiled by Messrs Geoffrey Davis and Gary Powell who are members of The Australian Institute of Geoscientists. Mr Davis is the Non-Executive Chairman of Medusa Mining Limited and Mr Powell is a Non-Executive Director and both have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Messrs Davis and Powell consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

CUBE CONSULTING PTY LTD

Information in this report relating to **Mineral Resources** has been estimated and compiled by Mr Mark Zammit of Cube Consulting Pty Ltd of Perth, Western Australia. Mr Zammit is a member of The Australasian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Zammit consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

CARRAS MINING PTY LTD

Information in this report relating to **Ore Reserves** is based on information compiled by Dr Spero Carras of Carras Mining Pty Ltd. Dr Carras is a Fellow of the Australasian Institute of Mining & Metallurgy and has 30 years of experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Carras consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DISCLAIMER

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

The Company's practices are largely consistent with the ASXCGC Recommendations and, except as disclosed below, the Company believes it complied with each of those recommendations throughout the financial year ended 30 June 2013 and to the date of this report. Details of the Company's compliance with the ASXCGC Recommendations are set out below, including details of specific disclosures required by the ASXCGC Recommendations.

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

1. BOARD OF DIRECTORS

ROLE AND RESPONSIBILITIES OF THE BOARD

ASXCGC RECOMMENDATIONS 1.1, 1.3

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

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

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

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

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

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

Composition of the Board

The Board is comprised of five Non-Executive Directors and two Executive Directors (including the Managing Director).

ASXCGC RECOMMENDATION 2.6

Details of the skills, experience and expertise relevant to the position of each Director who is in office at the date of this report, and the period of office held by each Director, are included in the Directors' Report on pages 53 to 55.

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

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

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

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

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

ASXCGC RECOMMENDATIONS 2.1, 2.2, 2.6

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

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

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

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

- Geoffrey Davis (the Non-Executive Chairperson of the Company) because he was employed in an executive capacity by Medusa as its Managing Director up until 9 June 2011;
- Peter Hepburn Brown because he is currently employed in an executive capacity by Medusa as its Managing Director; and
- Raul Villanueva because he is currently employed in an executive capacity by Medusa as an Executive Director.

As the Company's Non-Executive Chairperson is not considered to be independent due to his previous role as Managing Director, the Chairperson of the Company is not an independent Director as recommended by ASXCGC Recommendation 2.2. The Board nevertheless considers that Geoffrey Davis' position as Non-Executive Chairperson is appropriate given his demonstrated ability to provide leadership to the Board and his in-depth knowledge and understanding of the Company's operations in the Philippines and the industry in which the Company operates.

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

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

Chairperson and Managing Director

ASXCGC RECOMMENDATION 2.3
The roles of Chairperson and Managing Director are separate roles and held by different individuals.

As mentioned above, the Company's Non-Executive Chairperson had the previous role as the Company's Managing Director prior to the current Managing Director's appointment and is not considered to be an independent Director. The Board nevertheless considers that Geoffrey Davis' position as Non-Executive Chairperson is appropriate given his demonstrated ability to provide leadership to the Board and his in-depth knowledge and understanding of the Company's operations in the Philippines and the industry in which the Company operates.

The Chairperson is responsible for, amongst other things, leadership and effective performance of the Board and overseeing the provision of information by management to the Board and ensuring the adequacy of that information. The Managing Director is responsible for the day-to-day management of the Company.

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

Performance evaluation

ASXCGC RECOMMENDATIONS 1.2, 1.3, 2.5, 2.6
The Company's Nomination Committee Charter requires the Nomination Committee to establish evaluation methods of rating the performance of the Directors and to conduct assessments of Directors as to whether they have devoted sufficient time in fulfilling their duties as Directors.

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

During the reporting period, the Nomination Committee met on 2 occasions to evaluate the performance of the Board, its Committees and individual Directors in accordance with the above evaluation process.

Details of the process for evaluating the performance of Senior Executives and Executive Directors, and the conduct of that process in the reporting period, are included in the Remuneration Report, which forms part of the Directors' Report on pages 58 to 66.

Details of Directors' attendance at Board meetings are set out in the Directors' Report on page 56.

Board access to independent advice

ASXCGC RECOMMENDATION 2.6
Each Director is entitled to seek such independent professional advice as they consider necessary in the furtherance of his or her duties as a Director at the Company's expense. Any Director seeking independent advice must first discuss the request with the Chairperson, who will facilitate obtaining such advice.

2. BOARD COMMITTEES

Nomination Committee

ASXCGC RECOMMENDATIONS 2.4, 2.6
The Board has established a Nomination Committee, which operates under a Nomination Committee Charter approved by the Board. A copy of the Nomination Committee Charter is available on the Corporate Governance page of the Company's website at www.medusamining.com.au, and includes details of, amongst other things, the role and responsibilities, composition and structure of the Nomination Committee.

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

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

The Nomination Committee consists of Ciceron Angeles (as Chairperson of the Nomination Committee), Peter Hepburn-Brown and Andrew Teo. The Nomination Committee is, therefore, comprised of a majority of independent Directors and is chaired by an independent chair. 2 meetings of the Nomination Committee were held during the reporting period and details of the members attendance at these meetings are included in the Directors Report on page 56.

Remuneration Committee

ASXCGC RECOMMENDATIONS 8.1, 8.2, 8.3, 8.4
The Board has established a Remuneration Committee, which operates under a Remuneration Committee Charter approved by the Board. A copy of the Remuneration Committee Charter is available on the Corporate Governance page of the Company's website at www.medusamining.com.au, and includes details of, amongst other things, the role and responsibilities, composition and structure of the Remuneration Committee.

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

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

The members of the Remuneration Committee who are all Non-Executive Directors, consists of Robert Weinberg (as Chairperson of the Remuneration Committee), Andrew Teo and Geoffrey Davis. The Remuneration Committee is, therefore, comprised of a majority of independent Directors and is chaired by an independent chair as recommended by ASXCGC

Recommendation 8.2. 2 meetings of the Remuneration Committee were held during the reporting period and details of the members' attendance at these meetings are included in the Directors' Report on page 56.

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

Details on the Company's remuneration policies, including how the structure of the remuneration of Non-Executive Directors is distinguished from that of Executive Directors and Senior Executives, are included in the Remuneration Report, which forms part of the Directors' Report on page 60.

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

Consistent with section 206J of the Corporations Act, it is the Company's policy to prohibit Directors and Senior Executives from dealing in financial products issued or created over or in respect of the Company's securities (eg hedges or derivatives), which have the effect of reducing or eliminating the risk associated with any equity incentives that the Company may offer from time to time. This is further detailed in the Directors' Report on page 63. A copy of the Company's Share Trading Policy is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

Audit Committee

ASXCGC RECOMMENDATIONS 4.1, 4.2, 4.3, 4.4

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

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

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

The members of the Audit Committee who are all Non-Executive Directors, consists of Andrew Teo (as Chairperson of the Audit Committee), Robert Weinberg and Geoffrey Davis. The Audit Committee is, therefore, comprised of a majority of independent Directors and is chaired by an independent chair as recommended by ASXCGC Recommendation 4.2.

Details of the qualifications of each member of the Audit Committee are included in the Directors' Report on pages 53 to 55.

2 meetings of the Audit Committee were held during the reporting period and details of the members' attendance at these meetings are included in the Directors' Report on page 56.

Safety, Health and Environmental Committee

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

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

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

- facilitate company-wide communication of a high performance safety, health and environmental culture and an awareness of seeking best practice and measurable goals;

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

The Safety, Health and Environmental Committee consist of Peter Hepburn-Brown (as Chairperson of the Safety, Health and Environmental Committee), Geoffrey Davis, Robert Weinberg and Andrew Teo.

2 meetings of the Safety, Health and Environmental Committee were held during the reporting period and ddetails of the members' attendance at these meetings are included in the Directors' Report on page 56.

3. PROMOTING ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

ASXCGC RECOMMENDATION 3.1
The Company has a formal Code of Conduct, which outlines the Company's commitment to appropriate ethical and responsible decision making and corporate practices.

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

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

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

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

Diversity Policy

ASXCGC RECOMMENDATIONS 3.2, 3.3, 3.4, 3.5

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

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

ASXCGC Recommendation 3.3 provides that a company should disclose in its annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and its progress towards achieving them. The Board has not at this stage adopted a formal diversity policy for the reasons set out above and, consequently, has not set measurable objectives under such a policy. The Board considers that it is not necessary to set measurable objectives for achieving gender diversity as recommended by the ASXCGC Recommendations. While the Company considers diversity is important, the priority for the Company when recruiting is ensuring an appropriate mix of qualifications, experience and expertise regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company does, however, generally make it clear when seeking to appoint additional Directors, senior management and employees that women are encouraged to apply for roles and that the Company is an equal opportunity employer.

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

Role type	Female	Female %	Male	Male%
Technical	17	53%	15	47%
Supervisory / professional	29	35%	54	65%
Middle management	-	-	14	100%
Senior Management	4	22%	14	78%
Total	50	34%	97	66%
Board members	-	-	7	100%

Share Trading Policy

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

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

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

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

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

As the Company is also listed on the Main Market of the London Stock Exchange, Directors and applicable employees are subject to the rules of that Exchange. These rules currently provide that Directors and applicable employees do not deal in the Company's shares during a close period.

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

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

4. RISK MANAGEMENT

ASXCGC RECOMMENDATIONS 7.1, 7.2

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

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

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

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

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

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

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

- exposure to gold price;
- exchange rate fluctuations;
- geographical location;
- political issues;
- nature of operations; and
- environmental management.

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

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

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

Managing Director and Chief Financial Officer assurance

ASXCGC RECOMMENDATIONS 7.2, 7.3, 7.4

Before the adoption by the Board of the of the Company's financial statements for the year ended 30 June 2013, the Board received written declarations from the Managing Director and Chief Financial Officer, in accordance with section 295A of the Corporations Act, that the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act and that the Company's financial statements and notes comply with the accounting standards and present a true and fair view of the consolidated entity's financial position and performance for the financial period.

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

5. CONTINUOUS DISCLOSURE

ASXCGC RECOMMENDATIONS 5.1, 5.2

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

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

6. SHAREHOLDER COMMUNICATION

ASXCGC RECOMMENDATIONS 6.1, 6.2

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

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

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

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

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

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 Geoffrey John Davis (Chairman)	since 5 February 2002
Dr Robert Maurice Weinberg	since 1 July 2006
Mr Andrew Boon San Teo	since 15 February 2010
Mr Ciceron Angeles	since 28 June 2011
Mr Gary Raymond Powell	appointed 24 January 2013
Executive Directors:	
Mr Peter Gordon Hepburn-Brown (Managing Director)	since 15 September 2009
Mr Raul Conde Villanueva	appointed 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 GEOFFREY JOHN DAVIS

M.Sc., Mining and Exploration Geology, B. Sc (Hons), Geology,
Member, Australian Institute of Geoscientists.

Non-Executive Chairman

Mr Geoff Davis worked initially with BHP for 10 years following his graduation in 1972, before becoming a consultant in 1980 to BHP until late 1981 and subsequently to numerous mining and exploration companies in Australia, Asia and South America. This work specialised in epithermal precious metal and porphyry copper-gold opportunities, and included project acquisition, assessment and exploration.

Since 1990, most of his work has been with junior explorers and he has been Exploration Manager to a number of these companies. From the mid 1990's, he has also held Directorships and senior executive positions in a number of listed and unlisted Australian, Asian and London based exploration and mining companies. Mr Davis has been involved with the Philippines for 32 years and has developed a network of contacts in the mining, exploration, legal and tenement management sectors of the industry which are valuable in developing the Company's business interests in the Philippines.

Mr Davis was Managing Director of Medusa since its inception on 5 February 2002 until he stood down and was appointed Non-Executive Chairman on 9 June 2011. Mr Davis is also a member of the Audit Committee, the Remuneration Committee and the Safety, Health & Environment Committee.

DR ROBERT MAURICE WEINBERG

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

Independent Non-Executive Director

London based Dr Robert Weinberg gained his doctorate in geology from Oxford University and has nearly 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, Director of the Investment Banking & Equities division at Deutsche Bank in London, Head of the Global Mining Research team at SG Warburg Securities. Robert 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 Solomon Gold plc (appointed 22 November 2005), a company listed on the Alternative Investment Market, London, Kasbah Resources Ltd (appointed 15 November 2006), an ASX listed entity and Chaarat Gold Holdings Ltd (appointed 10 January 2011) also listed on AIM.

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

MR ANDREW BOON SAN TEO

B.Com, UWA, (CPA)

Independent Non-Executive Director

Mr Teo is an accountant with 35 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 CFO/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 Chairman of the Audit Committee and a member of the Remuneration Committee, Safety, Health & Environment Committee and the Nomination Committee.

MR CICERON ANGELES

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

Independent Non Executive Director

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

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

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

Mr Angeles is Chairman of the Nomination Committee.

MR GARY RAYMOND POWELL

B.App.Sc. (Geology)
Member, Australian Institute of Geoscientists
Member, Australasian Institute of Mining & Metallurgy

Independent Non-Executive Director
(appointed 24 January 2013)

Mr Gary Powell was appointed Non-executive Director on 24 January 2013 and brings Philippines operating experience to the Board. Mr Powell is a geologist with over 30 years of experience working in West Australia, Central Asia and importantly, since 1997, in the Philippines.

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

Mr Powell has been overseeing the resource drilling at the Company's Bananghilig Project and continues to consult to the Company as required.

MR PETER GORDON HEPBURN-BROWN

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

Managing Director

Mr Peter Hepburn-Brown who was appointed Managing Director on 9 June 2011, joined the Board of Medusa on 15 September 2009, and was the Company's Executive Director - Operations since 27 July 2010. He is a mining engineer with 35 years of experience in a wide range of mining situations, commodities and overseas jurisdictions. He has held senior management positions such as Executive Director Operations for Harmony Gold Australia, General Manager Operations for Great Central Mines, as well as other executive, operational and consulting positions.

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

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

Mr Hepburn-Brown is also a member of the Health & Safety and Nomination Committees.

MR RAUL CONDE VILLANUEVA

LL.B., Attorney and Counselor-at-Law

Executive Director

(appointed 24 January 2013)

Mr Raul Villanueva was appointed an Executive Director of Medusa on 24 January 2013 following his recent appointment as President of the Company's Philippines operating company, Philsaga Mining Corporation ("Philsaga") in December 2012. Attorney Villanueva who has been the Executive Vice President of Philsaga since November 2011 was appointed President of Philsaga.

Mr 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.

3. COMPANY SECRETARY

MR PETER ALPHONSO

B.Com, UWA (CPA)

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

Mr Alphonso's 35 years of experience has included associations with the auditing, engineering and communications industries, with the majority of his experience centred on the gold and nickel sectors of the mining industry. Mr Alphonso's experience has included associations with Coopers and Lybrand, Western Mining Corporation, Great Central Mines and Tiwest Joint Venture and he has also consulted to government departments on research projects.

As Company Secretary, Peter is responsible for the corporate secretarial functions of the Company and his responsibility extends to assisting the Chief Financial Officer with all financial and statutory reporting of the Company as well as the directing and monitoring of all financial aspects of the Company's overseas operations.

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

4. MEETINGS OF DIRECTORS

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

Name of Director	Board of Directors Meetings		Audit Committee		Remuneration Committee		SHE Committee		Nomination Committee	
	Number of meetings (1)	Number attended	Number of meetings (1)	Number attended	Number of meetings (1)	Number attended	Number of meetings (1)	Number attended	Number of meetings (1)	Number attended
Geoffrey Davis	6	6	2	2	2	2	2	2	-	-
Robert Weinberg	6	3	2	1	2	2	2	2	-	-
Andrew Teo	6	6	2	2	2	2	2	2	2	2
Ciceron Angeles	6	5	-	-	-	-	-	-	2	2
Gary Powell	2	2	-	-	-	-	-	-	-	-
Peter Hepburn-Brown	6	6	-	-	-	-	2	2	2	2
Raul Villanueva	2	2	-	-	-	-	-	-	-	-

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

5. PRINCIPAL ACTIVITIES

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

6. OPERATING RESULTS

The net consolidated profit for the financial year attributable to members of Medusa Mining Limited after provision of income tax was US$50.2 million [2012: US$49.2 million].

Key financial results:

Key Results	30 June 2013	30 June 2012	Variance	(%)
Revenues	US$100.7M	US$81.2M	US$19.5M	24%
EBITDA	US$63.2M	US$58.0M	US$5.2M	9%
NPAT	US$50.2M	US$49.2M	US$1.0M	2%
EPS (basic)	US$0.266	US$0.261	US$0.005	2%
Dividend per share	Nil	A$0.07	(A$0.07)	N/A

Medusa recorded a net profit after tax ("NPAT") of US$50.2 million and earnings before interest, tax depreciation and amortisation ("EBITDA") of US$63.2 million for the full year to 30 June 2013, compared to US$49.2 million and US$58.0 million respectively in the previous year.

The Company recorded Revenues of US$100.7 million compared to US$81.2 million for the previous year. Medusa is an un-hedged gold producer and received an average price of US$1,610 per ounce from the sale of 77,488 ounces of gold for the year (previous year: 55,446 ounces at US$1,658 per ounce).

As at year end, the Company, had total cash and cash equivalent in gold on metal account of approximately US$7.45 million (2012: US$51.8 million).

During the year:

- The Co-O Mine produced 62,243 ounces of gold for the year, at an average recovered grade of 7.02 g/t gold (2012: 60,595 ounces at average recovered grade of 8.10 g/t gold)
- The average cash cost for the year of US$313 per ounce was higher than the previous year's average cash cost of US$261 per ounce primarily due to the treatment of lower grade development ore, higher power costs and operating in-efficiencies associated with increasing on-going maintenance associated with the old mill.

- Depreciation and amortisation of fixed assets, capitalised mine development and capitalised mine exploration was US$13.1 million (2012: US$9.9 million);
- US$24 million was spent on exploration expenditure (2012:US$35.1 million);
- Capitalised mine development (including shaft sinking) costs totalled US$34.5 million for the year (2012: US$28.9 million);
- US$44.2 million was incurred on capital works associated with the new mill construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2012: US$28 million);
- The production guidance for the September and December quarters is approximately 17,000 ounces and 35,000 ounces respectively. Full year guidance for 2014 will be available once the new Co-O mill is fully commissioned and further development has been completed on Level 8.

7. REVIEW OF OPERATIONS

A review of and information about the Group's operations and exploration activities for the financial year and the results of those operations are set out in the Managing Director's Review and Review of Operations commencing on page 9, which form part of this Directors' Report.

8. DIVIDENDS

The Directors on 29 August 2012 declared a final un-franked dividend payment of A$0.02 per share (2011: A$0.05 per share) payable to shareholders on 4 October 2012. The record date of the final dividend was 14 September 2012. No foreign conduit income was attributable to the dividend and the total amount of dividend paid inclusive of associated costs was A$3.783 million.

No further dividends were paid.

9. SIGNIFICANT CHANGE IN STATE OF AFFAIRS

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

- On 6 July 2012, Philippine President Benigno Aquino III signed Executive Order No. 79 relating to reforms in the Philippine mining sector. New Philippine legislation relating to mining taxes and royalties was subsequently proposed which currently remains subject to deliberation prior to approval by Congress.
- Following the appointment on 20 June 2013 of administrators of Arccon (WA) Pty Ltd who managed the Co-O Mill expansion, the Company appointed CPC Engineering to manage the construction of the new mill.
- On 24 January 2013 Mr Raul Villanueva and Mr Gary Powell were appointed as Executive and Non-Executive directors to the Board of Medusa.

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

On 1 July 2013 Mr Roy Daniel retired as Chief Financial Officer of the Company. Mr Peter Alphonso currently Company Secretary was appointed as his replacement.

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. In general terms, the Managing

Director's Review and Review of Operations commencing on page 9 give an indication of likely developments and the expected results of operations.

In the opinion of the Directors, disclosure of any further information about likely developments in the Group's operations in future financial years and the expected results of those operations, and the Group's business strategies and prospects for future years, would be likely to result in unreasonable prejudice to the Group.

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
Geoffrey Davis	4,102,750	-	-
Robert Weinberg	62,675	-	-
Andrew Teo	75,000	-	-
Ciceron Angeles	-	-	-
Gary Powell	-	-	-
Peter Hepburn-Brown	22,000	-	-
Raul Villanueva	-	-	-

13. REMUNERATION REPORT

(a) Details of Directors and Executive Officers (including Key Management Personnel)

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

As such, during the financial year, the Group did not have any person, other than the Directors and Executive Officers, within the meaning of "Key Management Personnel" for the purposes of AASB124 or "Company Executive" or "Relevant Group Executive" for the purposes of section 300A of the Corporations Act 2001 ("Corporations Act").

Remuneration details of the Company Secretary are disclosed as section 300A (1B) (a) of the Corporations Act defines a "Company Executive" to specifically include a Secretary 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:
Geoffrey Davis - Chairman
Robert Weinberg
Andrew Teo
Ciceron Angeles
Gary Powell

Executive Directors:
Peter Hepburn-Brown - Managing Director
Raul Villanueva

EXECUTIVE OFFICERS
Peter Alphonso - Company Secretary
Roy Daniel - Chief Financial Officer
Samuel Afdal - President, Philsaga Mining Corporation (resigned 10 December 2012)

(b) Directors' and Executives' 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 2013 and the previous financial year.

		Short term benefits				Post-employment benefots		Long-term benefits		Equity-settled share-based payments						
Name	Year	Salary/fees	Directors' fees	Non-monetary	Bonus [4]	Super-annuation	Other	Incentive plans	LSL	Shares/ units	Options/ rights	Cash-settled share-based payments	Termi-nation benefits	TOTAL	Proportion of remu-neration perfor-mance related	Value of options as proportion of remu-neration
DIRECTORS Non-Executive																
Geoffrey Davis	2013	27,597	101,440	-	-	-	-	-	-	-	-	-	-	129,037	-	-
	2012	396,574	94,360	-	397,200	-	-	-	-	-	-	-	-	888,134	44.7%	-
Robert Weinberg	2013	-	76,080	-	-	-	-	-	-	-	-	-	-	76,080	-	-
	2012	-	76,080	-	-	-	-	-	-	-	-	-	-	76,080	-	-
Andrew Teo	2013	-	76,080	-	-	-	-	-	-	-	-	-	-	76,080	-	-
	2012	-	69,195	-	-	-	-	-	-	-	-	-	-	69,195	-	-
Ciceron Angeles	2013	63,016	76,080	-	-	-	-	-	-	-	-	-	-	139,096	-	-
	2012	47,524	69,195	-	-	-	-	-	-	-	-	-	-	116,719	-	-
Gary Powell [1]	2013	160,204	32,188	-	-	-	-	-	-	-	-	-	-	192,392	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive																
Peter Hepburn-Brown [5]	2013	746,800	-	-	-	12,968	-	-	-	-	-	-	-	759,768	-	-
	2012	725,131	-	-	353,430	52,235	-	-	-	-	1,575,000	-	-	2,705,796	13.1%	58.2%
Raul Villanueva [2]	2013	174,348	-	-	-	-	-	-	-	-	-	-	-	174,348	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EXECUTIVES																
Peter Alphonso	2013	285,363	-	-	-	12,711	-	-	-	-	-	-	-	298,074	-	-
	2012	245,791	-	-	79,440	22,120	-	-	-	-	-	-	-	347,351	22.9%	-
Roy Daniel	2013	603,480	-	-	-	25,000	-	-	-	-	-	-	-	628,480	-	-
	2012	552,794	-	-	277,695	53,425	-	-	-	-	-	-	-	883,914	31.4%	-
Samuel Afdal [3]	2013	210,945	-	-	-	-	-	-	-	-	-	-	-	210,945	-	-
		420,000	-	-	210,000	-	-	-	-	-	-	-	-	630,000	50.0%	-
TOTAL	2013	2,271,753	361,868	-	-	50,679	-	-	-	-	-	-	-	2,684,300	-	-
	2012	2,387,814	301,945	-	1,317,765	127,780	-	-	-	-	1,575,000	-	-	5,710,304	23.1%	27.8%

Notes
(1) Appointed 24 January 2013
(2) Appointed 24 January 2013
(3) Resigned 10 December 2012
(4) Bonuses are generally paid in October and relate to the previous year's financial results. No bonuses will be paid to any Senior Executives in 2013/14 relating to the financial year ended 30 June 2013.
(5) Performance Rights granted during the previous financial year (and disclosed as Equity settled share based payments in the previous financial year) lapsed due to performance criteria not being met.

(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:

Name	Balance held 01/07/12	Options/ rights granted as remuneration	Options/ rights exercised	Options/ rights not exercised & lapsed	Balance held 30/06/13	Vested & exercisable 30/06/13 (1)	Total not exercisable 30/06/13 (2)
DIRECTORS							
Geoffrey Davis	-	-	-	-	-	-	-
Robert Weinberg	-	-	-	-	-	-	-
Andrew Teo	-	-	-	-	-	-	-
Ciceron Angeles	-	-	-	-	-	-	-
Gary Powell	-	-	-	-	-	-	-
Peter Hepburn-Brown	250,000	-	-	(250,000)	-	-	-
Raul Villanueva	300,000	-	-	-	300,000	-	150,000
EXECUTIVES							
Peter Alphonso	-	-	-	-	-	-	-
Roy Daniel	-	-	-	-	-	-	-
Samuel Afdal	-	-	-	-	-	-	-

(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

(f) Remuneration policies

REMUNERATION COMMITTEE

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

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

REMUNERATION PHILOSOPHY

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

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.

(f) Remuneration policies (continued)

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 Director's 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:

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

EXECUTIVE REMUNERATION:

Objective:

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

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

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

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

Fixed Remuneration:

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

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

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

Variable remuneration:

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

(f) Remuneration policies (continued)

- 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 2013.

- 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(g) below and Company performance in setting the performance criteria applicable to its LTI based remuneration.

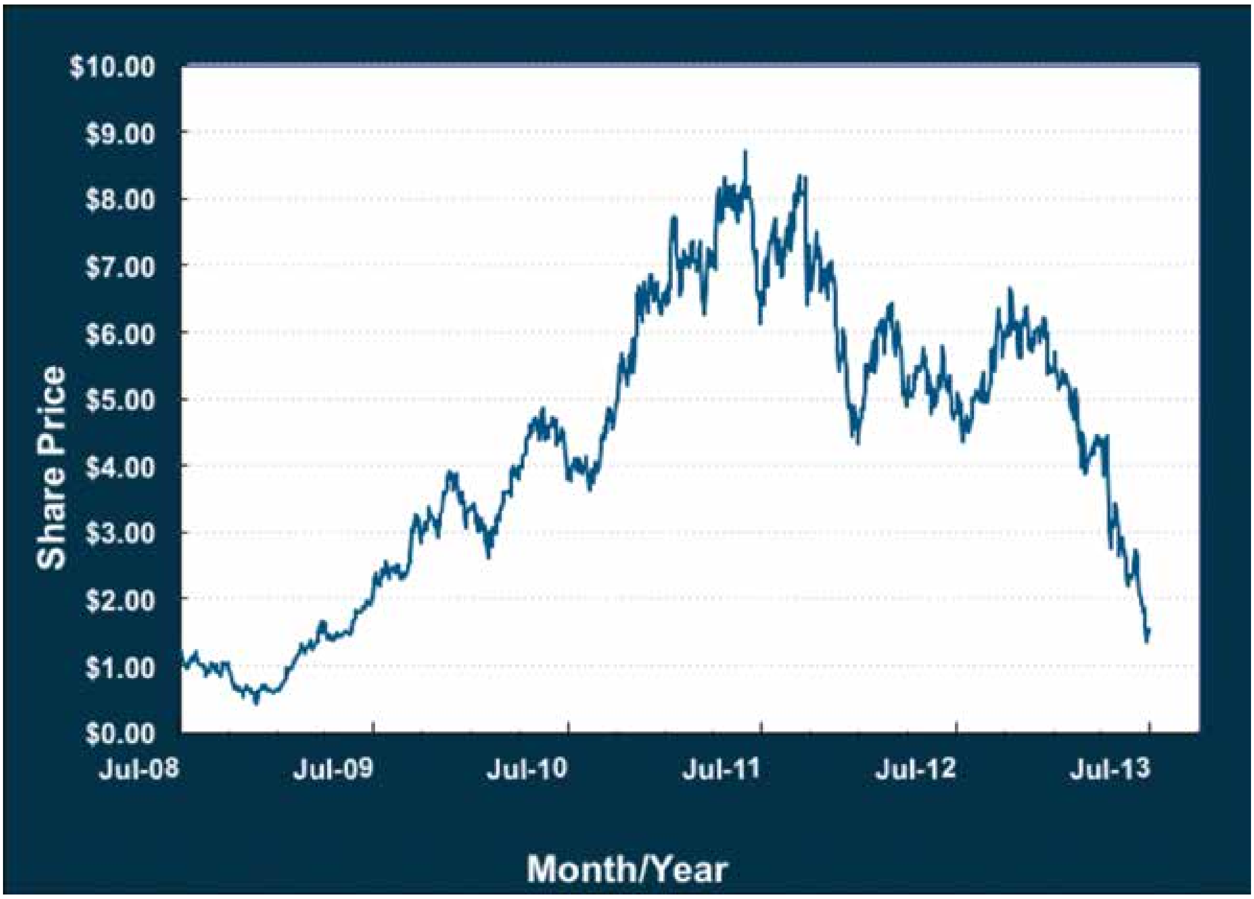
  The Managing Director, Peter Hepburn-Brown was granted 250,000 performance rights, following approval by the shareholders at the Company's Annual General Meeting held on 10 November 2011. At 30 June 2013 the rights lapsed due to performance criteria not being met. No LTIs were granted to any key management personnel during the financial year ending 30 June 2013.

(g) 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	2009	2010	2011	2012	2013
Basic earnings per share (EPS)	(1)	US$0.187	US$0.378	US$0.587	US$0.261	US$0.266
Share price at 30 June		A$2.20	A$3.90	A$6.59	A$4.83	A$1.55
Share price increase	(2)	A$0.96	A$1.70	A$2.69	(A$1.76)	(A$3.28)
Total shareholder returns (TSR)	(3)	77.4%	77.3%	69.0%	(26.7%)	(67.5%)

(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. Only a final dividend of A$0.02 (Dividends totalling A$0.10 were paid in the 2011 and 2012 financial years) was paid during the current financial year. No dividends were paid or capital returned in the previous respective years from 2008 to 2010.



(h) 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

EXECUTIVE DIRECTORS

Peter Hepburn-Brown (Managing Director)

Contract description:	Employment contract between the Company and Peter Hepburn-Brown ("Employee").
Term:	An initial term ending on 8 June 2016 (subject to earlier termination) ("Initial Term"). If not terminated on or prior to 8 June 2016, the agreement will continue until terminated.
Services:	The Employee is employed as Managing Director of the Company and will be responsible for the overall management of the Company (subject to the direction of the Board); and its operations and strategic development.
Remuneration:	Fixed remuneration: A$725,000 per annum plus a superannuation contribution of A$25,000 per annum, subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standard. Variable remuneration - Short term incentive: The Employee maybe entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions. The quantum of any bonus paid must fall within 0.5% of NPAT and not to exceed 50% of an individual's fixed remuneration. Variable remuneration - Long term incentive: On 10 November 2011 shareholders approved the issue of 250,000 performance right subject to specific terms and conditions. Due to performance criteria not being met the Performance Rights lapsed on 30 June 2013.
Termination:	Termination by the Company: 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. Termination by the Employee: 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. Termination by reason of Material Diminution: A "Material Diminution" is a change in the Employee's status as Managing Director of the Company, including a material change in his authority in respect of the business of the Company or any member of the Company's group; or a change in his reporting relationship with the Board. 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.

(i) Employment contracts (continued)

Roy Daniel (Chief Financial Officer)

Contract description:	Employment contract between the Company and Roy Daniel ("Employee").
Term:	An initial term ending on 30 September 2011 (subject to earlier termination) ("Initial Term"). If not terminated on or prior to 30 September 2011, the agreement will continue until terminated.
Role:	The Employee is initially employed in the role of Finance Director 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:	Fixed remuneration: A$600,000 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. Variable remuneration - Short term incentive: The Employee maybe entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions. The quantum of any bonus paid must fall within 0.5% of NPAT and not to exceed 50% of an individual's fixed remuneration.
Termination:	Termination by the Company: 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. Termination by the Employee: 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. Termination by reason of Material Diminution: A "Material Diminution" is a change in the Employee's status as Finance Director of the Company, including a material change in his authority in respect of the business of the Company or any member of the Company's group; or a change in his reporting relationship with the Board. 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.
Event subsequent:	Roy Daniel retired as Chief Financial Officer on 1 July 2013.

Samuel Afdal (President, Philsaga Mining Corporation)

On 1 January 2010, Philsaga executed a management consultancy agreement with Samuel G Afdal.

Under the terms of the management consultancy agreement, Philsaga has engaged Mr Afdal to provide Philsaga or the Group with management and advisory services on milling, administration and industrial relations matters for the Co-O Mine and any other mining activities in the Philippines together with other required complementary services.

The engagement of Mr Afdal by Philsaga is for a term of 2 year and is renewable thereafter for 1 year periods by mutual agreement between the parties. During the initial term, Philsaga may only terminate the agreement upon limited events akin to misconduct and incapacity. The management consultancy agreement does not provide for specified periods of notice to terminate the agreement and does not provide for termination payments.

Philsaga will pay Mr Afdal the sum of US$35,000 per calendar month. Philsaga will additionally reimburse Mr Afdal for all reasonable expenses incurred in the performance of his services including relating to entertainment, accommodation, meals, telephone and travelling.

Mr Afdal resigned on 10 December 2012.

Peter Alphonso (Company Secretary, Medusa Mining Limited)

Mr Peter Alphonso executed an employment agreement with Medusa on 30 June 2009.

Under the terms of the employment agreement, which has no fixed term, the remuneration of Mr Alphonso is reviewed annually and maintained at a level that reflects the progress of the Company as well as the maintenance of industry standards for similar positions and responsibilities. The annual review will also take into consideration the payment of bonuses.

Mr Alphonso's current salary package is A$300,000 per annum.

Under the terms of the employment contract, Mr Alphonso may be terminated by:

(1) Mr Alphonso, at anytime on giving 3 months notice;

(2) Medusa, at anytime on giving 3 months notice; or

(3) Medusa, immediately in the event of misconduct.

In circumstances where Mr Alphonso's employment is terminated by the Company due to redundancy, the Company will pay Mr Alphonso, by way of redundancy payment, the greater of 6 months pay or 4 weeks pay for each completed year of service.

Alternatively, if there is a change in Mr Alphonso's status as Company Secretary, including without limitation:

(a) a material change in Mr Alphonso's authority in respect of the business of the Company; or

(b) a change in Mr Alphonso's reporting relationship with the Chief Financial Officer,

then within a period not greater than three months after that change, Mr Alphonso may give notice to terminate his employment, in which event the Company will be liable to pay him, by way of redundancy payment, the greater of 6 months pay or 4 weeks pay for each completed year of service.

Mr Alphonso's employment contract also contains provisions for the protection of the Company's interest in such areas such as confidential information and business dealings.

Event Subsequent:

On 1 July 2013 Peter Alphonso was appointed as Chief Financial Officer.

14. OPTIONS

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			
18 November 2013	A$4.40	140,000	140,000
3 July 2014	A$8.10	575,000	575,000
3 January 2015	A$5.10	1,000,000	1,000,000

Shares issued on exercise of options/rights

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

15. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

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

16. 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.

17. 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 commencing on page 36.

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

18. 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.

19. NON-AUDIT SERVICES

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

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

a) all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor;

b) the nature of the non-audit services provided do not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board;

c) Grant Thornton's services have not involved reviewing or auditing Grant Thornton's own work or acting in a managerial or decision-making capacity within the Group; and

d) There is no reason to question the veracity of Grant Thornton's Independence Declaration.

The following fees were paid or payable to Grant Thornton for non-audit services provided during the year ended 30 June 2013.

	2013 (US$)	2012 (US$)
Taxation services	14,600	13,858
Financial reporting advice	19,406	7,918
Total non-audit services	34,006	21,776

20. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2013 has been received and can be found on page 70 of the Financial Report.

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

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

Signed in accordance with a resolution of the Board of Directors

Peter Hepburn-Brown
Managing Director
Dated at Perth this 27th day of August 2013

Grant Thornton

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Medusa Mining Limited for the year ended 30 June 2013, 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

P. Warr.

P W Warr
Partner – Audit & Assurance

Perth, 27 August 2013

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 June 2013

	NOTE	CONSOLIDATED 2013 US$000	CONSOLIDATED 2012 US$000
Revenue	2	100,680	81,188
Cost of sales		(33,551)	(20,793)
Exploration & evaluation expenses	3	(6,849)	-
Administration expenses		(8,508)	(10,750)
Other expenses		(1,587)	(1,569)
Profit before income tax expense		50,185	48,076
Income tax (expense)/benefit	5	(4)	1,108
Profit attributable to members of the Group	6,23	50,181	49,184
Other comprehensive income, net of income tax:			
Exchange differences on translation of foreign operations and other comprehensive income for the year		(6,381)	6,830
Total comprehensive income for the year		43,800	56,014
Overall operations:			
Basic earnings per share (US$ per share)	6	0.266	0.261
Diluted earnings per share (US$ per share)	6	0.263	0.260

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
for the year ended 30 June 2013

	NOTE	CONSOLIDATED 2013 US$000	CONSOLIDATED 2012 US$000
CURRENT ASSETS			
Cash & cash equivalents	24	4,698	12,468
Trade & other receivables	7	29,617	55,964
Inventories	8	18,339	14,643
Other current assets	9	662	707
Total Current Assets		53,316	83,782
NON-CURRENT ASSETS			
Trade & other receivables	10	2,600	-
Property, plant & equipment	11	101,549	63,929
Exploration, evaluation & development expenditure	12	219,962	182,897
Deferred tax assets	15	1,603	1,632
Total Non-Current Assets		325,714	248,458
TOTAL ASSETS		379,030	332,240
CURRENT LIABILITIES			
Trade & other payables		18,616	14,876
Borrowings	13	1,725	-
Employee benefits	14	1,017	920
Total Current Liabilities		21,358	15,796
NON-CURRENT LIABILITIES			
Borrowings	13	528	-
Deferred tax liability	15	141	257
Employee benefits	14	753	520
Total Non-Current Liabilities		1,422	777
TOTAL LIABILITIES		22,780	16,573
NET ASSETS		356,250	315,667
EQUITY			
Issued capital	17	73,070	73,070
Reserves	18	18,087	23,760
Retained profits	23	265,093	218,837
TOTAL EQUITY		356,250	315,667

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2013

	NOTE	SHARE CAPITAL ORDINARY US$000	RETAINED PROFITS US$000	OPTION AND PERFORMANCE RIGHTS US$000	FOREIGN CURRENCY TRANSLATION RESERVE US$000	TOTAL US$000
CONSOLIDATED						
Balance at 30 June 2011		**71,990**	**189,020**	**1,689**	**13,190**	**275,889**
Comprehensive Income						
Net profit after tax		-	49,184	-	-	49,184
Other comprehensive income		-	-	-	6,830	6,830
Total comprehensive income for the year		-	49,184	-	6,830	56,014
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period	17	789	-	-	-	789
Share options issued during the period in accordance with AASB 2 - share based payment	19	-	-	2,342	-	2,342
Transfer from Option Reserve to Share Capital		291	-	(291)	-	-
Sub-total		73,070	238,204	3,740	20,020	335,034
Dividends paid	4	-	(19,367)	-	-	(19,367)
Balance at 30 June 2012		**73,070**	**218,837**	**3,740**	**20,020**	**315,667**
Comprehensive Income						
Net profit after tax		-	50,181	-	-	50,181
Other comprehensive income		-	-	-	(6,381)	(6,381)
Total comprehensive income for the year		-	50,181	-	(6,381)	43,800
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period	17	-	-	-	-	-
Share options issued during the period in accordance with AASB 2 - share based payment	19	-	-	708	-	708
Transfer from Option Reserve to Share Capital		-	-	-	-	-
Sub-total		73,070	269,018	4,448	13,639	360,175
Dividends paid	4	-	(3,925)	-	-	(3,925)
Balance at 30 June 2013		**73,070**	**265,093**	**4,448**	**13,639**	**356,250**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 30 June 2013

	NOTE	CONSOLIDATED 2013 US$000	CONSOLIDATED 2012 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		125,687	92,545
Payments to suppliers & employees		(30,911)	(30,354)
Interest received		26	370
Net cash provided by operating activities	24	94,802	62,561
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant & equipment		(43,405)	(26,353)
Payments for exploration & evaluation activities		(10,350)	(14,345)
Payment for development activities		(45,682)	(46,986)
Net cash (used in) investing activities		(99,437)	(87,684)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,079
Payments for dividends		(3,925)	(19,367)
Proceeds from bank loans		2,253	-
Net cash (used in) financing activities		(1,672)	(18,288)
Net (decrease) in cash and cash equivalents held		(6,307)	(43,411)
Cash & cash equivalents at the beginning of the financial year		12,468	62,431
Exchange rate adjustment		(1,463)	(6,552)
Cash & cash equivalents at the end of the financial year	24	4,698	12,468

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

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 27 August 2013.

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

A controlled entity is any entity over which Medusa has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities during the year ended 30 June 2013 is presented in note 20.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered/ (left) the consolidated group during the year, their operating results have been included/ (excluded) from the date control was obtained/ (ceased).

All intra-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(b) Comparative figures

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

(c) Change in accounting policy

The Group has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2013.

AASB 2010-8 Amendments to Australian Accounting Standard - Deferred Tax:

Recovery of Underlying Assets (Applies to annual reporting periods beginning on or after 1 January 2012)

AASB 2010-8 provides clarification on the determination of deferred tax assets and deferred tax liabilities when investment property is measured using the fair value model in AASB 140 Investment Property. It introduces a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model where the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

AASB 2010-8 also includes the requirement that the measurement of deferred tax assets and deferred tax liabilities on non-depreciable assets measured using the revaluation model in AASB 116 Property, Plant and Equipment should always be based on recovery through sale. These amendments have had no impact on the Group.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (Applies annual reporting periods beginning on or after 1 July 2012)

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently, and changes the title of 'Statement of Profit or Loss and other Comprehensive Income' to 'statement of profit or loss and other comprehensive income'.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the current half-year period. The adoption of AASB 2011-9 has resulted in changes to the Group's presentation of its financial statements.

(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.

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 the profit or loss in the Statement of Profit or Loss and other Comprehensive Income 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 in the Statement of Profit or Loss and other Comprehensive Income.

(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 the Statement of Profit or Loss and other Comprehensive Income.

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.

(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 are 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.

(m) Rehabilitation costs

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

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

(n) Employee benefits

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

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

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

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

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

Actuarial gains and losses are amortised over the expected average remaining working lives of the participating employees in the plan. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in the profit or loss in the Statement of Profit or Loss and other Comprehensive Income 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 Australian Tax Office ("ATO"). 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 ATO 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 ATO 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.

(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 Company's functional currency is Australian dollars the presentation currency for the Group is US dollars. The reason for using US dollars as the presentation currency is US dollars 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 dollars, Mindanao Mineral Processing and Refining Corporation is United States dollars and the remaining entities are Philippine pesos. The reason for using USD as the presentation currency is USD is the primary currency used in the global gold markets.

(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.

(t) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value or amortised cost using the effective interest rate method. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss through the amortisation process and when the financial liability is derecognised.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as a default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(u) Inventories

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

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

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

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

(v) Share based payments

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

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

(w) Defined Benefit Fund

The Company has a funded non-contributory retirement plan for it's 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 11.

Key estimates - Recoverability of long lived assets

Certain assumptions are required to be made in order to assess the recoverability of capitalised development expenditure (refer to note 12). 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.

Key estimates - Determination of ore reserves and remaining mine life

The Company estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised December 2004 (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.

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 the profit and loss in the Statement of Profit or Loss and other Comprehensive Income.

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 appropriate amount will be written off to the Statement of Profit or Loss and other Comprehensive Income.

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 19).

Key estimates - VAT

The company has net VAT of $26m that comprises tax credit certificates (TCC) and VAT claimable for cash. The current asset portion of VAT $26m comprises amounts that is estimated to be utilised by TCC to offset various indirect taxes within the current period, and $8m represents applications that intended be submitted to claim cash refund within the 2014 financial year. The non-current amount of VAT receivable of $2.6m represents the estimated amount utilised in future periods against tax liabilities of $2.6m.

(y) Rounding of amounts

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

	CONSOLIDATED 2013 US$000	CONSOLIDATED 2012 US$000

2. REVENUE

	2013 US$000	2012 US$000
Operating activities:		
Gold and silver sales	100,622	80,802
Non-operating activities:		
Interest revenue	24	368
Foreign exchange gain	3	5
Other	31	13
Total revenue	100,680	81,188

3. EXPENSES

Profit before income tax expense/(income) has been determined after charging/(crediting) the following items:

	2013 US$000	2012 US$000
Depreciation of non-current assets (Note 11)	6,121	4,594
Amortisation expense (Note 12)	6,934	5,305
Total depreciation & amortisation	13,055	9,899
Employee benefits expense	6,366	8,771
Defined Contribution	73	141
Defined Benefit	298	270
Exploration expenditure written off	6,849	-
Impairment losses:		
- assets written off	61	-
	61	-
Operating lease rental:		
- minimum lease payments	87	87

4. DIVIDENDS

	2013 US$000	2012 US$000
Final un-franked dividend of A$0.02 per share was declared on 29 August 2012 and paid on 4 October 2012 (2012: 5 cents a share declared on 29 August 2011 and paid on 30 September 2011)	3,925	9,348
No Interim dividend was declared (2012: 5 cents a share declared on 21 February 2012 and paid on 23 March 2012)	-	10,019
	3,925	19,367

5. TAXATION

	CONSOLIDATED 2013 US$000	CONSOLIDATED 2012 US$000
(a) The components of tax expense comprise:		
Current tax	116	213
Deferred tax (Note 15)	(112)	(1,321)
	4	(1,108)
(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Operating profit before income tax	50,185	48,076
Prima facie income tax expense/(credit) at 30% (2011: 30%) on operating profit	15,056	14,423
less - tax effect of:		
Other non-deductible/(non-assessable) expenses	1,266	1,603
Difference of effective foreign income tax rates	(17,700)	(17,134)
Deferred tax adjustment	1,382	-
Income tax expense/(benefit)	4	(1,108)
The applicable weighted average effective tax rates are as follows	0%	0%

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

	2013 US$000	2012 US$000
(c) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(e) occur:-		
- Temporary differences	1,515	511
- Australian tax losses	2,775	2,774
- Philippine tax losses	-	1,153
	4,290	4,438

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

6. EARNINGS PER SHARE

	2013	2012
Earnings used to calculate basic and diluted EPS	50,181	49,184
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	188,903,911	188,747,505
Weighted average unlisted options outstanding	1,964,313	272,653
Weighted average of ordinary shares diluted as at 30 June 2013	190,868,224	189,020,158

	CONSOLIDATED	
	2013 US$000	**2012** US$000

7. CURRENT RECEIVABLES

	2013 US$000	2012 US$000
Gold awaiting settlement	2,881	27,935
GST/VAT receivables	23,315	19,323
Other receivables	3,421	8,706
Total current receivables	29,617	55,964

Refer ageing analysis in Financial Instruments Note 25(b).

8. INVENTORIES

	2013 US$000	2012 US$000
Consumables - at cost	9,283	4,935
Ore stockpile - at cost	3,593	3,938
Gold Inventory - at cost	5,463	5,770
Total inventories	18,339	14,643

9. OTHER CURRENT ASSETS

	2013 US$000	2012 US$000
Prepayments	662	707

10. NON CURRENT RECEIVABLES

	2013 US$000	2012 US$000
GST/VAT receivables	2,600	-
Total non-current receivables	2,600	-

11. PROPERTY, PLANT & EQUIPMENT

	2013 US$000	2012 US$000
Plant & equipment:		
At cost	124,010	82,529
less - accumulated depreciation	(22,832)	(18,966)
Total plant and equipment at net book value	101,178	63,563
Furniture & fittings:		
At cost	769	667
less - accumulated depreciation	(398)	(301)
Total furniture & fittings at net book value	371	366
Total carrying amount at end of year	101,549	63,929
Reconciliations:		
Plant and equipment:		
Carrying amount at beginning of year	63,563	39,715
plus - additions	44,154	28,088
plus - forex differences on translation	264	251
less - depreciation	(6,803)	(4,491)
Carrying amount at end of year	101,178	63,563
Furniture & fittings:		
Carrying amount at beginning of year	366	293
plus - additions	121	168
less - disposals	(61)	-
plus - forex differences on translation	55	8
less - depreciation	(110)	(103)
Carrying amount at end of year	371	366

12. EXPLORATION , EVALUATION & DEVELOPMENT EXPENDITURE

	CONSOLIDATED	
	2013 US$000	2012 US$000
Exploration and evaluation expenditure:		
At cost	29,186	42,461
Development expenditure:		
At cost	215,482	158,236
less - accumulated amortisation	(24,706)	(17,800)
Net development expenditure	190,776	140,436
Total carrying amount at end of year	219,962	182,897
Reconciliations:		
Exploration and evaluation expenditure:		
Carrying amount at beginning of year	42,461	27,100
plus - costs incurred	24,017	35,107
less - transferred to development	(25,973)	(19,319)
less - expenditure written off	(6,849)	-
plus/(less) - forex differences upon translation	(4,470)	(427)
Carrying amount at end of year	29,186	42,461
Development expenditure:		
Carrying amount at beginning of year	140,436	89,282
plus - costs incurred	34,494	28,957
plus - transferred from exploration	25,973	19,319
less - amortisation expense	(7,831)	(5,305)
plus - forex differences upon translation	(2,296)	8,183
Carrying amount at end of year	190,776	140,436

13. BORROWINGS

Current borrowings		
Unsecured liability – Interest bearing loan	1,725	-
Total Current borrowings	1,725	-
Non-Current borrowings		
Secured liability – Interest bearing loan	134	-
Unsecured liability – Interest bearing loan	394	-
Total Non-Current borrowings	528	-
Total	2,253	-

Philsaga Mining Corporation (“Philsaga”), a subsidiary of the Company, obtained a short term unsecured facility from Metropolitan Bank and Trust Company (“Metrobank”) in the Philippines of US$4.5M of which the outstanding balance at 30 June 2013 amounted to US$1.6M. The facility attracts an interest rate of 4% and expires during March 2014.

Philsaga obtained and has drawndown an unsecured facility of US$ 0.5M from Metrobank which is repayable over 5 years at an interest rate of 2.7%

At balance date Philsaga has US$4.3M from Metrobank available as a facility for drawdown.

Philsaga obtained secured loans from two banks totalling US$0.2M. The security of the loans is the equipment purchased and covers varying loan periods not exceeding 5 years and an average interest rate of 9%

Mindanao Mineral Processing and Refining Company, a subsidiary of Medusa, has availed itself of a facility from Security Bank in the Philippines totalling US$4.7M. As at balance date the facility has not been utilised.

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	CONSOLIDATED	
	2013 US$000	**2012** US$000

14. EMPLOYEE BENEFITS

	2013 US$000	2012 US$000
Current:		
Employee benefits	1,017	920
Total current employee benefit	1,017	920
Non-Current:		
Retirement Benefit	753	520
Total current employee benefit	753	520

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 2012 by Actuarial Advisers and management assessment for 30 June 2013. 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:

	2013	2012
Discount Rate	6.14%	6.14%
Expected rate of salary increase	3.00%	3.00%

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

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2013 US$000	2012 US$000
Current service cost	191	173
Interest on obligation	46	38
Amortisation of past service cost-non vested	61	59
Total	298	270

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:

	2013 US$000	2012 US$000
Present Value of defined benefit obligation	910	739
Unrecognised actuarial loss	(40)	(41)
Unamortised past service cost-non vested	(117)	(178)
Total	753	520

Movements in the present value of the defined benefit obligation in the current period were as follows:

	2013 US$000	2012 US$000
Balance beginning	739	469
Current service cost	191	173
Interest Cost	46	38
Unrecognised actuarial loss	-	41
Benefits paid	(44)	-
Foreign exchange gains/(loss)	(22)	18
Balance ending	910	739

The Company has no plan assets held by trustees but an employee retirement fund amounting to US$1,145,538 was appropriated as at June 30, 2013. The employee retirement fund is presented as part of cash at bank as disclosed in Note 22.

15. 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 2013				
Deferred tax liability				
Capitalised exploration & evaluation expenditure	257	(4)	(112)	141
Deferred tax assets				
Carried forward tax losses	1,632	(29)	(152)	1,451
Other			152	152
Carried forward tax losses	1,632	(29)	-	1,603
Consolidated Group				
30 June 2012				
Deferred tax liability				
Capitalised exploration & evaluation expenditure	257	-	-	257
Deferred tax assets				
Carried forward tax losses	78	233	1,321	1,632

16. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2013 US$000	2012 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	149	158
• other services:		
- financial reporting advice	11	8
- other services provided by related practice of auditor - taxation and compliance	15	14
Total auditor's remuneration	175	180
Remuneration of other auditors of the Company's Philippines subsidiaries for:		
• auditing or reviewing the financial reports	67	67
• other services:		
- other services provided by related practice of auditor - legal and taxation	13	132
Total auditor's remuneration	80	199

17. ISSUED CAPITAL

	CONSOLIDATED	
	2013 US$000	2012 US$000
188,903,911 ordinary shares (30 June 2012: 188,903,911)	73,070	77,433
less: issue costs	-	(4,363)
Total issued capital	73,070	73,070
Ordinary shares		
Balance at beginning of year	73,070	71,990
Ordinary shares issued during the year:		
(i) 600,000 options converted at A$1.25 each	-	668
(ii) 10,000 options converted at A$4.40 each	-	45
(iii) 10,000 options converted at A$4.40 each	-	76
plus: Transfer from option reserve	-	291
Balance at end of year	73,070	73,070

Ordinary shares

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

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

Balance at beginning of year	188,903,911	188,233,911
Ordinary shares issued during the year:		
14 September 2011	-	594,000
23 November 2011	-	10,000
16 December 2011	-	66,000
Balance at end of year	188,903,911	188,903,911

Capital Management

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

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

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

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

	2013 US$000
Total Equity	356,250
Cash and cash equivalents	(4,698)
Capital	351,552
Total equity	356,250
Borrowings	2,253
Overall financing	358,503
Capital-to-overall financing ratio	0.98

There are no comparatives provided as borrowings were introduced in the current financial year.

18. RESERVES

	CONSOLIDATED 2013 US$000	CONSOLIDATED 2012 US$000
Option and performance rights reserve	4,448	3,740
Foreign currency translation reserve	13,639	20,020
Total reserves	18,087	23,760

(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 2013 (unless otherwise stated, all unlisted options and performance rights have full vesting rights)

- 140,000 options expiring 28 November 2013 and exercisable at A$4.40 each
- 575,000 options expiring 3 July 2014 and exercisable at A$8.10 each (none of the options were vested at reporting date).
- 250,000 performance rights with various vesting dates (refer note 17(iii)) (none of the performance rights were vested at reporting date.)
- 1,000,000 options expiring 3 January 2015 and exercisable at A$5.10 each (none of the options were vested at reporting date).

The above unlisted options and performance rights 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.

19. SHARE BASED PAYMENTS

The following share based payment arrangements existed during 30 June 2013:

(i) Under an agreement dated 14 September 2009, and subsequently approved by shareholders at the Annual General Meeting held on 17 November 2010, 150,000 options to acquire fully paid ordinary shares of the Company were issued to a consultant. The options were valued at A$1.872 using a Black Scholes options pricing model. This price was calculated under this valuation model (using historical share price volatility measures) and applying the following inputs:

Weighted average exercise price	- A$4.40
Weighted average life of option	- 36 months
Share price volatility	- 60%
Risk free rate	- 5.13%
Dividend Yield	- 0.81%

At reporting date 140,000 options remain unexercised.

(ii) On 4 July 2011, 575,000 options were issued to Philippine based employees. The options which hold no voting or dividend rights have an expiry date of 3 July 2014 and are exercisable at A$8.10 per option. Under the terms of the Issue the employees would be required to remain in the employment of the Company at 3 July 2012 to achieve 50% vesting of the options, with full vesting if they remain employees of the Company a year later on 3 July 2013. At reporting date all options remain unexercised.

(iii) At the Company's Annual General Meeting on 10 November 2011 shareholders approved the issue of 250,000 Performance Rights to the Managing Director Peter Hepburn-Brown. A Performance Right entitles Mr Brown to acquire one fully paid ordinary share in the Company subject to the satisfaction of certain performance criteria, as set out in the terms of the grant of the performance right. Under the terms of the grant Mr Brown would be required to remain in the employment of the Company at the vesting date.

During the year 250,000 Performance Rights lapsed due to performance criteria not being met.

The vesting periods applicable to the Performance Rights are as follows:

Number of Tranche 1 Rights	Grant Date	Vesting Date
100,000 (40% of the total number of Performance Rights)	11 November 2011	As soon as the new Co-O Plant is successfully commissioned within budget, but provided this successful commissioning of the Co-O Plant within budget occurs on or before 30 June 2013.

Number of Tranche 2 Rights	Grant Date	Vesting Date
Year 1 50,000 (20% of the total number of Performance Rights)	11 November 2011	30 June 2014 or 1 year after the Vesting Date of the Tranche 1 Performance Rights (whichever is the earlier)
Year 2 50,000 (20% of the total number of Performance Rights)	11 November 2011	30 June 2015 or 2 years after the Vesting Date of the Tranche 1 Performance Rights (whichever is the earlier)
Year 3 50,000 (20% of the total number of Performance Rights)	11 November 2011	30 June 2016 or 3 years after the Vesting Date of the Tranche 1 Performance Rights (whichever is the earlier)

(iv) On 3 January 2012, 1,000,000 options were issued to Philippine based employees. The options which hold no voting or dividend rights have an expiry date of 3 January 2015 and are exercisable at A$5.10 per option. Under the terms of the Issue the employees would be required to remain in the employment of the Company at 3 January 2013 to achieve 50% vesting of the options, with full vesting if they remain employees of the Company a year later on 3 January 2014. At reporting date all options remain unexercised.

Share based options and performance rights	2013		2012	
	Number of options and performance rights	Weighted average exercise price (A$)	Number of options and performance rights	Weighted average exercise price (A$)
Outstanding at start of year	1,965,000	4.4000	750,000	1.8800
Granted	-	-	1,825,000	5.3466
Forfeited	(250,000)	-	-	-
Exercised	-	-	(610,000)	(1.3016)
Outstanding at year end	1,715,000	6.0487	1,965,000	5.0547
Exercisable at year end	927,500	4.4000	140,000	4.4000

During the year 250,000 Performance Rights lapsed due to performance criteria not being met.

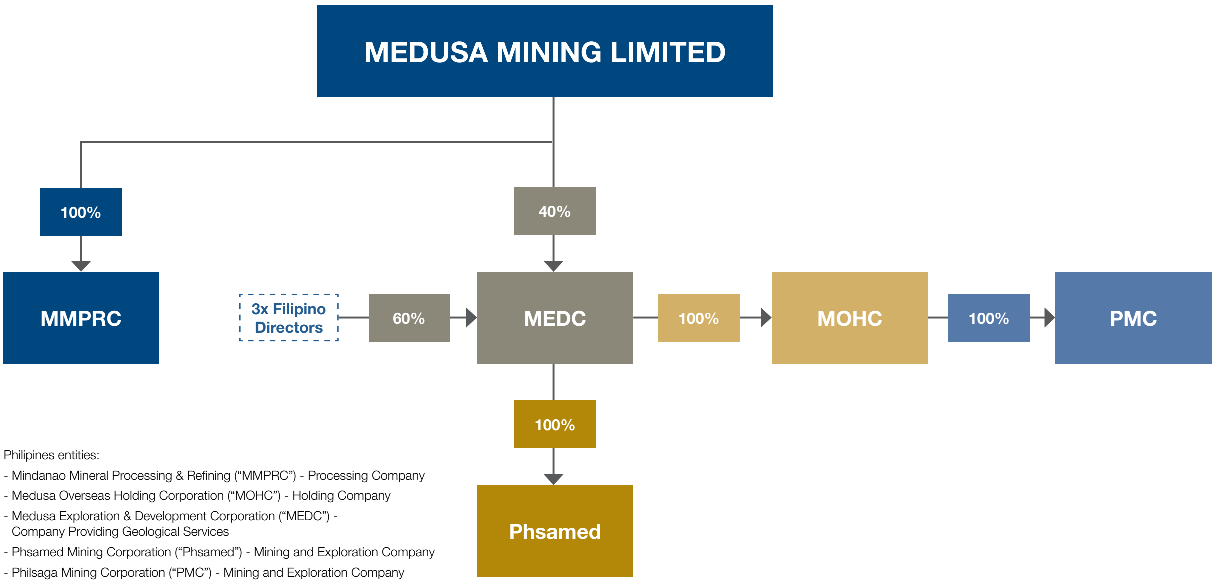
The options and performance rights outstanding at 30 June 2013 (all of which are unlisted) had a weighted average exercise price of A$5.7915 and a weighted average remaining contractual life of 15.25 months.

Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is (US$707,408) (2012: US$1,952,240) and relates, in full, to equity-settled share based payment transactions relating to employees and nil (2012: US$389,590) share based payment relating to a consultant (refer note 17(i)).

20. INVESTMENT IN SUBSIDIARIES

The following companies are controlled entities of Medusa Mining Limited as at 30 June 2013:

Controlled Entities	Date of incorporation	Country of incorporation	% interest held 2013	% interest held 2012
Medusa Exploration & Development Corporation	29 May 2003	Philippines	40%	40%
Phsamed Mining Corporation	23 Apr 2003	Philippines	40%	40%
Medusa Overseas Holding Corporation	08 May 2003	Philippines	40%	40%
Philsaga Mining Corporation	17 May 2001	Philippines	40%	40%
Mindanao Mineral Processing and Refining Corporation	03 Nov 2005	Philippines	100%	100%



Medusa Mining Limited ("Medusa") holds 40% of the issued shares of Medusa Exploration and Development Corporation ("MEDC"). As Medusa has various agreements in place and pursuant to local statutory provisions, Medusa has effective sole rights to the economic returns of MEDC and its subsidiary companies. In such circumstances, the assets and liabilities of MEDC and its subsidiaries have been attributed 100% to the Consolidated Entity.

21. KEY MANAGEMENT PERSONNEL REMUNERATION

This note is to be read in conjunction with Remuneration section of the Directors' Report.

(a) Remuneration

The totals of remuneration paid to Key Management Personnel of the Group are as follows:

	CONSOLIDATED 2013 US$000	CONSOLIDATED 2012 US$000
Short-term benefits	2,634	4,007
Post-employment benefits	51	128
Share based payments	-	1,575
Total	2,685	5,710

(b) Option holdings

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

FINANCIAL YEAR 2012/13

Name	Balance held 01/07/12	Options/rights granted as remuneration	Options/ rights exercised	Options/ rights not exercised & lapsed	Balance held 30/06/13	Vested & exercisable 30/06/13 (1)	Total not exercisable 30/06/13 (2)
Directors							
Geoffrey Davis	-	-	-	-	-	-	-
Peter Hepburn-Brown	250,000	-	-	(250,000)	-	-	-
Robert Weinberg	-	-	-	-	-	-	-
Andrew Teo	-	-	-	-	-	-	-
Ciceron Angeles	-	-	-	-	-	-	-
Gary Powell	-	-	-	-	-	-	-
Raul Villanueva	300,000	-	-	-	300,000	150,000	150,000
Executives							
Peter Alphonso	-	-	-	-	-	-	-
Roy Daniel	-	-	-	-	-	-	-
Samuel Afdal	-	-	-	-	-	-	-

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

FINANCIAL YEAR 2011/12

Name	Balance held 01/07/11	Options/rights granted as remuneration	Options/ exercised	Options/ not exercised & lapsed	Balance held 30/06/12	Vested & exercisable 30/06/12 (1)	Total not exercisable 30/06/12 (2)
Directors							
Geoffrey Davis	-	-	-	-	-	-	-
Peter Hepburn-Brown (3)	-	250,000	-	-	250,000	-	-
Robert Weinberg	-	-	-	-	-	-	-
Andrew Teo	-	-	-	-	-	-	-
Ciceron Angeles	-	-	-	-	-	-	-
Executives							
Roy Daniel (5)	-	-	-	-	-	-	-
Peter Alphonso (4)	80,000	-	80,000	-	-	-	-
Samuel Afdal (6)	-	-	-	-	-	-	-

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. Allocated 250,000 performance rights on 11 November 2011
4. Exercised the options at A$1.25 per option
5. Retired as Finance Director 09 June 2011 but continued in an executive role as Chief Financial Officer until 1 July 2013
6. Resigned on 10 December 2012

(b) Share holdings

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

FINANCIAL YEAR 2012/13

Name	Balance 30/06/12	Shares held at appointment	Bonus Issue of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/13
Directors							
Geoffrey Davis	4,052,750	-	-	50,000	-	-	4,102,750
Robert Weinberg	59,975	-	-	2,700	-	-	62,675
Peter Hepburn-Brown	17,000	-	-	5,000	-	-	22,000
Andrew Teo	65,000	-	-	10,000	-	-	75,000
Ciceron Angeles	-	-	-	-	-	-	-
Raul Villanueva (1)	-	-	-	-	-	-	-
Gary Powell (2)	-	-	-	-	-	-	-
Executives							
Roy Daniel	1,425,000	-	-	-	-	-	1,425,000
Peter Alphonso	126,500	-	-	1,000	-	-	127,500
Samuel Afdal (3)	1,450,000	-	-	-	-	1,450,000	-

1. Appointed 24 January 2013
2. Appointed 24 January 2013
3. Resigned 10 December 2012

FINANCIAL YEAR 2011/12

Name	Balance 30/06/11	Shares held at appointment	Bonus Issue(4) of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/12
Directors							
Geoffrey Davis	5,052,750	-	-	-	-	(1,000,000)	4,052,750
Robert Weinberg	57,475	-	-	2,500	-	-	59,975
Peter Hepburn-Brown	15,000	-	-	2,000	-	-	17,000
Andrew Teo	60,000	-	-	5,000	-	-	65,000
Ciceron Angeles(1)	-	-	-	-	-	-	-
Executives							
Roy Daniel(2)	1,422,006	-	-	2,994	-	-	1,425,000
Peter Alphonso	54,700	-	8,000	3,800	80,000	(20,000)	126,500
Samuel Afdal	2,000,000	-	-	-	-	(550,000)	1,450,000

1. Appointed 28 June 2011
2. Retired as Finance Director 09 June 2011 but continued in an executive role as Chief Financial Officer.

22. RELATED PARTIES

Related parties transactions of Medusa Mining Limited fall into the following categories:-

Key Management Personnel related parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors

Non-Executive Directors:

Geoffrey Davis - Chairman

Robert Weinberg

Mr Andrew Teo

Mr Ciceron Angeles

Mr Gary Powell (appointed 24 January 2013)

Executive Directors:

Mr Peter Hepburn-Brown - Managing Director

Mr Raul Villanueva - President Philsaga Mining Corporation (appointed 24 January 2013)

Executives

Peter Alphonso - Company Secretary

Roy Daniel - Chief Financial Officer

Samuel Afdal - President, Philsaga Mining Corporation (resigned 10 December 2012)

Details of Key Management Personnel's remuneration, shareholdings and option holdings are set out in the Remuneration Report section of the Directors' Report.

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.

Related parties:	Geoffrey Davis, Robert Weinberg, Peter Hepburn-Brown, Andrew Teo, Ciceron Angeles, Raul Villanueva and Gary Powell.
Type of transaction:	Director Protection Deed ("Deed")
Transaction details:	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)
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$5,984; (2012: A$5,878) per month. During the year, Cedardale Holdings Pty Ltd charged the Company A$71,306; (2012: A$71,553) for the lease of office premises. No amounts outstanding at year end (2012: nil).
Related party:	Harvest Services Aust Pty Ltd
Nature of relationship:	Director related entity (Geoffrey Davis)
Type of transaction:	Consultancy Services Agreement
Transaction details:	Under the terms of this Consultancy Services Agreement, Harvest Services Aust Pty Ltd ("Harvest Services"), a Company associated with Geoffrey Davis, agrees to provide the services of Geoffrey Davis to the Company, commencing 1 July 2011. Harvest is entitled to receive a consultancy fee of A$3,000 per day (excluding GST) and the reimbursement of out of pocket expenses in respect of the provision of services as and when reasonably required by the Company. The Company does not guarantee to make a minimum number of requests for the provision of services. During the year, Harvest Services charged the Company fees of A$27,597 (2012: A$756,750 which included a bonus A$375,000 approved by the Board of Directors). No amount remains outstanding at year end (2012: nil).
Related parties:	Secdea Philippines Holdings Corporation & Advanced Concepts Holdings Limited
Nature of relationship:	Executive related entities (Samuel Afdal)
Type of transaction:	Royalty Deed of Agreement
Transaction details:	On 4 December 2006, Philsaga Mining Corporation ("Philsaga"), a related entity of Medusa, executed a royalty agreement with the Secdea Philippines Holdings Corporation (a company associated with Samuel Afdal), Yandal Investments Pty Ltd and Advanced Concepts Holdings [collectively the "Royalty Vendors"]. Under the terms of the royalty deed of agreement, Philsaga has agreed to pay the Royalty Vendors a royalty of US$20 per ounce of recovered gold obtained from extensions of the Co-O Mine system mined on the eastern side of the Oriental Fault up to a limit of US$10 million. The royalty will be payable on a quarterly basis. During the year, US$54,700 (2012: US$104,771) was paid. US$137,623 (2012: US$26,799) remained outstanding at year end.

Related party:	SBF Philippines Drilling Resources Corporation
Nature of relationship:	Executive related entity (Samuel Afdal)
Type of transaction:	Drilling Services Agreement
Transaction details:	On 4 December 2006, Philsaga Mining Corporation ("Philsaga"), a related entity of Medusa, entered into a drilling services agreement with SBF Philippines Drilling Resources Corporation ("SBF Drilling"), a company associated with Samuel Afdal. Under the terms of the drilling services agreement, Philsaga has engaged SBF Drilling to provide Philsaga or the Medusa group of companies, with drilling services for the Co-O Mine and area and further provide equipment, labour and expertise with respect to drilling services. The engagement of SBF Drilling by Philsaga is for an initial term of 3 years and is renewable thereafter for 1 year periods by mutual agreement between the parties. In consideration of SBF Drilling providing the services, Philsaga will pay SBF Drilling commercial rates for its services. During the year, SBF Drilling charged Philsaga US$15,462,098 (2012: US$24,901,184) in fees. US$6,070,760 (2012: US$5,714,077) remains outstanding at year end.
Related party:	Boonjarding Ltd
Nature of relationship:	Director related entity (Gary Powell)
Type of transaction:	Mining & Mineral exploration consultancy services
Transaction details:	During the financial year consultancy fees of US$160,204 (2012: Nil) was charged to Philsaga.

	CONSOLIDATED	
	2013 US$000	2012 US$000
23. RETAINED PROFITS		
Retained profit / at start of year	218,837	189,020
Net profit attributable to members of Company	50,181	49,184
Dividends Paid	(3,925)	(19,367)
Retained profits at end of year	265,093	218,837

24. 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:-

	2013 US$000	2012 US$000
Cash at bank	4,697	12,467
Cash on hand	1	1
Total cash assets	4,698	12,468

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

	2013 US$000	2012 US$000
Profit after income tax	50,181	49,184
add/(less)-		
Non-cash items:		
- Depreciation/ amortisation	13,055	9,899
- Exploration expenses written off	6,849	-
- Recognition of share based expenses	707	2,342
- Impairment	-	-
- Foreign exchange (gain) / loss	(1)	628
- Loss on asset disposal / write off	41	-
- Income tax credit / (expense)	4	(1,108)
	70,836	60,945
add/(less) -		
Changes in assets and liabilities		
- Decrease in trade and other receivables	23,746	1,148
- Decrease / (Increase) in prepayments	44	(197)
- (Increase) in inventories	(3,692)	(6,507)
- Decrease in trade & other payables	3,955	7,172
- (Decrease) in deferred taxes payable	(87)	-
Net cash provided by operating activities	94,802	62,561

(c) Restricted Funds

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

(i) A Rehabilitation fund of US$359,380 (2012: US$358,704) to be used at the end of life of mine for environmental rehabilitation.

(ii) An Employee Retirement fund of US$1,145,538 (2012: US$1,059,592) established to meet employee entitlements on retirement.

(iii) The Company has a Provident fund of US$240,895 (2012: US$308,184) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

25. 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.

(b) Financial instruments

(i) Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

	Weighted Average Effective interest		Floating Interest Rate		Within 1 Year		Non-interest Bearing		Total	
	2013 %	2012 %	2013 US$000	2012 US$000	2013 US$000	2012 US$000	2013 US$000	2012 US$000	2013 US$000	2012 US$000
Consolidated Group										
Financial Assets										
Cash & cash equivalent	0.70	2.4	4,439	10,098	-	-	259	2,170	4,698	12,268
Loans and receivables	-	-	-	-	-	-	6,302	55,964	6,302	55,964
			4,439	10,098	-	-	6,561	58,134	11,000	68,232
Financial Liabilities										
Financial liabilities at amortised cost										
Bank Loan			-	-	2,253	-	-	-	2,253	-
Trade & sundry payables	-	-	-	-	-	-	18,616	14,602	18,616	14,602
			-	-	2,253	-	18,616	14,602	20,869	14,602

	CONSOLIDATED	
	2013 US$000	2012 US$000
Receivables are expected to be collected as follows:		
Less than 6 months	6,302	39,557
6 months to 1 year	-	16,407
	6,302	55,964
As at 30 June 2013 and 2012, all receivables were neither past due nor impaired.		
Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	18,616	14,602
	18,616	14,602

(ii) Net fair values

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and liabilities approximates their carrying value. The net fair value of financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

(iii) Sensitivity analysis

The Group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2013, 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	
	2013 US$000	**2012** US$000
Change in profit before income tax / equity		
- increase in interest rate by 100 basis points	41	251
- decrease in interest rate by 100 basis points	(41)	(251)

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 2011 and 2013 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.

	Net Financial Assets/(Liabilities) in US$000			
	AUD	USD	PHP	TOTAL US$
Consolidated				
2013				
Functional Currency of Group Entity				
Australian Dollar	n/a	35	-	35
US Dollar	-	n/a	162	162
Philippine Peso	-	305	n/a	305
	-	340	162	502
2012				
Functional Currency of Group Entity				
Australian Dollar	n/a	2,110	-	2,110
US Dollar	-	n/a	442	442
Philippine Peso	-	2,481	n/a	2,481
	-	4,591	442	5,033

	CONSOLIDATED	
	2013 US$000	2012 US$000
Change in profit before income tax / equity		
- strengthening of A$ to US$ by 15%	(5)	(275)
- strengthening of Philippine Peso to US$ by 15%	21	(314)
	16	(589)
- weakening of A$ to US$ presentation by 15%	5	275
- weakening of Philippine Peso to by 15%	(21)	314
	(16)	589

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$1,610 (2012: US$1,690) 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$12.476 million (2012: US$8.034 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.

26. COMMITMENTS

(a) Exploration commitments:

The Company has certain obligations to perform minimum exploration work to maintain rights of tenure to its exploration tenements. These obligations may vary from time to time in accordance with tenements held and are expected to be fulfilled in the normal course of operations of the Group so as to avoid forfeiture of any tenement.
These obligations are not provided in the financial report and are payable:

	2013	2012
- no later than 1 year	3,168	4,080
- 1 year or later and no later than 5 years	3,155	1,722
Total exploration commitments	6,323	5,802

(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 November 2012 and July 2014. 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:

	2013	2012
- no later than 1 year	108	87
- 1 year or later and no later than 5 years	9	78
Total operating lease expense commitments	117	165

	CONSOLIDATED	
	2013 US$000	2012 US$000
(c) Other contractual commitments:		
(i) On 26 March 2008, Philsaga was granted Mineral Production Sharing Agreement ("MPSA") number 262-2008-XIII over the Co-O mine. Under the terms of the Agreement Philsaga is committed to mine related expenditure in the Philippines as follows:		
These commitments are not provided in the financial report and are payable:		
- no later than 1 year	45	27
- 1 year or later and no later than 5 years	460	81
Total other commitments	505	108
(ii) On 24 November 2009 Philsaga was granted Mineral Production Sharing Agreement ("MPSA") number 2-996-2009-XIII over the Co-O mine. Under the terms of the Agreement Philsaga is committed to mine related expenditure in the Philippines as follows:		
These commitments are not provided in the financial report and are payable:		
- no later than 1 year	44	43
- 1 year or later and no later than 5 years	454	347
Total other commitments	498	390

27. EVENTS SUBSEQUENT TO REPORTING DATE

On 1 July 2013 Mr Roy Daniel retired as Chief Financial Officer of the Company. Mr Peter Alphonso currently Company Secretary was appointed as his replacement.

Other than the matter described above, 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.

28. SEGMENT INFORMATION

The Consolidated Group has identified its reportable operating segments based on the internal management reports that are reviewed and used by the Managing Director (the chief operating decision maker) and his management team in assessing performance and in determining the allocation of resources.

The Group segments are structured as Mine, Exploration and Other. Currently the only operational mine is the Co-O mine. Other incorporates the Parent Entity's activities

Segment Result, Segment Assets and Segment Liabilities

The measurement of segment results is in line with the basis of information presented to management for internal management reporting purposes.

Segment Result is based on the net of revenues and expenditure corresponding to the specific segment.

Segment Revenues represent gold and silver sales at spot prices.

Segments Assets are allocated to segments based on their nature and physical location.

Segment Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment Liabilities include trade and other payables.

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense;
- gain on disposal of assets;
- deferred tax assets and liabilities;
- interest revenue;
- intercompany receivables and payables.

	Mining US$000	Exploration US$000	Other US$000	Total US$000
12 months to June 2013:				
Segment revenue	100,622	-	-	100,622
Reconciliation of segment revenue to Group revenue				
add:				
Interest income				24
OTHER				34
Group Revenue				100,680
Segment result	56,537	(1,238)	(5,180)	50,119
Reconciliation of segment result to group result:				
add back:				
Gain on disposal of asset				-
Other revenue				34
Interest revenue				24
less:				
Income tax expense				4
Group profit				50,181
Segment assets	371,846	3,943	1,638	377,427
Reconciliation of segment asset to group assets:				
plus: Deferred tax assets				1,603
Total Group assets				379,030
Segment liabilities	18,674	10	3,955	22,639
Reconciliation of segment liabilities to group liabilities				
plus: Deferred liabilities				141
Total Group liabilities				22,780

	Mining US$000	Exploration US$000	Other US$000	Total US$000
12 months to June 2012:				
Segment revenue	80,802	-	-	80,802
Reconciliation of segment revenue to Group revenue				
add:				
Interest income				368
OTHER				18
Group Revenue				81,188
Segment result	57,893	(143)	(10,060)	47,690
Reconciliation of segment result to group result:				
add back:				
Gain on disposal of asset				-
Other revenue				18
Interest revenue				368
less:				
Income tax expense				1,108
Group profit				49,184
Segment assets	322,651	4,004	3,953	330,608
Reconciliation of segment asset to group assets:				
plus: Deferred tax assets				1,632
Total Group assets				332,240
Segment liabilities	13,273	8	3,035	16,316
Reconciliation of segment liabilities to group liabilities				
plus: Deferred liabilities				257
Total Group liabilities				16,573

Revenue and non-current assets by geographical region	**Australia** US$000	**Philippines** US$000	**Total** US$000
12 months to June 2013:			
Segment Revenue	-	100,622	100,622
Non-Current Assets	15,825	308,286	324,111
12 months to June 2012:			
Segment Revenue	-	80,802	80,802
Non-Current Assets	35	246,791	246,826

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 it 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 2013, all of the Group's revenues depended on a single customer (2012:100%).

29. PARENT COMPANY INFORMATION

	2013 US$000	2012 US$000
Parent Entity:		
Current Assets	1,127	3,918
Total Assets	21,709	30,784
Current Liabilities	3,956	3,034
Total Liabilities	3,956	3,034
Net Assets	17,754	27,750
Issued Capital	73,070	73,070
Option Premium Reserve	4,448	3,740
Foreign Exchange Reserve	13,965	15,588
Accumulated Losses	(31,460)	(26,304)
Dividends paid	(42,269)	(38,344)
Total Equity	17,754	27,750
Profit/(loss) for the year	(5,155)	(4,807)
Total Comprehensive Income/(loss)	(6,779)	(6,970)

Payable under Service Arrangements

Refer Related Parties Note 22.

30. 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 2013, but have not been applied in preparing this financial report.

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting period, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

  This standard is mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012-6 defers the application date of AASB 9 from 1 January 2013 to 1 January 2015. AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

  The entity has not yet assessed the full impact of AASB 9 as the standard does not apply mandatorily before 1 January 2015 and that IASB is yet to finalise the remaining phases of its project to replace AASB 39 Financial instruments: Recognition and Measurement.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011-7: Amendments to Australian Accounting Standards.

  AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. When adopted, this Standard is not expected to significantly impact the Group's financial statements.

- AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

  When adopted, this Standard is not expected to significantly impact the Group's financial statements.

- AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity: concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities.

  When adopted, this Standard will affect disclosures only and therefore is not expected to significantly impact the Group's financial statements.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 2013 (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards.

  These Standards are expected to result in more detailed fair value disclosures, but are not expected to significant impact the amounts recognised in these financial statements.

- AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 January 2013).

  This Standard makes amendments to AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosure requirements by Australia specific paragraphs.

  When adopted, these amendments are unlikely to have any significant impact on the financial statements.

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting periods beginning on or after 1 January 2013).

  This Standard introduces a number of changes to presentation and disclosure of a defined benefit plan. AASB 119 also includes changes to the criteria for determining when termination benefits should be recognised as obligation.

  The entity does not have any defined benefit plans. Therefore, these amendments will have no significant impact on the entity.

- AASB Interpretation 20: Stripping Costs in the Production Phase of Surface Mining (applicable for annual reporting periods beginning on or after 1 January 2013).

  This interpretation clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production stage of a mine must be capitalized as inventories under AASB 102: Inventories if the benefits from stripping activity is realised in the form of inventory produced.

  The entity does not operate a surface mine. Therefore, there will be no impact on the financial statements when this interpretation is first adopted.

- AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (application for annual reporting periods commencing on or after 1 January 2014).

  This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's statement of financial position.

  When adopted, there will be no impact on the entity as the entity does not have any netting arrangements in place.

- AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 (applicable for annual reporting periods beginning on or after 1 January 2013).

  These amendments are a consequence of the annual improvement process, which provides a vehicle for making non-urgent but necessary amendments to Standards.

  When these amendments are first adopted, this Standard is not expected to significantly impact the Group's financial statements.

31. FRANKING ACCOUNT

The Company has no franking credits available.

32. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Suite 7

11 Preston Street

Como

Western Australia 6152.

DIRECTORS DECLARATION

1. In the opinion of the Directors of Medusa Mining Limited (the "Company"):

   (a) the financial statements and notes set out on pages 70 to 110 and the remuneration disclosures that are contained in pages 58 to 66 of the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

      (iii) complying with International Financial Reporting Standards as disclosed in Note 1.

   (b) the remuneration disclosures that are contained in pages 58 to 66 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2013.

Signed in accordance with a resolution of the Directors:

Peter Hepburn-Brown
Managing Director
Dated this 27th day of August 2013

Grant Thornton

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
To the Members of Medusa Mining Limited

Report on the financial report

We have audited the accompanying financial report of Medusa Mining Limited (the "Company"), which comprises of the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, notes comprising a summary of significant accounting policies as well as other explanatory information and the directors' declaration of the consolidated entity comprising of the Company and the entities it controlled at the year's end or from time to time during the financial year ended 30 June 2013.

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

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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.

Electronic presentation of audited financial report

This auditor's report relates to the financial report of Medusa Mining Limited and controlled entities for the year ended 30 June 2013 included on Medusa Mining Limited 's web site. The Company's Directors are responsible for the integrity of Medusa Mining Limited 's web site. We have not been engaged to report on the integrity of Medusa Mining Limited 's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

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 2013 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.

Grant Thornton

Report on the remuneration report

We have audited the remuneration report included in pages 59 to 67 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner - Audit & Assurance

Perth, 27 August 2013

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at at 24 September 2012.

1. SHAREHOLDING

(a) Distribution of shareholders and shares

Distribution	Number of Shareholders	Number of Shares
1 - 1,000	1,843	976,941
1,001 - 5,000	2,245	6,006,446
5,001 - 10,000	626	4,781,982
10,001 - 100,000	601	16,276,428
100,001 - 1,000,000	80	23,646,879
1,000,000 and over	22	159,033,390
Total	5417	188,903,911

The number of shareholdings held in less than marketable parcels is 457.

(b) Voting rights

The voting rights attaching to ordinary shares are, on a show of hands, every member present in person or by proxy shall have one vote and upon a poll, each share shall have a vote.

(c) Twenty largest shareholders

Total number of ordinary shares on issue - 188,903,911

Name of shareholders		Number of shares held	(%)
1.	HSBC Custody Nominees (Australia) Limited	37,724,045	19.97%
2.	National Nominees Limited	28,296,772	14.98%
3.	JP Morgan Nominees Australia Limited	9,729,728	5.15%
4.	Citicorp Nominees Pty Limited	9,105,039	4.82%
5.	HSBC Custody Nominees (Australia) Limited-GSCO ECA	9,041,208	4.79%
6.	JP Morgan Nominees Australia Limited <Cash Income A/C>	8,302,714	4.40%
7.	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	4,654,753	2.46%
8.	Forty Traders	3,296,881	1.75%
9.	Cedardale Holdings Pty Ltd <The G&S Davis S/Fund A/C>	3,187,673	1.69%
10.	Mr William Douglas Goodfellow	3,141,925	1.66%
11.	Merrill Lynch (Australia) Nominees Pty Limited	3,024,509	1.60%
12.	UCA Growth Fund Limited	2,850,000	1.51%
13.	Zero Nominees Pty Ltd	2,300,000	1.22%
14.	Barclayshare Nominees Limited	1,872,130	0.99%
15.	L R Nominees Limited <Nominee>	1,753,877	0.93%
16.	Nortrust Nominees Limited <TDS>	1,741,046	0.92%
17.	TD Direct Investing Nominees (Europe) Limited <SMKTNOMS>	1,622,271	0.86%
18.	Vidacos Nominees Limited <KBL>	1,561,800	0.83%
19.	State Street Nominees Limited <OM04>	1,500,000	0.79%
20.	CS Fourth Nominees Pty Ltd	1,415,537	0.75%
Total		136,121,908	72.06%

(d) On market buy back

There is no current on-market buy back.

(e) Substantial shareholders

An extract of the Company's register of substantial shareholders is set out below:

	Ordinary shares held	
Name	**Number of shares**	**Percentage**
Van Eck Associates	10,336,734	5.47%
Wellington Management Company, LLP	14,825,476	7.85%
Black Rock Group	9,541,215	6.10%

2. UNQUOTED EQUITY SECURITIES AND RESTRICTED SECURITIES

The following classes of unquoted equity securities and restricted securities are on issue:

Type of securities	Number of securities	% held
• 140,000 unquoted options to subscribe for ordinary shares exercisable at $4.40 per share, with an expiry date of 18 November 2013:		
Persons holding 20% or more:	-	-
Nicholas Sayce	140,000	100%
• 575,000 unquoted options to subscribe for ordinary shares exercisable at $8.10 per share, with an expiry date of 03 July 2014:		
Persons holding 20% or more:	-	-
• 1,000,000 unquoted options to subscribe for ordinary shares exercisable at $5.10 per share, with an expiry date of 3 January 2015:		
Persons holding 20% or more:	-	-

3. THE NAME OF THE COMPANY SECRETARY IS:

Mr Peter Alphonso

4. THE PRINCIPAL REGISTERED OFFICE OF THE COMPANY IS:

Suite 7,
11 Preston Street
Como, WA 6152

Telephone: (08) 9367 0601
Facsimile: (08) 9367 0602
Email: admin@medusamining.com.au

5. THE REGISTERS OF THE COMPANY'S SECURITIES ARE HELD AT THE FOLLOWING ADDRESSES:

Australia:
Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, WA 6000

Telephone:	+618 9323 2000
Facsimile:	+618 9323 2033
Investor enquiries:	1300 557 010

United Kingdom:
Computershare Investor Services Plc
PO Box 82
The Pavilions
Bridgewater Road
Bristol BS99 7NH, UK

Telephone:	+44 (0)870 702 0003
Facsimile:	+44 (0)870 703 6116

6. STOCK EXCHANGE LISTINGS

Quotation has been granted for all the ordinary shares of the Company on:

- Australian Stock Exchange Limited (ASX) (Home Exchange)
- London Stock Exchange (LSE)

TENEMENT SCHEDULE

Name	Tenement ID	Registered Holder	Company's Interest	Royalty	Area (hectares)
Co-O Mine	MPSA No. 262-2008-XIII	Philsaga	100.00%	-	2,538.7919
	MPSA No. 262-2008-XIII	Philsaga	100.00%	-	2,200.3595
Co-O	MPSA No. 262-2008-XIII	BMMRC	100.00%	-	339.8000
	MPSA No. 262-2008-XIII	Samuel Afdal	100.00%	-	846.4371
	MPSA No. 262-2008-XIII	Phsamed	100.00%	-	7,303.7327
	MPSA No. 262-2008-XIII	Philcord	100.00%	1% net profit	1,184.3821
	MPSA No. 262-2008-XIII	Philcord	100.00%	1% net profit	676.8288
Saugon	MPSA No. 262-2008-XIII	Philsaga	100.00%	-	3,132.3100
	MPSA No. 262-2008-XIII	Philsaga	100.00%	-	3,978.5401
	MPSA No. 262-2008-XIII	Philsaga	100.00%	-	3,047.5336
	MPSA No. 262-2008-XIII	Philsaga	100.00%	-	6,769.1267
	MPSA No. 262-2008-XIII	Samuel Afdal	100% (assignment)	-	1,692.6910
	MPSA No. 262-2008-XIII	Phsamed	100.00%	-	7,789.7976
	MPSA No. 262-2008-XIII	Philsaga	100% (assignment)	-	764.2000
Tambis	MPSA No. 262-2008-XIII	Philex	100.00%	7% net smelter	6,207.6210
Das-Agan	MPSA No. 262-2008-XIII	Das-agan	100.00%	3% gross	3,809.5500
Apical	MPSA No. 262-2008-XIII	Apmedoro	Earning 70% (JV)	-	2,084.0900
Corplex	MPSA No. 262-2008-XIII	Corplex	100%	3% net smelter	2,118.1600
	MPSA No. 262-2008-XIII	Corplex	100.00%	-	162.0000
	MPSA No. 262-2008-XIII	Corplex	100.00%	4% gross	810.0000
	MPSA No. 262-2008-XIII	Corplex	100.00%	3% net smelter	7,111.3463
Tagbina	MPSA No. 262-2008-XIII	Sursur	100.00%	3% gross	3,823.0000
	MPSA No. 262-2008-XIII	Sursur	100.00%	3% gross	5,948.0000
	MPSA No. 262-2008-XIII	Sursur	100.00%	3% gross	6,118.0000
SINUG-ANG	MPSA No. 262-2008-XIII	Salcedo	100.00%	-	190.3815

ABBREVIATIONS:

Tenement types -

MPSA - Mineral Production Sharing Agreement

EP - Exploration Permit

SSMP - Small Scale Mining Permit

APSA - Application for Mineral Production Sharing Agreement

EPA - Exploration Permit Application

AFTA - Application for Financial Technical Assistance Agreement

Registered Holder -

Philsaga - Philsaga Mining Corporation

BMMRC - Base Metals Mineral & Resources Corporation

Phsamed - Phsamed Mining Corporation

Philcord - Mindanao Philcord Mining Corporation

Corplex - Corplex Resources Inc

Philex - Philex Gold Philippines Inc

Das-Agan - Das-Agan Mining Corporation

Apmedoro - APMEDORO Mining Corporation

Sursur - Sursur Mining Corporation

Salcedo - Neptali P. Salcedo

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