MEDUSA

ANNUAL REPORT 2014

CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET (APPENDIX 4E)

Appendix 4E

Preliminary final report
Period ending 30 June 2014

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 2014**

Results for announcement to the market

Revenues and profits:		US$'000		US$'000
Revenues from ordinary activities	down 16%	100,680	to	84,196
Profit from ordinary activities after tax attributable to members	down 38%	50,181	to	30,871
Net profit for the period attributable to members	down 38%	50,181	to	30,871

(All comparisons to the previous period ended 30 June 2013)

Dividends:	Amount per security	Franked amount per security
Interim dividend	Nil	N/A
Final dividend	Nil	N/A
Total dividend paid for the year	Nil	N/A

No dividends were declared and paid for period ended 30 June 2014.

Net tangible assets per share:

The net tangible assets per share as at 30 June 2014 was US$2.055 (30 June 2013: US$1.893)

Change in control of entities:

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

Associates and Joint Venture entities:

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

Other information:

This report is based on accounts which are audited.

Except for matters noted above, all disclosure requirements pursuant to ASX Listing Rule 4.3A are contained within the Company's consolidated financial statements for the year ended 30 June 2014 which accompany this report.

CORPORATE DIRECTORY

DIRECTORS

Andrew Boon San Teo
Non-Executive Chairman

Raul Conde Villanueva
Executive Director

Dr Robert Maurice Weinberg
Non-Executive Director

Ciceron Angeles
Non-Executive Director

Gary Raymond Powell
Non-Executive Director

COMPANY SECRETARY

Peter Stanley Alphonso

EXECUTIVE MANAGEMENT

Geoffrey John Davis
Chief Executive Officer

Peter Stanley Alphonso
Chief Financial Officer

AUSTRALIAN BUSINESS NUMBER (ABN)

60 099 377 849

PRINCIPAL & REGISTERED OFFICE

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Como WA 6152

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STOCK EXCHANGE LISTING

Australian Stock Exchange Limited (ASX)
Trading Code: MML

AUDITORS

Australia:

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Philippines:

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

SOLICITORS

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Perth WA 6000

Philippines:

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

BANKERS

Commonwealth Bank
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Perth WA 6000

SHARE REGISTRY

Computershare Investor Services

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45 St George's Terrace
Perth WA 6000

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

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

HIGHLIGHTS OF FINANCIAL YEAR

FINANCIALS

- Revenues of US$84.2 million compared to US$100.7 million for the previous year, a decrease of 16%.

  Medusa is an un-hedged gold producer and received an average gold price of US$1,299 per ounce from the sale of 65,943 ounces of gold for the year (2013: 77,488 ounces at US$1,610 per ounce);
- Earnings before interest, tax, depreciation and amortisation ("EBITDA") of US$48.3 million (US$63.2 million in the previous year), a decrease of approximately 24%;
- Basic earnings per share ("EPS") of US$0.154 on a weighted average basis, based on NPAT of US$30.9 million (2013: EPS of US$0.266 based on NPAT of US$50.2 million), a decrease of 42%;
- The Company had total cash and cash equivalent in gold on metal account of US$13.68 million at year end (2013: US$7.45 million);
- No dividends were declared nor paid during the year (2014: Nil)

Description	Unit	30 June 2014	30 June 2013	Variance	(%)
Revenues	US$	US$84.2M	US$100.7M	(US$16.5M)	(16%)
EBITDA	US$	US$48.3M	US$63.2M	(US$14.9M)	(24%)
NPAT	US$	US$30.9M	US$50.2M	(US$19.3M)	(38%)
EPS (basic)	US$	US$0.154	US$0.266	(US$0.112)	(42%)

- Depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US$17.5 million (2013: US$13.1 million);
- US$23.6 million was expended on capital works associated with the new mill construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2013: US$44.2 million).
- Capitalised mine development costs totalled US$36.3 million for the year (2013: US$34.5 million);

OPERATIONS

Description	Unit	30 June 2014	30 June 2013
Tonnes mined	WMT	521,899	364,257
Ore milled	DMT	460,004	309,648
Head grade	gpt	4.76	7.02
Recovery	%	85%	90%
Gold produced	ounces	59,904	62,243
Cash costs (1)	US$/oz	$418	$313

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

- The Company produced 59,904 ounces of gold for the year, compared to the previous year's gold production of 62,243 ounces, at an average recovered grade of 4.76 g/t gold (2013: 7.02 g/t gold);
- The average cash cost for the year of US$418 per ounce, was higher than the previous year's average cash costs of US$313 per ounce due primarily to excess mine manning levels,low mine productivity, treatment of significant amounts of development ore and lower than budgeted mill recoveries.

PRODUCTION GUIDANCE TO 31 DECEMBER 2014

The production guidance for the six months to 31 December 2014 is expected to be between 40,000 to 45,000 ounces.

RESERVES AND RESOURCES

New Resource and Reserve estimates for 2014 are incomplete and will be reported in accordance with JORC 2012 when finalised.

EXPLORATION

- Contiguous tenement package maintained at >800km^2;
- Budgeted exploration for fiscal year 2015 of US$15 million (2014 FY actual: US$15.8 million);
- Exploration highlights at Co-O include:
  - revised the vein classifications and interpretations; and
  - underground drilling continues to confirm and extend mineralisation across strike and at depth.
- An Induced Polarisation, Resistivity and Ground Magnetics geophysical programme was commenced over the Co-O Mine environs and which should be completed in the coming months;
- At the B2 Prospect adjacent to the Bananghilig Deposit, drilling has continued to assess the extent of the mineralisation; and
- Regional exploration has continued over the Company's granted tenements.

CORPORATE

Placement:

In the September 2013 quarter, the Company raised gross proceeds of A$34,002,702 via the placement of 18,890,390 ordinary shares at A$1.80 each to clients of Euroz Securities Limited.

Board Changes:

Mr Geoffrey Davis (Founding Managing Director of Medusa) retired as Non-Executive Chairman on 22 November 2013 and was succeeded by Non-Executive Director, Mr Andrew Teo.

LSE delisting:

On 04 April 2014, application was made to the UK Listing Authority for the Securities to be removed from the Official List, and to the London Stock Exchange ("LSE") for the Securities to be removed from trading.

The last day of dealings in the Securities on the LSE was on 22 May 2014. The cancellation of the listing and of trading in the Securities on the LSE took effect on 23 May 2014.

EVENTS SUBSEQUENT TO YEAR END

Resignation of Managing Director

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

Appointment of Interim Chief Executive Officer

Mr Geoffrey Davis agreed to assume the role of Chief Executive Officer for an interim period following the resignation of Peter Hepburn-Brown as Managing Director, and will officially commence his role on 1 September 2014.

CHAIRMAN'S REVIEW

Dear Shareholders,

We are looking forward to an improved performance this financial year as most of the building blocks from our expansion programme are now in place for the expanded mine and the new mill that is operating satisfactorily with some additional improvements to come.

As announced on 1 September, the Board has appointed two experienced consulting mining engineers to coordinate a complete review of the Company's operations and make recommendations for improving the productivity and associated activities to the Board. The Board is awaiting that report.

On 9 September an update report on the operations was provided. I think it is clear from this report that a lot of activity has been underway during the year, and activities completed recently or that are currently in train will assist in uplifting productivity in 2014-15.

The change from JORC 2004 reporting to JORC 2012 reporting for resources has had an effect on the Company's resource base at the Co-O Mine and a lesser effect on the reserves, as has occurred with many other companies. The continuing major re-interpretation of the vein system has also had an effect on the resources at this point, however an interim resource estimate is under consideration to reflect further advances in the vein model. The Co-O Mine is a long life mine, therefore the mineralisation not included under the new standards hasn't disappeared, it's been de-classified and hence is available to be re-incorporated into the resources in the future when the gold price improves and/or costs are reduced.

Exploration at the Co-O Mine has focussed only on underground drilling, extending and infilling the vein system at depth and across strike. Drilling will continue each year with the aim of at least replacing material mined each year.

In the Tambis region at the B2 Discovery adjacent to the Bananghilig or B1 Deposit, drilling has put some flesh on the bones of this discovery with mineralisation now identified to be extensive and still open in some areas. Completed drilling is too wide spaced for the estimation of a resource, but has adequately demonstrated the discovery of a very large mineralised system.

Further metallurgical test work is proposed for B1 to investigate innovative ways of advancing this deposit towards production.

The Safety, Environmental and Community activities throughout the year have continued to provide for and protect our employees and the working environment while maintaining a low Lost Time Incident Frequency Rate by industry standards. There have been no environmental breaches during the year.

We are proud of our relationships with our host communities which have continued to be provided with a wide range of services and assistance programmes as in past years.

The former Managing Director and non-Executive Chairman, Mr Geoff Davis agreed to return on 1 September as the interim Chief Executive Officer while the Company seeks a new Managing Director after the resignation of Peter Hepburn-Brown on 19 August.

In closing, I wish to thank my fellow Directors and our Perth office staff and also extend my appreciation to our dedicated Filipino team who have grown into the expanded project which is not just the mining and milling, but includes all the support personnel that make it possible.

We look forward to an improving production performance for the 2014-15 year.

Andrew Teo
Chairman

REVIEW OF OPERATIONS

HIGHLIGHTS

"The Company completed its expansion program with the successful commissioning of the new CIL processing plant"

MINERAL RESOURCES AND ORE RESERVES:

Table 1. Group Mineral Resources and Ore Reserves as at 30 June 2014

Deposit	Category	Tonnes	Grade g/t gold	Ounces Gold
MINERAL RESOURCES [1,2]				
Co-O Resources[1] (JORC Code 2012)	Indicated	1,560,000	11.8	590,000
	Inferred	2,780,000	9.2	820,000
Total Co-O Resources	**Indicated & Inferred**	**4,340,000**	**10.1**	**1,410,000**
Bananghilig Resources[2] (JORC Code 2004)	Indicated	16,060,000	1.5	770,000
	Inferred	8,460,000	1.4	370,000
Total Bananghilig Resources	**Indicated & Inferred**	**24,520,000**	**1.4**	**1,140,000**
Saugon Resources[2] (JORC Code 2004)	Indicated	50,000	7.0	10,000
	Inferred	30,000	4.6	10,000
Total Saugon Resources	**Indicated & Inferred**	**80,000**	**6.0**	**20,000**
TOTAL RESOURCES	**Indicated & Inferred**	28,940,000	2.8	2,560,000
Total Indicated Resources		**17,670,000**	**2.4**	**1,370,000**
Total Inferred Resources		**11,270,000**	**3.3**	**1,190,000**
ORE RESERVES				
Co-O Reserves[1]	**Probable**	**1,920,000**	**7.22**	**450,000**

Notes:
1 Co-O Mineral Resources and ore reserves estimated under guideline of JORC Code 2012
2 Bananghilig and Saugon Mineral Resources were previously prepared and first disclosed under JORC Code 2004, and have not been updated to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported (08 August 2013).

Mineral Resources:
Co-O:
- a lower cut-off of 3.0 g/t gold, minimum mining widths of 1.2 metres, minimum grade of 2.7 g/t gold, minimum grade x width of 3.2 g.m/t have been applied,
- various upper cut-off gold grades (up to 300 g/t gold)have been applied to different veins
- a gold price of US$1,500 has been applied

Bananghilig:
- lower cut-off of 0.8 g/t gold has been applied at and various upper cuts

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

rounding to the nearest 10,000 may result in some slight discrepancies in totals

Ore Reserves:
Ore Reserves are a subset of Mineral Resources
Co-O:
- minimum mining widths of 1.25 metres (stopes ≥60°) and 1.5 metres (stopes <60°) have been applied, and where the vein width was equal to the minimum mining width, and extra 0.25 metres dilution was added to the hangingwall.
- a further 10% dilution have been allowed for slabbing in mining of low angle stopes under draw,
- shape dilution of 8% of extra tonnage at 2 g/t gold, for extra development and to reflect pinch and swell of veins,
- 85% mining recovery for stopes < 10 g/t gold,
- 90% mining recovery for stopes ≥10 g/t gold,
- 50% of pillars for empty stopes in major veins are included in reserve and diluted to 200%,
- a cut-off grade of 2.0 g/t gold has been applied for development ore
- a cut-off grade averaging 3.0 g/t gold has been applied to broken ore (dependent on closeness to hoisting point)
- a cut-off grade of 3.8 g/t gold has been applied to developed stopes
- a cut-off grade of 4.3 g/t gold has been applied to un-developed stopes
- a gold price of US$1,250 has been applied

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

Co-O OPERATIONS:

- Annual production of 59,904 ounces of gold at cash costs of US$418 per ounce;
- Commissioning of the new CIL mill completed;
- Increase in mine hoisting capacities continued:
  - Deepening of Baguio Shaft from Level 3 to Level 5 completed;
  - Completion of two ore passes from Levels 6 and 7 to Level 8, and installation of conveyor feed belt;
  - Commenced studies for the new 15E multi-purpose men and materials shaft; and
  - Completion of ore passes (raises) from Level 8 to Level 6, as part of the plan to develop the 15E Shaft

TAMBIS REGION - BANANGHILIG AND B2 DISCOVERY:

- Drilling continued to encounter significant gold mineralisation at the B2 Discovery area, adjacent to the Bananghilig deposit; and
- Sterilisation drilling to delineate areas for a proposed plant site, tailings and waste storage facilities completed, including geotechnical drilling for open pit walls and mill plant areas.

ON THE EXPLORATION FRONT:

DRILLING STATISTICS

Project	Purpose	Number of Holes	Meterage
Co-O Co-O Mine	Resource Underground	91	26,791
	Geotechnical	3	379
Sub-total Co-O Mine		**94**	**27,170**
Tambis Bananghilig	Exploration B2	30	8,844
	Sterilisation	7	1,831
	Geotechnical	31	1,884
Sub-total Bananghilig		**68**	**12,559**
GRAND TOTAL		**162**	**39,729**

SUMMARY OF EXPLORATION ACTIVITIES

Co-O MINE

- Underground drilling is continuing to delineate additional resources and to upgrade inferred resources to the indicated category; and
- Surface and underground drilling results are being continuously incorporated into the mine resources/reserves model and interpretations.

BANANGHILIG

- Exploration drilling was completed on 17 June 2104 at the B2 Discovery area, proximal to the Bananghilig Deposit. Significant mineralisation has been encountered which may contribute to and enhance future development of the Bananghilig Deposit; and
- Geotechnical investigations of the Bananghilig Deposit and potential infrastructure site is nearing completion.

Co-O REGIONAL

- Induced Polarization, Resistivity and Ground Magnetics surveys are almost complete although temporarily suspended;
- Regional mapping and sampling programs are ongoing; and
- Vein systems outside of Co-O Mine environs continue to be evaluated by mapping, trenching and sampling.

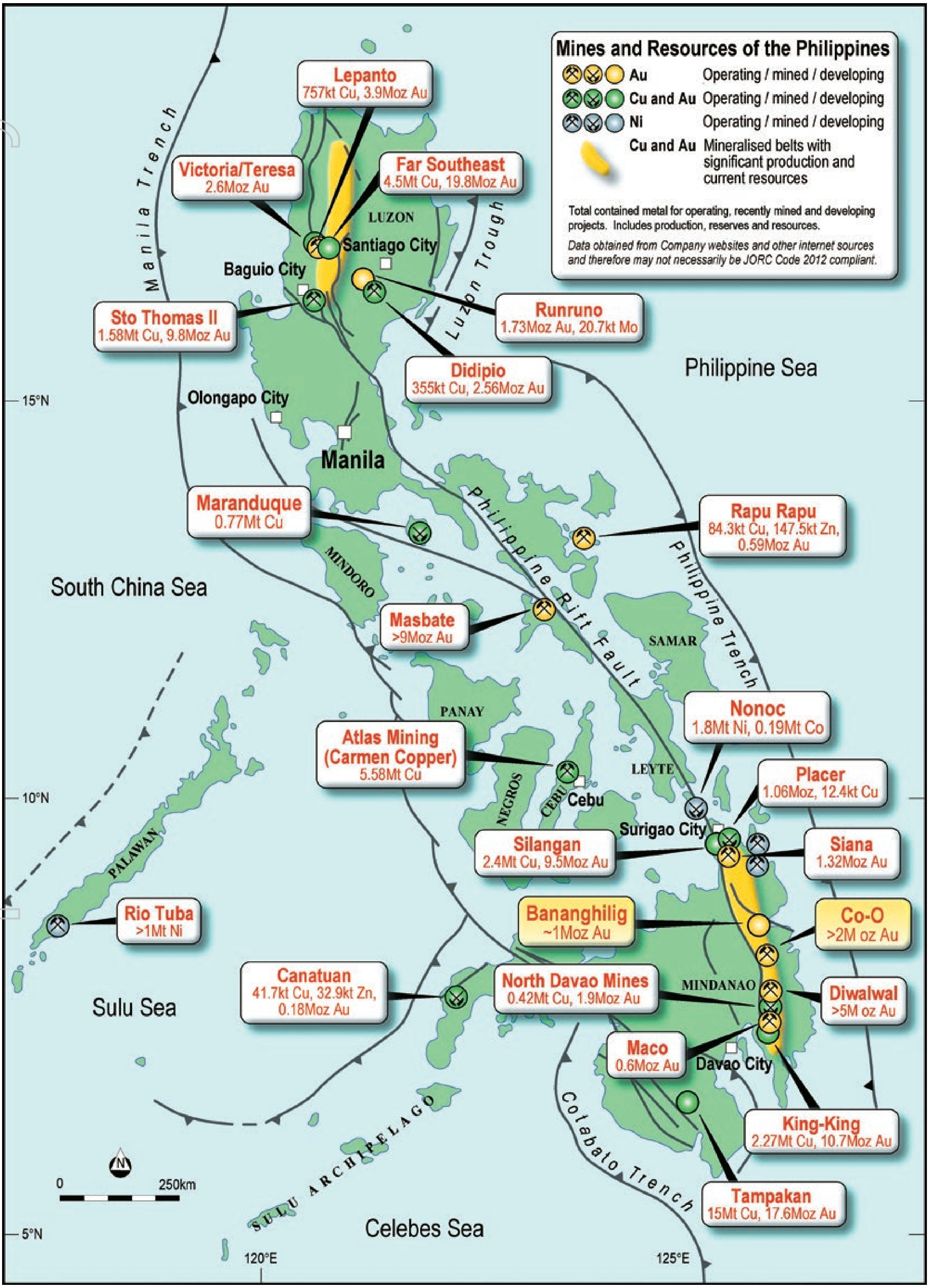

Figure 1: Location diagram of the Company's main project areas in relation to the significantly mineralised belts of the Philippines

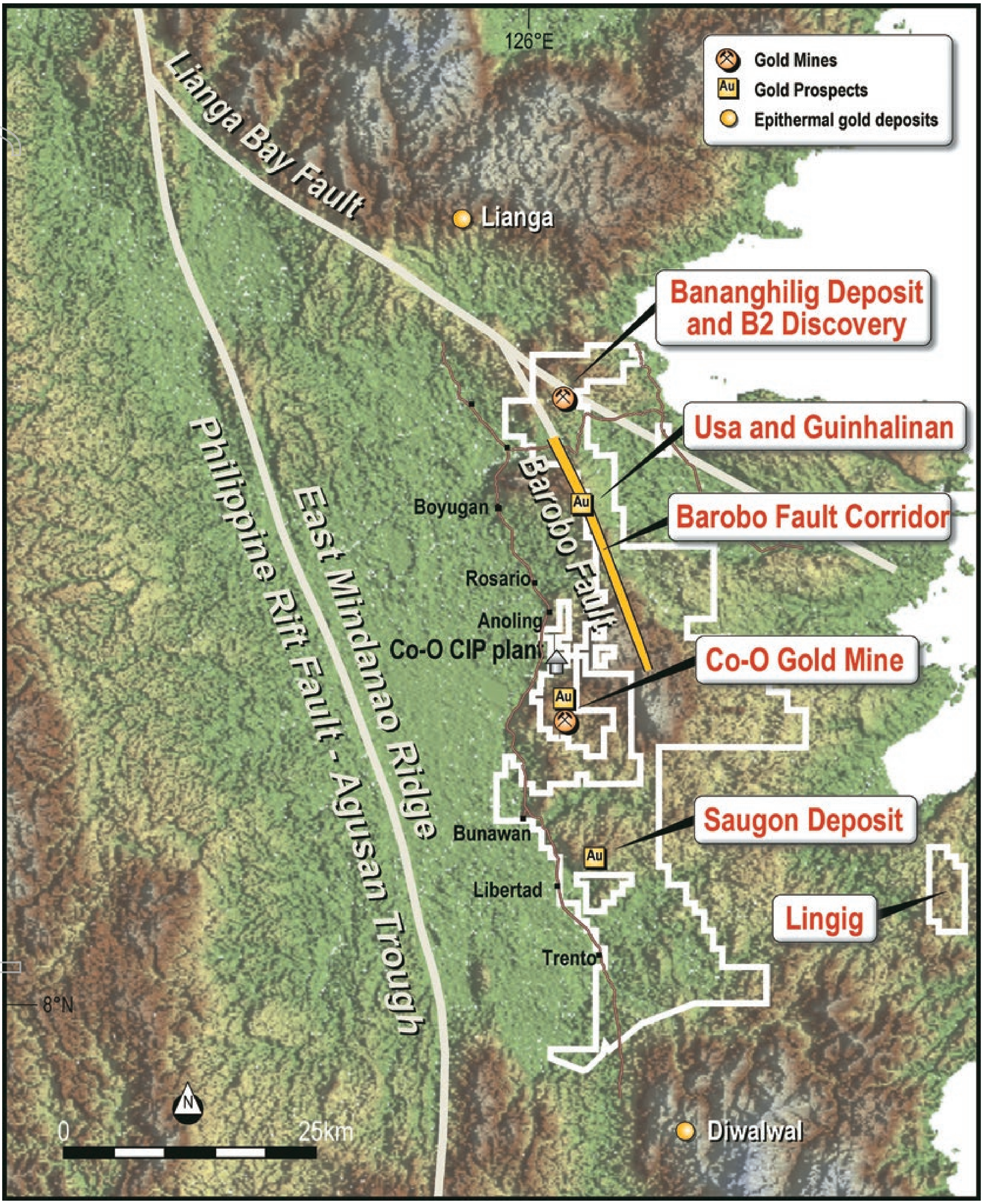

Figure 2: Eastern Mindanao topographical relief map, showing consolidated tenement outlines, mines, deposits and prospects.

Co-O PROJECT

The Co-O gold mine (Figs 2 and 12) is operated by Philsaga Mining Corporation under Mineral Production Sharing Agreement ("MPSA") 262-2008-XIII, which covers some 2,539 hectares.

Co-O GOLD PRODUCTION

"The Co-O Mine produced 59,904 ounces of gold during the year at cash cost of $418 per ounce"

Table II. Co-O Gold Production Statistics for financial years ended 30 June 2013 and 2014

Period	Unit	Year ended 30 June 2014	Year ended 30 June 2013
Tonnes mined	wet tonnes	521,899	346,257
Ore milled	dry tonnes	460,004	309,648
Head grade	gpt	4.76	7.02
Recovery	%	85%	90%
Gold produced	ounces	59,904	62,243
Cash costs (1)	US$	$418	$313
Gold sold	ounces	65,943	77,488
Average gold price received	US$	$1,299	$1,610

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

The Co-O Mine produced 59,904 ounces of gold at an average recovered grade of 4.76 g/t gold for the year, compared to the previous year's gold production of 62,243 ounces at a head grade of 7.02 g/t gold.

The average cash cost for the year of US$418 per ounce, was higher than the previous year's average cash costs of US$313 per ounce due primarily to the excess manning levels, low mine productivity, treatment of significant amounts of development ore and lower than budgeted mill recoveries, and various other issues associated with the installation, modification and commissioning of the new CIL plant.

FY2014 PRODUCTION GUIDANCE

The production guidance for the half year ending 31 December 2014 is between 40,000 to 45,000 ounces. Full year guidance for 2014-2015 will be provided once the recently initiated mine operations review has been completed.

Co-O MILL EXPANSION

In November 2010, the Board approved a major expansion of the Co-O Mine and the construction of a new CIL Plant with nameplate capacity to process up to 750,000 tonnes per year.

Commissioning of the plant commenced in August 2013. The detoxification, thickener, CIL tanks, gold room facilities and ancillary equipment associated with "wet" processing were all successfully commissioned during the September 2013 quarter.

The start-up of the new SAG mill was initially delayed due to the failure of the powercells, which were then repaired and re-installed in early December 2013. A second set of power cells have been purchased. The SAG mill has since operated satisfactorily according to design.

Construction of two new pre-leach tanks is underway and is expected to be completed late in the year. These tanks will increase leaching time from 24 hours to approximately 30 hours which will improve gold recovery.

The old processing plant's crushing and grinding circuit were refurbished to provide standby backup support to the new CIL processing plant.

In addition, construction of supplementary infrastructure was completed during the year, including junior staff accommodation, assay laboratory and metallurgy offices.

Co-O MINE EXPANSION AND OPERATIONS

The Co-O Mine is an underground rail or tracked mine, utilising battery powered electric locomotives and 1.2 to 1.5 tonne mine cars. Ore and waste is mined using air-leg mining and is extracted from the mine utilising using two horizontal adits (Marathon and Main Adits), four inclined 60° internal shafts (8E, 3W, 7W and 10W shafts), two vertical external shafts (Ventilation and Level 8 (L8) shafts) and two inclined external shafts (Agsao and Baguio shafts) as marked on Figure 3. Waste is used to backfill empty stopes wherever possible to reduce haulage to the surface.

The capacities of the small surface and underground shafts have been upgraded to allow extraction of upto1, 000 tonnes per day. The new L8 Shaft's design hoisting capacity is 1,500 tonnes per day, thus giving a combined total designed hoisting capacity of approximately 2,500 tonnes per day.

Underground development and stoping continued on all levels (Levels 1 to 8) during the year. Currently the mine production is achieved from approximately 60 development headings and approximately 100 stopes.

During the June 2013 quarter, deepening of the Baguio Shaft commenced from Level 3 down to Level 5, including rail and timber installation. This work was completed towards the end of December 2013, thus providing additional hoisting capacity from Levels 4 and 5.

Two ore passes were completed from Levels 6 and 7 to Level 8, adjacent to the L8 Shaft. In addition, a retractable feed conveyor belt system was installed at Level 8 to facilitate feeding of ore from the two ore pass chutes to the Level 8 Shaft feed hopper. The ore passes and feed conveyor have been commissioned and are fully operational.

Since June 2013, an Alimak Raise Climber system is being utilised to develop a raise from Level 8 to Level 6 at the 15E position to connect with an existing internal shaft from Level 5 to Level 6. The 15E Raise will be used initially as an ore pass and for ventilation purposes.

Level development averaged approximately 1,500 metres per month resulting in a high percentage of development ore to stoping ore in the mill feed. This accelerated development program has been essential to prepare the mine for the increased production rates required under the expansion plans. This has resulted in temporary reduced head grades to the mill and corresponding lower gold production, however many bottleneck issues have been overcome that will be sustainable moving forward.

During the June 2104 quarter, the mining workforce was rationalised with a reduction in the number of mining contractors. The reduction in workforce numbers, mainly contractors, as announced in the 30 June 2014 quarterly report, was primarily attributable to the reduction in the number of development headings to approximately 60 priority headings, and to a lesser extent, excess manning levels built up during the shaft sinking and expansion phase.

The Company has used this opportunity to retire some managers whilst providing the opportunity for younger personnel to take up management positions.

The extreme wet weather during December 2013 and January 2014 damaged the haul road from the mine to the mill. An ongoing works program to repair and upgrade the haul road is continuing to mitigate potential damage from future extreme weather events. This includes a new bridge over the Agsao River immediately adjacent to the mine which is anticipated to be completed before end of the year.

Co-O MINE CURRENT OPERATIONS AND PLANS

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

(i) Shrink stope mining

This method is predominantly used on vertical to sub-vertical veins where dilution can usually be reasonably well controlled. Shrink stopes have a minimum mining width of 1.25 metres; and

(ii) Slot stope mining

This method is used on the numerous low-angle veins (described above) where it is difficult to control the dilution from the hanging wall or roof. The minimum mining width for low angle veins is 1.5 metres, hence the higher dilution in low-angle stopes is partly responsible for the overall lower than average grade achieved from the mine.

The productivity of slot stopes is not as high as shrink stopes, and hence they also incur slightly higher costs. Trialling of various support methods to minimise the hanging wall dilution in the slot stopes is planned.

The objective to attain a long term mix of development to stoping ore of 30% to 70% is currently being achieved. Approximately 40% of the stope ore is currently sourced from the more diluted lower angle slot stopes.

REVIEW OF OPERATIONS

Approximately 20% to 30% of the development ore at Co-O is by definition (in narrow vein mines) taken from Inferred Resources as this development is required as part of the conversion process from Inferred to Indicated Resources.

In mid-December 2014, the L8 Shaft haulage will be upgraded to a 4.8 tonne skip and a double decker man-cage configuration to replace the current 3.6 tonne skip and single man-cage configuration. This exercise will also require the introduction of heavier duty winder ropes and replacement of gearing on the winder.

The above changes will increase the haulage capacity as a result of the increase in the skip payloads and reduce the time required for the employees to travel to underground work stations.

Preliminary planning for a new "materials and men" external shaft down to Level 8 by developing the 15E Raise to surface has commenced with a diamond drill hole for geotechnical evaluation completed and currently being assessed.

The proposed shaft is located approximately 355 metres to the south-southwest of Level 8 shaft and which will be named 15E Shaft (Figure 3). Its primary purpose will be for the transport of men and materials, with some additional ore haulage capability. The shaft will also provide ventilation, another means of egress and be capable of deepening to Level 12 sometime in the future.

Co-O MINE GEOLOGY

The local geology and mineralisation at Co-O has been discussed in more detail in previous Annual Reports and in following section. However, the extensive development that has been undertaken over the last two years, including opening up Level 8, has provided a much clearer understanding of the 3D shapes of the pinching and swelling of the veins and grade distributions. Consequently since September 2013 a major review of the all the mine geological data has been undertaken to develop a system of classifying the veins according to textures and their relationship to the grade of the vein. This classification allows visual grade estimates to be undertaken at working faces to expedite mining decisions and to assist in mine planning.

A significant amount of re-interpretation has been completed, including the recognition that the main west-trending vein system is controlled by a major shear system. This shear system has controlled the orientation of the three main sub-vertical veins (Central, Jereme and GHV) and caused the development of numerous link structures/veins in some sections of the mine and mainly between the Jereme and GHV on the west side of the Oriental Fault. These link structures/veins are commonly low-angle between 30° to 60° and are now being interpreted and verified from numerous previous unallocated drill hole intersections and underground development and stoping.

In addition, the recognition of the Don Pedro Vein's northerly orientation on Level 8 in 2013 has also resulted in the recognition of a third vein orientation set. The Don Pedro Vein has so far been mined up to Level 7. Vertical development of the Don Pedro Vein East by winzing has been completed from Levels 8 to 9, and is underway from Levels 9 to 10 as the first stage of opening up deeper levels in the mine.

Level development readily defines the pinch and swell nature of the veins in a horizontal direction, and now with an increased number of levels and vertical development as well as stoping data, the pinch and swell characteristics are being defined in a vertical sense. Pinching and swelling in a vertical direction affects the projection of veins to depth where a significant proportion of the 2013 Inferred Resources are located, and provides additional controls for refining resource estimates.

GROUP ORE RESERVES AND MINERAL RESOURCES

The Annual Mineral Resources and Ore Reserves Statement for the Company was released on 25 September 2014 and includes Material Information for the individual deposits, including a Material Information Summary pursuant to ASX Listing Rules 5.8 and 5.9 and the Assessment and Reporting Criteria in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code 2012").

MINERAL RESOURCE AND ORE RESERVE ASSUMPTIONS

Mineral Resources are reported inclusive of Ore Reserves and includes all exploration and resource definition drilling information up to 31 May 2014, and has been depleted for mining to 30 June 2014. Gold price assumptions used to estimate Mineral Resources and Ore Reserves are:

- Mineral Resources: US$1,500/oz gold
- Ore Reserves: US$1,250/oz gold

Co-O MINE MINERAL RESOURCES

Total Inferred and Indicated Mineral Resources for the Co-O Mine are now estimated at 4,339,000 tonnes at a grade of 10.1 g/t gold for a total 1,410,000 ounces gold, compared to the estimate reported on 08 August 2013 of 6.88 million tonnes at a grade of 9.9 g/t gold for a total 2,190,000 ounces gold (Table III).

The changes in the Co-O Mine resources are primarily due to: mining depletion; modified vein interpretations through increased geological knowledge of the different vein sets obtained by further underground mapping; application of updated resource modelling parameters, application of revised economic constraints and reporting to JORC Code 2012, guidelines.

Table III. Co-O Mine Mineral Resources as at 30 June 2014
(Refer ASX announcement dated 25 September 2014 for JORC Code, 2012 – Table 1 Report)

Category	Tonnes	g/t Gold	Ounces
Indicated resources	1,561,000	11.8	591,000
Inferred resources	2,778,000	9.2	819,000
TOTAL	**4,339,000**	**10.1**	**1,410,000**

Notes:
- a lower cut-off of 3 g/t gold, and minimum mining widths of 1.2 metres , minimum grade of 2.7 g/t gold, minimum grade x width of 3.2 g.m/t have been applied.
- a gold price of $1,500 has been applied
- various upper cut-off gold grades up to 300 g/t gold have been applied to different veins
- rounding to the nearest 10,000 applied may result in some slight discrepancies in totals

Reporting of Mineral Resources under JORC Code 2004 guidelines gave an estimate of the volume of in-ground mineralisation above a certain cut-off grade (3 g/t gold at Co-O) and had a reasonable expectation of being mined.

JORC Code 2012 requires a statement of assumptions used to define reasonable prospects for eventual economics extraction for resource reporting, such as cut-off grade, minimum mining width and gold price parameters.

The current reported mineral resources differ from previous estimates as some vein material which is high grade but narrow in width. This vein material may not meet the revised minimum requirements for economic extraction when diluted for mining nominated gold price, and/or extraction cost and is therefore no longer allowed to be included in the reported resource.

However, should the gold price improve or costs decrease, then this un-classified mineralisation may be available to be included in future resource statements.

VEIN MODELLING AND RESOURCE ESTIMATION

Cube Consulting Pty Ltd ("Cube") of Perth, Western Australia, was contracted to undertake the Co-O mineral resource estimate. A wireframe model of the vein system and the mine depletions were based on all available information as at 30 June 2014. A Bulk Density value of 2.62 was used for mineral resource estimations.

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

Block estimates were based on interpolation into 25mE x 25mRL parent cells with sub blocks of 6.25mE x 6.25mRL in the longitudinal plane. Block discretisation points, required for block kriging were set to 5 x 5 points in the longitudinal plane. There was no subdivision of the composites or blocks in the N direction, therefore only a single discretisation point is appropriate.

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

Mining depletions as of 30 June 2014 were stamped into the 3D block model using the 2D string outlines digitised from the Co-O Mine long sections.

The criteria used previously by Cube for resource classification has been adopted for this resource update. These criteria include:

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

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

- Gold price of USD1,500 per ounce;
- Minimum mining width of 1.2 metres;
- Minimum diluted grade of 2.7 g/t Au, and
- Minimum diluted grade x width of 3.2 gram•metres/ tonne

As a result, areas within the interpreted mineralisation, which do not satisfy these requirements, are therefore not included in the reporting of the mineral resource.

The final reporting of the mineral resource is undiluted above a 3 g/t Au cut-off, but is based on those areas that meet the minimum cut-off grade and dilution requirements.

COMPARISON WITH PREVIOUS RESOURCE STATEMENT

A comparison between the current mineral resource and that stated at 30 June 2013 shows a significant decrease in Inferred Resources and to a lesser amount Indicated Resources (Table II)

There are a number of factors responsible for the decreases, including:

- Significant changes to the vein interpretation after exposure by mining and with additional information from underground drilling. Changes to the interpretation have included the presence of less continuous flatter dipping veins and the identification of prevailing NW-SE and NE-SW shears. These have replaced or broken up the continuity of previously interpreted continuous E-W striking and steeply dipping veins and has resulted is less interpreted volume and tonnes. In addition, vertical pinching and swelling of the veins has become apparent from mining and development to date, which has also affected previous vertical extrapolations of mineralisation;
- No minimum width criteria were taken into consideration previously when reporting the mineral resource at a cut-off of 3g/t Au. However, the 2014 mineral resource update has taken into account economic criteria equivalent to a minimum diluted grade x width of 3.2 gram*metres/tonne as guidance for what defines economic extraction in the reported mineral resource. As a result, there are areas within the interpreted mineralisation which do not satisfy these requirements and are therefore no longer included within the reportable mineral resource as per JORC Code 2012;

  Mining and depletion has continued since the previous resource statement (ASX announcement dated 08 August 2013). Additional depletion has also been applied to some areas above level 3 due to a lack of complete survey records for mining prior to 2005.

Table IV. Comparison Summary of the total undiluted Co-O mineral resources at a block cut-off grade above 3.0 g/t Au for years ending 30 June 2013 and 30 June 2014.

Category	30 June 2013			30 June 2014			Variance		
	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
Indicated	2,100,000	12.1	820,000	1,561,000	11.8	591,000	-26%	-2%	-28%
Inferred	4,780,000	9.0	1,375,000	2,778,000	9.2	819,000	-42%	2%	-40%
TOTAL	**6,880,000**	**9.9**	**2,190,000**	**4,339,000**	**10.1**	**1,410,000**	**-37%**	**2%**	**-35%**

Co-O MINE ORE RESERVES

Carras Mining Pty Ltd ("Carras") of Perth, Western Australia was contracted to undertake the ore reserve estimation based on the 2014 mineral resource wireframe model provided by Cube Consulting Pty Ltd. This model was slightly updated in parts to reflect more current observations made in the mine, where they are relevant to the Ore Reserve study. A Bulk Density value of 2.62 was used for mineral resource estimations and 2.4 was used for the waste material.

The Ore Reserves estimate for the Co-O Mine comprises a Probable Ore Reserve of 1,920,000 tonnes at an average grade of 7.22 g/t gold for a total of 446,000 ounces gold.

Cut-off Grades

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

The following cut-off grades were used:

- 2.0 g/t gold for development ore;
- 3.0 g/t gold (average) for broken ore, depending on closeness to hoisting point;
- 3.8 g/t gold for developed stopes, and
- 4.3 g/t gold for undeveloped stopes.

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

Mining Factors & Assumptions

The Resource was converted to Reserve by carrying out detailed design following the application of minimum mining widths (MMW), dilution and cut-off grades to panels of size 30m x 50m high based on the Cube block model. Costs were then applied to determine those panels within the Indicated category which were economic. If economic, they were included in the Probable Reserve.

Mining at Co-O utilizes both Shrink and Slot stope mining. These methods have been used at the mine since 1989 and are well understood.

The MMW and mining dilution factors used are:

- MMW of 1.25 metres is applied to those panels with a dip ≥ 60 degrees.

  Where the MMW was equal to 1.25 metres, then an additional dilution of 0.25 metres was added to the HangingWall.
- MMW of 1.50 metres is applied to those panels with a dip < 60 degrees.

  Where the MMW was equal to 1.50 metres an additional 0.25 metres dilution was then added to the HangingWall.
- An additional dilution of 10% was allowed for the mining of the low angle stopes under draw.
- shape dilution of 8% of extra tonnage at 2 g/t gold, for extra development and to reflect pinch and swell of veins
- For stopes < 10 g/t gold an 85% mining recovery was used.
- For stopes ≥ 10 g/t gold a 90% mining recovery was used.
- For empty stopes where Pillar recovery was occurring, 50% of the Pillars are included in the Reserve and these are diluted 200%.

Inferred Resources (6%) are only utilized in the Ore Reserve estimation when Inferred panels need to be developed in order to access higher grade Indicated Resources (which must be able to carry all costs). This includes a small component of development beyond the Indicated Resource as an exploration component.

A comparison between the current ore reserves and that stated at 30 June 2013 shows a decrease in Probable Reserve ounces of 22% or 124,000 ounces gold (Table V).

The changes in the Co-O Mine reserves are primarily due to: mining depletion; modified vein interpretations through increased geological knowledge of the different vein sets obtained by further underground mapping, inclusion of further underground drilling results, more conservative mining dilution parameters and resource modelling techniques.

Table V. Comparison Summary of the Co-O Mine's Ore Reserves for 30 June 2013 and 30 June 2014 after allowance for depletion.

Reserve Category	30 June 2013			30 June 2014			Variance		
	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
Probable	1,650,000	10.7	570,000	1,920,000	7.22	446,000	16%	-33%	-22%

Co-O EXPLORATION

"Underground exploration drilling continues to better define the Co-O vein system over a strike length of approximately 2,000 metres. Drilling is focusing on upgrading Inferred Resources to the Indicated category and to delineate extensions to Inferred Resources, along strike from, and beneath current development."

RESOURCE DRILLING

A total of 91 underground diamond drill holes were completed to 30 June 2014 for a total advance of 26,791 metres.

The Company is currently using three large contract rigs and four smaller Company owned portable drilling rigs. Underground drilling is ongoing primarily to upgrade Inferred Resources to Indicated Resource category as well as to delineate additional mineralisation and extensions to the Inferred resources.

Three drill chambers have been excavated on Levels 3, 5 and 8 and one is planned to provide access for long term drilling programmes as shown on Figures 3 and 4. Additional drilling is being planned to ensure that replacement of reserves is achieved on an annual basis by upgrading Inferred Resources to the Indicated status, in conjunction with level developmentand described in the announcement of 9 September 2014.

Details of significant intersection results obtained during the 2013-14 year have been reported in the September 2013, December 2013, March 2014 and June 2014 quarterly reports. Table VI below summarises the more significant drill intersections obtained during the year.

Table VI. Co-O Mine – Significant underground drill hole results of ≥ 1 metre at ≥ 6 g/t gold, or ≥ 6 gram-metres. (Refer ASX announcement date 25 September 2014 for JORC Code, 2012 – Table 1 Report)

Hole Number[5]	East[4]	North[4]	RL[4]	Depth (metres)	Dip (°)	Azimuth (°)	From (metres)	Width[2] (metres)	Gold Grade[1,3] (uncut) (g/t gold)
UNDERGROUND EXPLORATION DRILL HOLES - LEVEL 2									
L2-65W-004	613299	913087	107	96.26	3	190.87	61.65	1.00	6.03
L2-6E-001	614063	913100	103	26.30	3	331.27	23.90	2.40	9.77
UNDERGROUND EXPLORATION DRILL HOLES - LEVEL 3									
L3-64W-002 [5]	613340	913026	62	291.1	3	222	177.70	1.00	19.83
L3-64W-010	613348	913027	61	492.0	-25	124	335.60	1.10	23.08
L3-64W-012	613343	913033	61	256.8	3	13	65.50	1.40	5.80
L3-64W-014	613344	913033	61	327.4	3	20	75.80	0.90	7.33
L3-64W-016	613348	913026	62	439.3	-25	138	193.20	1.00	12.10
							286.00	1.30	3.67
							305.30	0.20	48.80
							360.20	3.00	3.38
							428.30	0.90	15.10
L3-64W-017	613347	913023	60	550.7	-25	150	41.40	1.00	8.33
							311.50	1.00	10.17
							341.95	1.00	123.13
L3-64W-022	613349	913057	60	467.3	-41	179	178.55	1.30	11.52
L3-64W-023	613347	913057	60	499.8	-50	180	150.30	0.20	57.20
L3-64W-028	613350	913057	60	455.4	-48	199	256.50	1.00	7.10
L3-64W-030	613350	913057	60	476.6	-46	159	177.55	1.00	15.47
UNDERGROUND EXPLORATION DRILL HOLES - LEVEL 5									
L5-42E-034 [5]	614380	912692	-47	424.4	-53	343	40.85	0.65	20.40
							70.30	0.90	7.19
							329.10	1.00	9.15
							350.60	1.00	10.38
L5-42E-035 [5]	614381	912692	-47	415.5	-53	341	37.80	0.70	13.59
							64.75	2.15	7.45
							68.60	0.35	49.60
							116.70	2.05	24.88
L5-42E-036 [5]	614382	912692	-47	410.7	-53	358	374.15	0.45	13.09
L5-42E-037 [5]	614383	912691	-47	420.8	-53	325	113.10	1.40	12.41
							330.90	3.25	18.30
UNDERGROUND EXPLORATION DRILL HOLES - LEVEL 8									
L8-9E-001	614054	912801	-189	120.1	3	318	103.70	0.90	9.57
L8-19E-001	614207	913105	-192	487.1	3	247	62.85	1.00	6.87
L8-19E-002	614208	913105	-192	435.2	-2	198	244.10	1.00	6.32
							319.35	2.00	9.78
							349.05	0.45	50.22
							352.40	0.35	28.96
							387.60	2.60	9.85
L8-19E-003	614207	913104	-192	477.80	-3	204.02	175.45	0.30	19.83
							330.50	4.45	14.87
							375.45	1.95	51.83
L8-19E-004	614208	913104	-192	500.90	-3	213.63	286.40	0.45	31.20
							320.10	2.00	3.04
							395.10	0.75	8.99

Hole Number[5]	East[4]	North[4]	RL[4]	Depth (metres)	Dip (°)	Azimuth (°)	From (metres)	Width[2] (metres)	Gold Grade[1,3] (uncut) (g/t gold)
UNDERGROUND EXPLORATION DRILL HOLES - LEVEL 8									
L8-19E-005	614207	913104	-192	494.00	-3	222.7	237.30	1.60	8.75
							329.50	2.30	3.59
L8-19E-008	614209	913103	-193	402.0	-23	189	155.85	1.05	10.50
L8-19E-009	614209	913103	-193	415.0	-22	175	14.75	1.05	7.17
L8-19E-010	614213	913105	-193	449.2	-29	157	164.15	1.25	21.91
L8-19E-011	614213	913105	-193	463.0	-27	141	180.40	0.60	15.07
							380.85	0.95	8.77
L8-19E-013	614209	913103	-193	415.0	-29	177	200.15	1.40	24.38
L8-29E-003	614276	912913	-191	393.4	0	57	100.50	1.10	5.83
							120.65	0.85	8.11
							168.20	2.80	22.76
L8-29E-004	614270	912910	-191	115.6	3	219	53.65	2.20	19.43
L8-29E-005	614271	912909	-191	475.9	3	213	47.65	0.60	15.50
							55.00	0.90	15.86
							108.70	0.90	16.34
							156.60	1.00	21.18
							180.35	2.05	34.22
							183.40	0.75	60.60
L8-29E-006	614276	912913	-191	411.9	3	68	90.70	0.65	13.09
L8-29E-007	614276	912910	-191	464.3	3	116	0.40	0.90	7.10
L8-29E-008	614274	912908	-191	473.4	3	174	57.80	0.65	58.98
							169.30	1.20	6.44
							203.80	0.50	4.09
L8-29E-009	614276	912913	-191	452.2	3	93	80.65	0.85	20.00
							186.60	3.85	7.31
							236.55	1.00	78.70
							337.25	5.15	14.78
L8-29E-010	614274	912908	-191	474.3	3	142	194.50	1.00	15.48
							292.00	1.70	44.03

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 3.0 g/t gold;
   (iii) ≥ 1.0 metres down hole intercept width at ≥ 6.0 g/t gold, or
   (iv) ≥ 6 gram.metres,and
   (v) a maximum of 1.0 metre of down-hole internal dilution at ≤ 3 g/t gold.
2. Intersection widths are down-hole drill widths not true widths;
3. Assays are by Philsaga Mining Corporation's laboratory; and
4. Grid coordinates are based on the Philippine Reference System 92. RL is elevation in metres relative to the Mine Datum.
5. Note that some of the results were received after 30 June 2013 for holes completed prior to 30 June 2013.

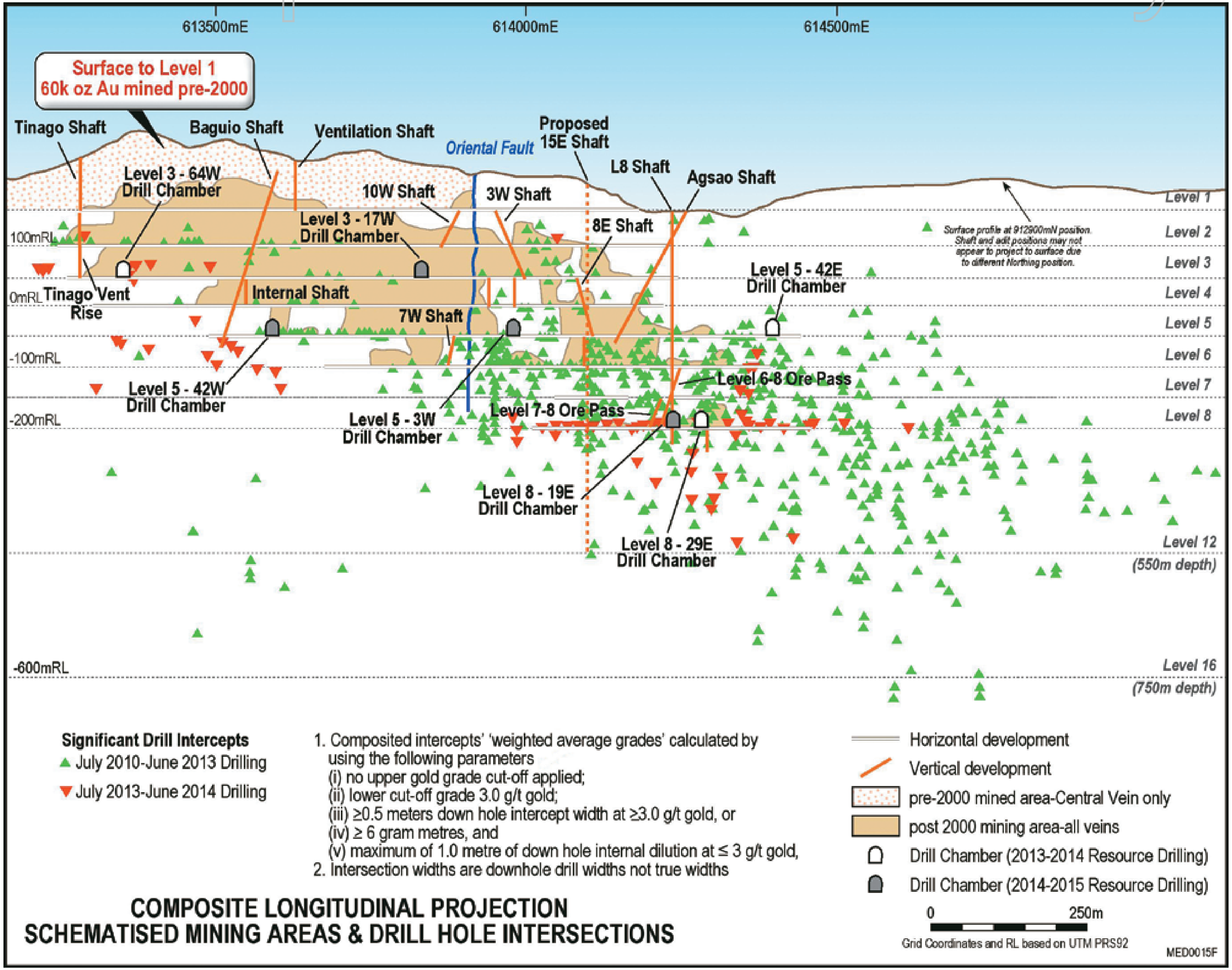

Figure 3: Co-O Mine composite longitudinal projection showing the locations of reported significant drill intercepts (since 2010), underground development, proposed E15 shaft and positions of drill chambers planned for 2014-2015 resource drilling programme.

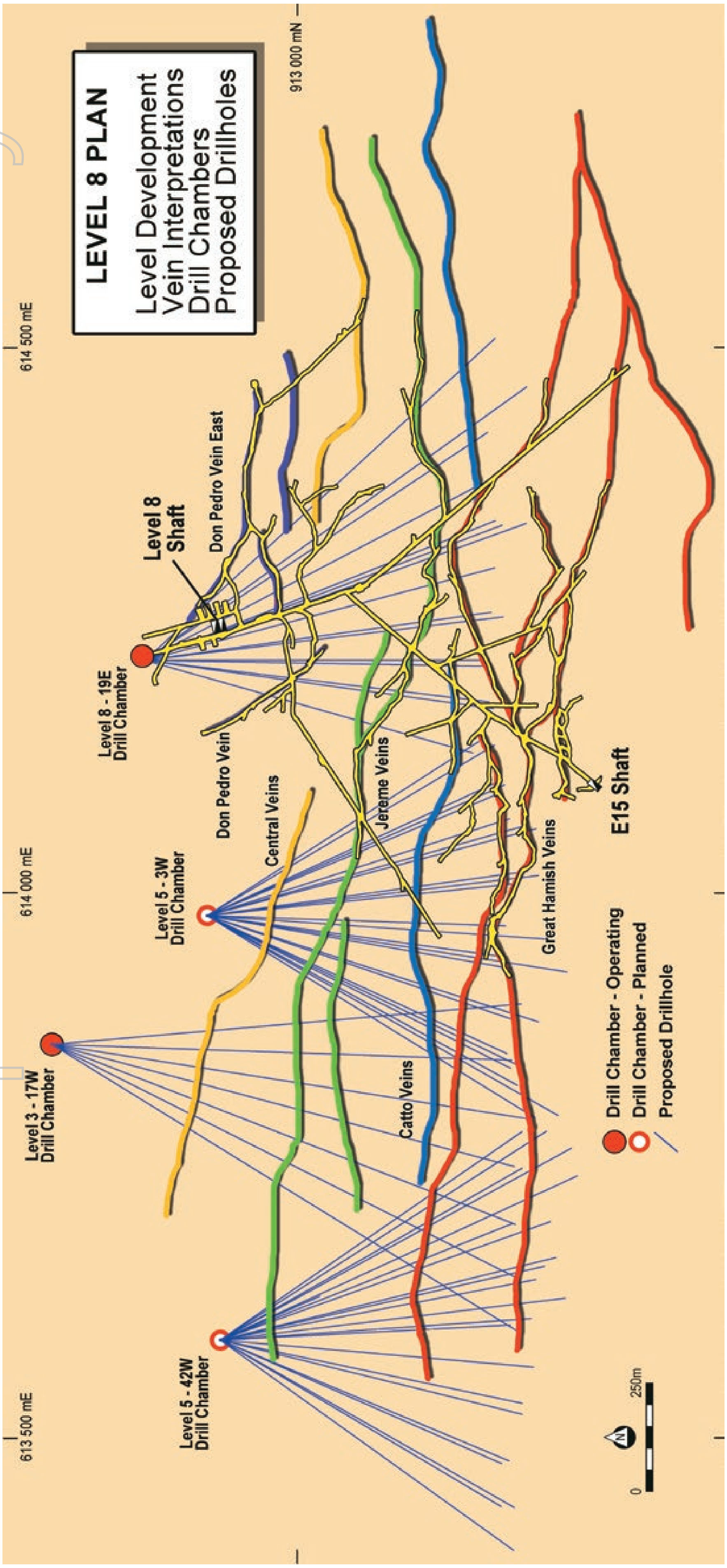

Figure 4: Co-O drill hole projection plan at Level 8 showing underground development, current vein interpretations, positions of Levels 3, 5 and 8 drill chambers, and planned drillhole projections for resource drilling.

Figure 5 below is a 3D perspective view of the current Co-O resource model with underground development as at 30 June 2014.

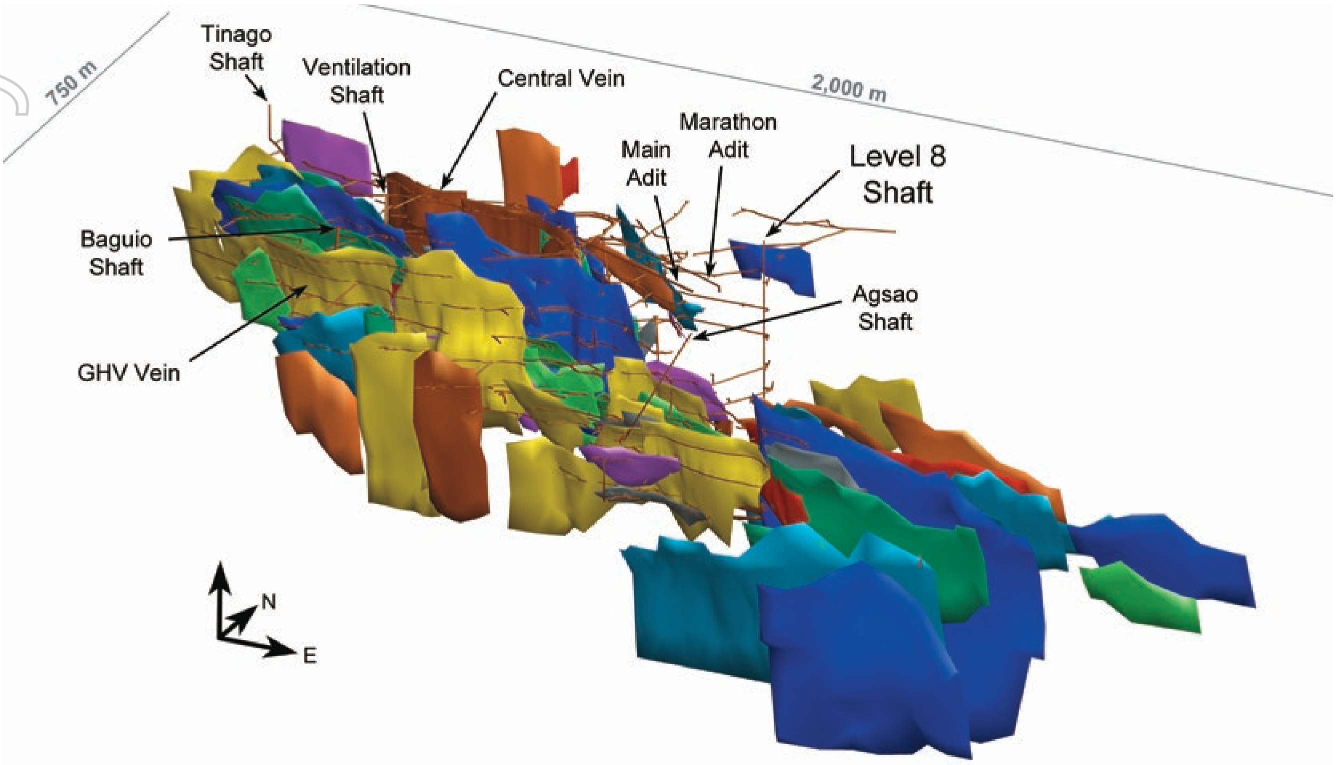

Figure 5: Co-O Mine resource model and underground development

GEOTECHNICAL DRILLING

Three diamond drill holes were completed to investigate ground conditions within the Co-O Mine environs for a total of 379 metres. One of the drill holes was completed to evaluate geotechnical parameters for the proposed vertical 15E Shaft (Fig. 3).

GROUND GEOPHYSICAL SURVEY

The ground geophysical Induced Polarisation ("IP") / Resistivity ("RES") and ground magnetic survey commenced in 2013 within the Co-O tenements, including the Co-O mine environs, is nearing completion. Up to the end of June 2014, approximately 196 line kilometres of the survey was completed. Approximately 60 line kilometres remain to be surveyed, however this program has been temporarily put on hold since July 2014 while area access is finalised.

Interpretations are anticipated to commence during the September/December 2014 quarters.

RECONNAISSANCE PROGRAMS

Reconnaissance mapping and sampling programs are ongoing throughout the Co-O group of granted tenements.

Co-O LOCAL GEOLOGY AND MINERALISATION

Detailed discussions and interpretations of the Co-O 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 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" within the Co-O Diatreme, as is 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. Its presence explains the general absence of near surface epithermal veins east of the Oriental Fault 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 dimensions 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.
- 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 major veins generally strike west-northwest to westerly with dips predominantly 55° to 75° to the north for all veins, except the Central Vein which is vertically dipping. Between the major veins, vein splits tend to be more flat-lying with dips as low as 20°.
- There is some mineralisation within the diatreme, however exploration to date has found the mineralisation to be erratic and discontinuous, comprising wispy thin quartz vein stockworks and hydrothermal breccias.
- After another episode of uplift and erosion, a thin veneer of sedimentary polymictic conglomerate to a maximum thickness of about 30 metres, was deposited on top of the diatreme/maar complex.

RESEARCH

Detailed studies of the Co-O Mine and surrounds have continued through 2013-14 with the Centre for Exploration Targeting at the University of Western Australia. This research is still in progress, and is focussed primarily on fluid inclusions, alteration and detailed vein texture studies on a large suite of samples collected from the various veins throughout the Co-O mine. The aim of this research is to assist in better understanding and determining the extent and nature of the Co-O hydrothermal system.

Co-O EXTENSIONAL DRILLING

The philosophy of exploring for additional resources and extensions to mineralisation by working outwards from current mine infrastructure continued during the year.

Figure 3 is composite longitudinal projection of the Co-O Mine showing significant drill intercepts that have been reported since 2010.

TAMBIS PROJECT

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

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

BANANGHILIG GOLD DEPOSIT

The announcement of 12 September 2011 summarises the Tambis regional geological setting, local geological setting, deposit description and mineralisation as shown on Figure 6. Additional information is contained in the September 2011 quarterly report dated 24 October 2011, drilling updates on 17 January 2012, 8 August 2012, 21 November 2012 and 02 April 2013, operations update on 8 July 2013, resource estimation updates on 29 January 2013 and 8 August 2013, and the September 2013, December 2013, March 2014 and June 2014 quarterly reports.

DRILLING

No drilling was carried out within the Bananghilig Deposit area, however a total of 8,843.9 metres of core drilling in 30 holes were completed within the B2 area, adjacent and to the southeast of the Bananghilig Deposit (Fig. 7). The drilling program was temporarily suspended on 17 June 2014 to enable collation of data obtained to date and to prepare the area for down hole geophysical survey, which is anticipated to commence depending on contractor availability.

Indicated and Inferred Mineral Resource Estimations

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 contains a summary of the parameters used in the resource estimation.

On 8 August 2013, a mineral resource update was announced using all drilling data up to 30 June 2013. A 0.8 g/t gold cut-off was applied to the resource estimate resulting in a total combined Indicated and Inferred Resources of 24,520,000 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 29 January 2013). The Indicated Resource ounces increased by 26% to 766,000 ounces at 1.48 g/t gold (from 608,000 ounces at 1.59 g/t gold).

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

As there have been no material changes to the database for the Bananghilig Deposit since the last report resource estimate, the Company is not required to report the resources in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition).

The Company is in the process of re-evaluating the resource at Bananghilig together with the mineralisation at B2 since there is potential to significantly increase the resource base.

Resource modelling

The 8 August 2013 announcement contains a summary of the parameters utilised in the resource estimation, viz:

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 were 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;

REVIEW OF OPERATIONS

- an 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/m3 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.

BANANGHILIG SCOPING STUDY

On 9 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 are included in the 9 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.

On 2 April 2013, the Company announced the discovery of a new zone of gold mineralisation (now known as the B2 Discovery area) proximal to the current Bananghilig Deposit (Fig. 8). The results of subsequent drilling may have implications for the development of the current Bananghilig resource. The Bananghilig feasibility study which commenced in 2013 was put on hold in September 2013 due to the gold price decline, market conditions and pending further ongoing work at the B2 Discovery area.

GEOTECHNICAL AND STERILISATION DRILLING PROGRAMS

A geotechnical investigation drilling program commenced in July 2013 to investigate sites suitable for infrastructure associated with the possible development of the Bananghilig Deposit, including plant site, waste, tailings and process water storage facilities. This program was completed in October 2013, and selected core samples were submitted to an independent materials testing laboratory. A total of 31 drill holes were completed for a total advance of 1,883.96 metres.

Geotechnical results are anticipated to be received during the December 2014 quarter.

A second 'sterilisation drilling' program was also carried out to identify any mineralisation within revised potential infrastructure sites. A total of seven drill holes were completed for a total advance of 1,830.88 metres. Although minor zones of alteration/mineralisation were encountered in some drill holes, no significant assay results were obtained from these areas.

B2 DISCOVERY AREA

Drilling in the B2 area was carried out with up to three diamond rigs drilling on a 150 metre x 150 metre grid pattern. Drilling was halted on 17 June 2014 to enable collation of assay data and to prepare for a program of down hole geophysical survey, which is anticipated to commence in second half of the calendar year.

Part of the completed drilling program included closely spaced diamond drill holes between the high-grade mineralisation encountered previously in drill holes TDH284 and TDH303 (Figs 7 and 8). Additional high-grade mineralisation was encountered in many of these holes, and the continuity of the mineralisation between holes is currently being evaluated. The down hole geophysical survey is expected to assist in the interpretations of the high-grade mineralised zones.

A total of 8,843.9 metres of core drilling were completed in 30 holes.

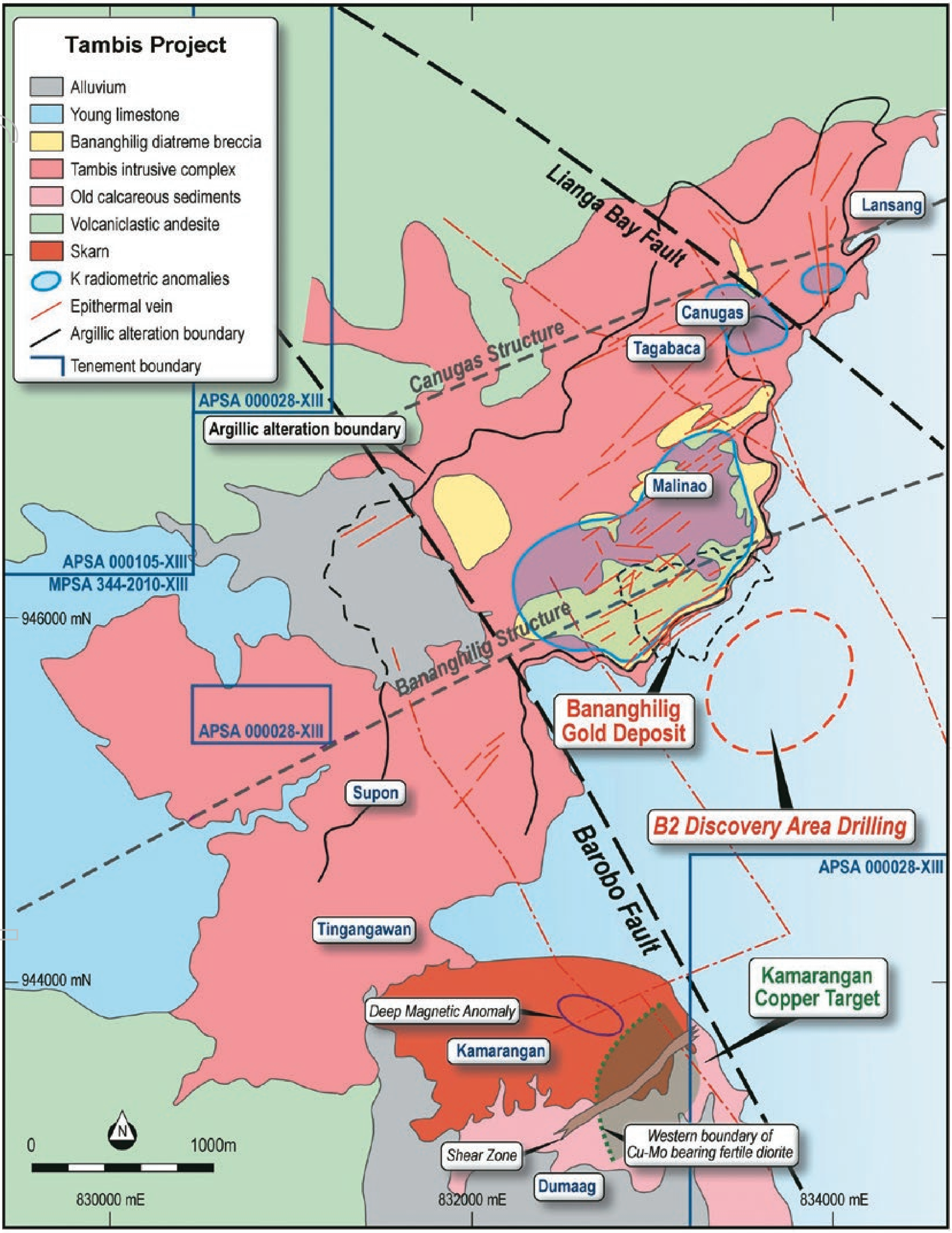

Figure 6: Bananghilig area interpreted geology showing the position of the B2 Discovery beneath the limestone cover and relative to the Bananghilig deposit.

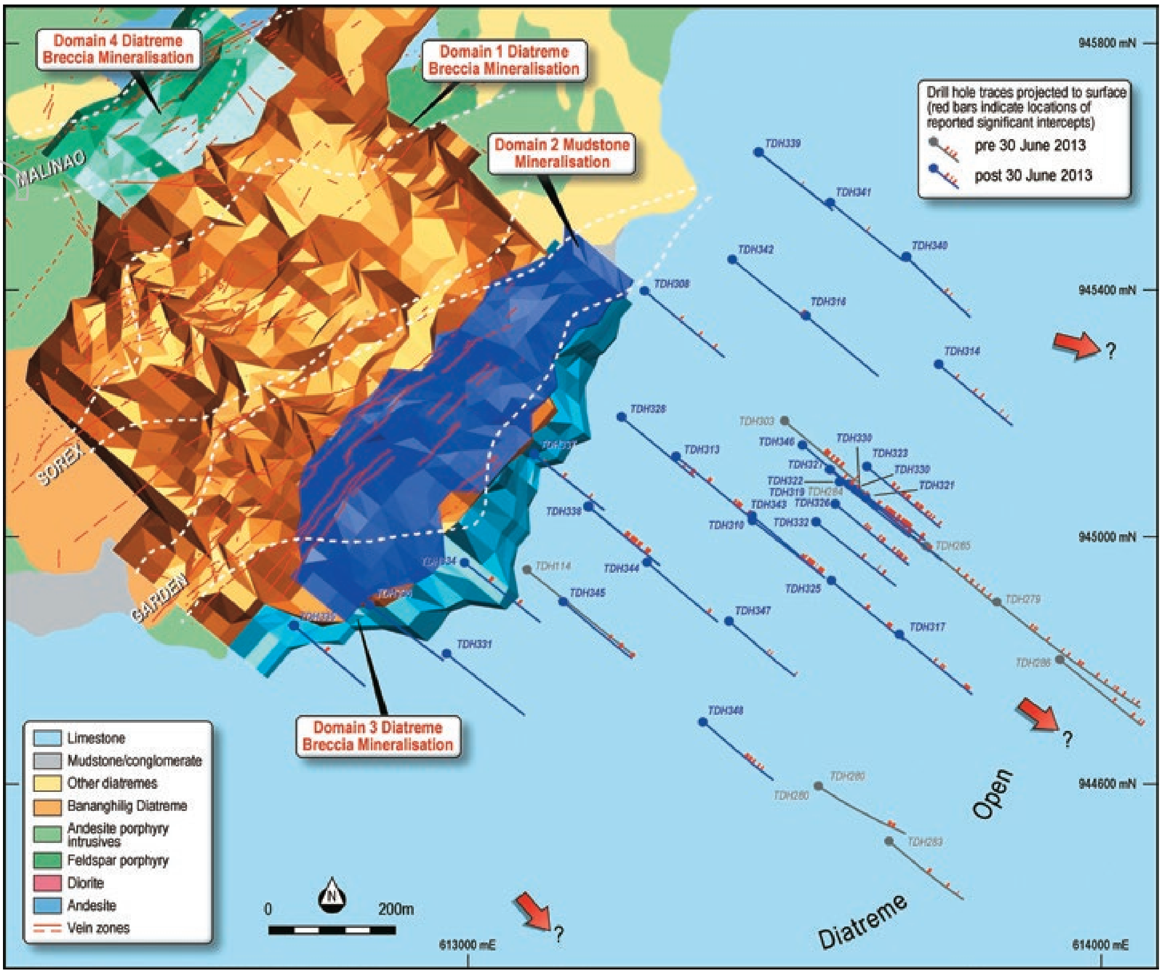

Figure 7. Bananghilig 2013 resource model projection and the B2 drill hole projections showing significant drill assay intercepts

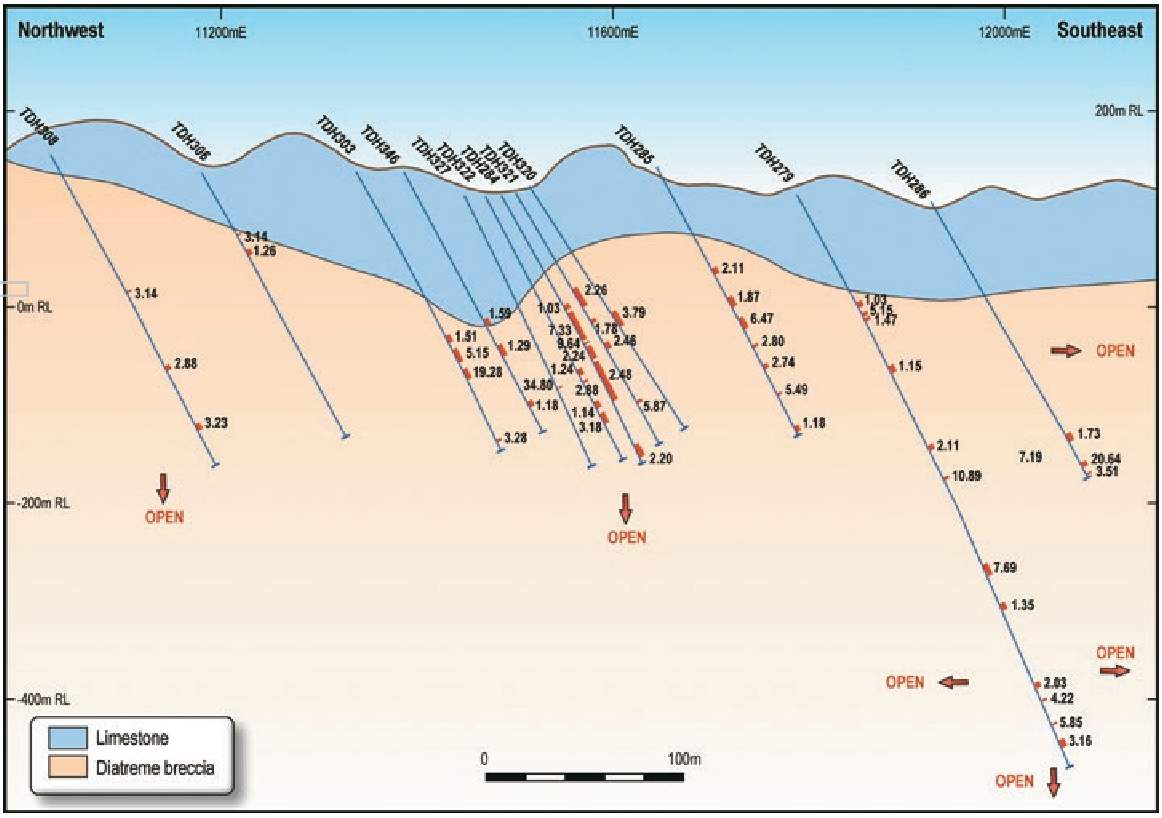

Figure 8. B2 section 11160mN showing multiple high grade hydrothermal breccia mineralisation intersections within the Tambis Diatreme Complex

B2 DRILLING RESULTS

Results of the initial discovery drilling at B2 were announced on 2 April 2012, 08 July 2013, the March 2013 and June 2013 Quarterly Reports as well as the 2013 Annual Report. A summary of significant results from drilling at the B2 area for the FY2014 year are included in Table VI below.

Table VII. B2 Discovery Area – Significant drill hole results ≥1 g/t gold.
(Refer ASX Announcement dated 25_September 2014 for JORC Code, 2012 – Table 1 Report)

Hole Number	East[4]	North[4]	RL[4]	Depth (metres)	Dip (°)	Azimuth (°)	From (metres)	Width[2] (metres)	Gold Grade[1,3] (uncut) (g/t gold)
TDH308	613278	945405	156	359.1	-60	130	84.10	3.50	1.02
							245.45	5.00	2.88
							312.10	7.30	3.23
TDH310	613435	944948	144	309.5	-60	130	198.65	13.45	1.38
TDH313	613331	945128	179	302.1	-60	130	116.15	8.90	1.17
							226.20	5.95	5.54
							237.95	16.40	2.04
							286.35	12.00	1.33
TDH314	613745	945277	117	312.6	-60	130	65.75	1.00	18.58
							140.50	1.50	4.21
							168.85	6.70	1.22
							255.45	3.25	3.89
							282.60	2.30	2.70
TDH316	613537	945355	129	303.1	-60	130	186.45	3.50	2.37
TDH317	613681	944841	170	302.1	-60	130	137.10	3.60	1.86
							162.05	4.55	2.71
							170.35	8.05	3.17
							262.25	21.55	2.34
TDH321	613616	945073	118	297.6	-59	130	115.85	20.70	2.26
							151.55	4.25	1.78
							179.20	6.90	2.47
							246.65	2.25	5.87
TDH322	613591	945089	111	300.6	-61	130	198.60	6.65	1.24
							211.25	1.75	2.88
							235.60	6.30	1.14
							248.30	11.35	3.18
TDH323	613631	945114	119	307.6	-60	130	116.00	3.85	1.40
							159.30	12.45	2.98
							197.75	13.85	1.41
							215.40	11.80	1.23
							245.10	8.10	1.55
							262.20	3.65	1.76
							272.05	7.20	1.34
							303.20	2.45	2.22
TDH325	613575	944927	199	300.5	-60	130	135.15	8.55	1.27
							225.55	13.40	2.73
TDH326	613583	945050	130	304.4	-60	130	108.30	2.75	4.86
							114.25	5.70	2.42
							169.30	4.40	1.71
							181.35	8.65	1.29
							228.95	7.75	1.24
							248.10	4.75	4.34
							279.10	8.70	2.79

Hole Number	East[4]	North[4]	RL[4]	Depth (metres)	Dip (°)	Azimuth (°)	From (metres)	Width[2] (metres)	Gold Grade[1,3] (uncut) (g/t gold)
TDH327	613577	945103	113	303.6	-64	130	216.10	0.35	34.80
TDH328	613242	945192	215	312.5	-60	130	260.20	1.45	8.82
							289.20	15.60	1.51
TDH330	613627	945064	124	294.5	-56	130	154.85	16.50	3.78
							197.85	5.80	0.93
TDH332	613555	945020	142	320.5	-60	130	170.35	7.00	7.27
							236.30	0.70	22.40
							254.50	7.55	5.79
TDH334	613002	944955	147	302.1	-60	130	80.30	9.50	2.77
							200.15	6.85	1.26
TDH335	612721	944857	201	301.8	-60	130	143.70	1.95	6.03
TDH337	613104	945134	144	300.1	-60	130	45.80	4.35	3.01
							120.40	9.75	0.90
							176.80	1.00	17.71
							232.25	7.45	0.58
TDH338	613190	945048	218	303.4	-60	130	151.30	11.95	2.36
							174.05	24.90	0.81
							202.95	9.55	1.12
							236.10	12.10	1.29
TDH339	613459	945608	117	304.0	-60	130	170.70	4.40	2.41
TDH340	613719	945449	124	310.4	-60	130	176.00	7.85	1.78
TDH341	613574	945541	134	300.6	-60	130	145.70	4.70	15.08
TDH342	613420	945449	194	301.1	-60	130	268.70	5.60	1.79
TDH343	613450	945033	189	303.8	-60	130	220.00	5.60	1.28
							231.40	29.10	1.89
							267.40	3.10	10.97
							280.10	22.65	1.18
TDH344	613285	944957	203	300.0	-60	130	249.65	3.15	2.36
TDH345	613153	944893	190	300.6	-60	130	186.15	6.00	1.89
							227.60	13.95	0.79
							280.60	11.85	9.79
TDH346	613531	945147	137	300.6	-60	130	170.70	8.65	1.59
							200.90	12.25	1.29
							265.10	6.00	1.18
TDH347	613414	944861	130	301.8	-60	130	166.90	2.00	3.44
							178.20	2.85	3.47
							297.85	2.60	4.57
TDH348	613389	944701	102	300.6	-60	130	169.05	12.80	1.36
							183.85	11.65	1.22
							201.50	6.65	1.99
							222.85	5.40	1.40
							237.60	5.85	1.56

Notes:

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 per 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 and RL (elevation) based on the Philippine Reference System 92.

TAMBIS REGIONAL

There is an ongoing program of geological mapping, trenching and sampling throughout the granted tenements of the Tambis Regional Project area, including the areas surrounding the Bananghilig and B2 Discovery areas and the Barobo Fault Corridor (Figs. 2, 9 and12).

Several prospective areas have been identified from the ongoing regional reconnaissance and exploration activities that will be targeted for more detailed exploration activities during the 2014-2015 year. Activities will include detailed geological mapping, soil geochemical surveys, ground geophysics (IP, RES and magnetics), trenching and possibly diamond core drilling.

BAROBO FAULT CORRIDOR

Exploration within the Barobo Fault Corridor has so far identified many prospective areas, of which the Guinhalinan area is currently the most prospective and most advanced (Fig. 9). More detailed descriptions of the geology, exploration potential and previous drilling and rock sample geochemistry results have been reported in Company announcements dated 16 July 2007, and 12 August 2009, June 2007 and September 2009 Quarterly Reports and 2009 Annual Report.

Previous reconnaissance work had encountered mineralised zones represented by silicified boulders and outcrop. The area is dominantly underlain by a sedimentary package consisting of well-bedded siltstone/sandstone sequence and limestone units. Recent mapping and sampling have confirmed conceptual carbonate replacement and sediment-hosted gold targets. At least two gently-dipping strata-bound potentially mineralised horizons have been interpreted trending NW-SE with shallow to moderates dips to the east.

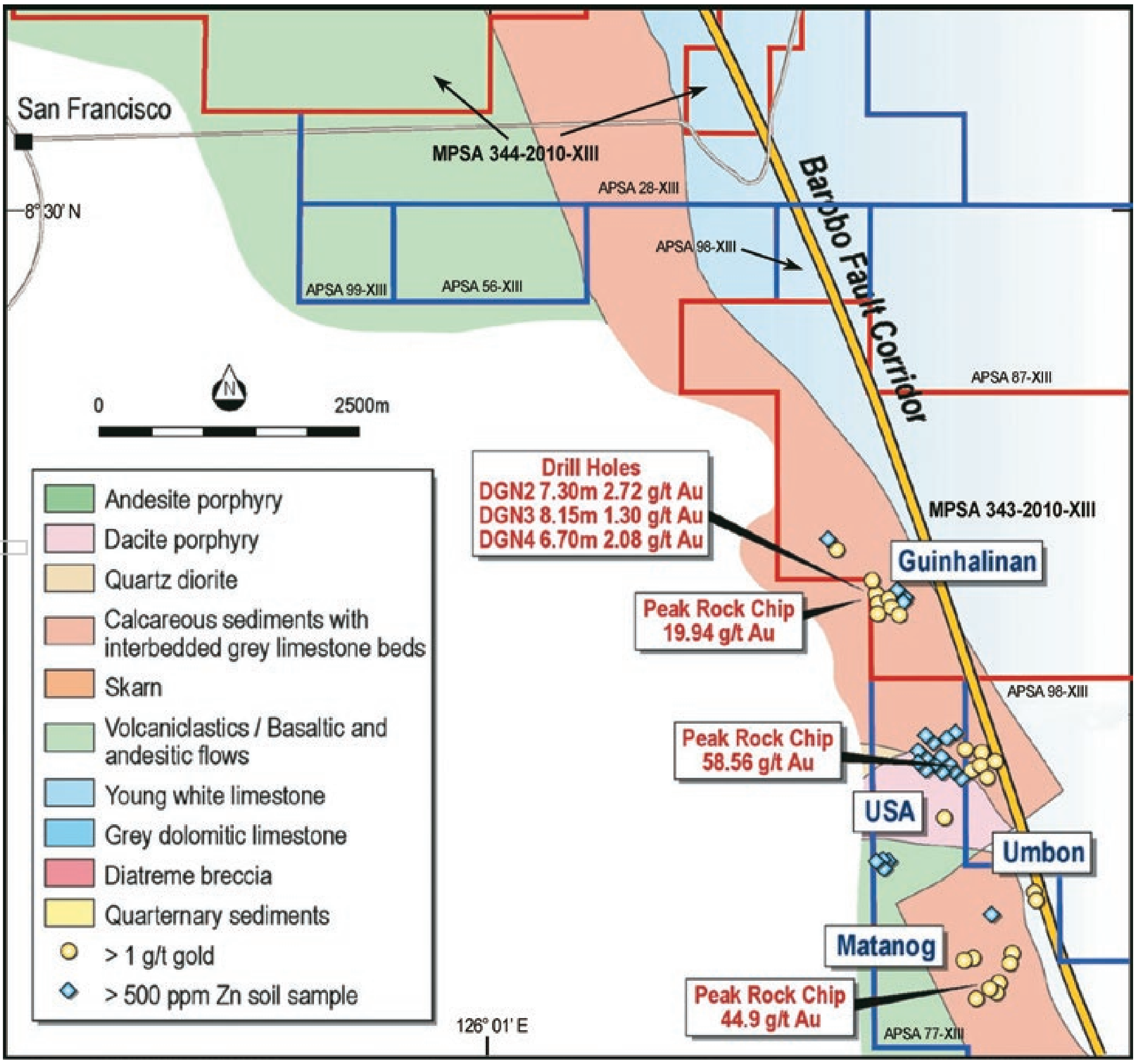

Figure 9: Tambis Region - Barobo Fault Corridor and Guinhalinan Prospect showing the location of significant results encountered in previous exploration

REVIEW OF OPERATIONS

LINGIG COPPER PROJECT

The Lingig copper discovery is located within Mineral Production Sharing Agreement ("MPSA") 343-2010-XIII and situated in Surigao del Sur province in east Mindanao (Figs 2 and 12).

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

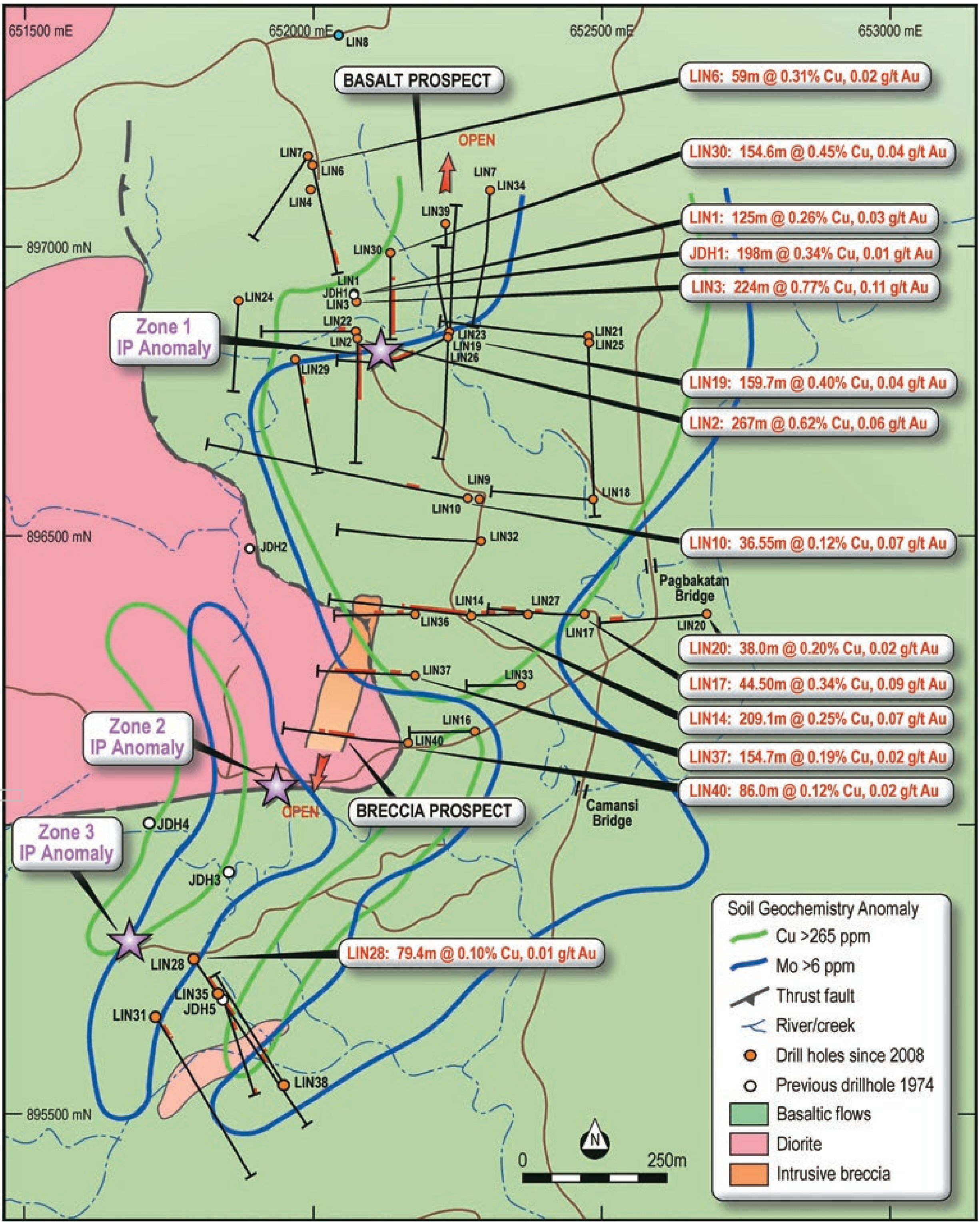

Figure 10: Lingig interpreted geology showing drill hole locations, copper (Cu) and molybdenum (Mo) soil geochemistry anomalies, and three IP anomalies

GEOLOGICAL SETTING

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

There are three known copper mineralisation in Lingig, namely Zone 1 (Au-bearing porphyry related Cu), and Zones 2 and 3 (magmatic-hydrothermal breccia-hosted Cu with porphyry-related Cu) as shown in Figure 10.

GOLD-BEARING PORPHYRY-RELATED COPPER MINERALISATION.

The porphyry-related Cu mineralisation at Zone 1 is gold-bearing, and is hosted mainly in basalt. Mineralisation 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 is truncated by an underlying thrust fault and potentially the rest of the mineralised zone is yet to be located. The mineralised diorite porphyry intruding the basalt and the barren hornblende quartz diorite beneath the thrust fault are all propylitically altered. One of the Company's drill holes (LIN002) is well mineralised, starting at 2 metres below surface and containing 267.3 metres at 0.52% Cu and 0.06 g/t Au down to the basal thrust zone.

BRECCIA-HOSTED MINERALISATION

Magmatic-hydrothermal breccia pipes have been recognized in Zones 2 to 3. They are carrot-shaped, wide at the upper parts and narrowing down and even disappearing at depth. They consist of angular to sub-rounded, pebble to boulder-sized basalt and diorite clasts in a quartz diorite plutonic matrix. The basalt clasts sometimes have quartz-sulphide veinlets and are cut again by later veinlets. The mineralisation 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 gold. Both the host quartz diorite and the breccia pipes are variably altered to potassic, chlorite±sericite±epidote and propylitic alteration types. The zone containing the breccia bodies is tabular and open to the south where the copper mineralisation is in intensely altered hydrothermal breccias with the most recent drill hole intersections returning 154.7 metres at 0.19 % copper in hole LIN037 and 86.0 metres of 0.12 % copper in hole LIN040.

The three mineralised zones (Zones 1, 2 & 3) identified to date are located along a northeast-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.

There is a coincident Cu-Mo soil anomaly approximately 1km x >1km in size with mineralised Zones 1 and 2 and still open to the north. This strengthens the opportunity to locate porphyry-related copper mineralisation to the north.

Test pitting, soil sampling and re-mapping were completed to complement the previous geochemistry and the recent geophysical surveys are being used to assist in target definition for future drilling.

Data processing and interpretation of the data obtained from the ground Induced Polarisation, Resistivity and Ground Magnetics survey completed in 2013 was undertaken by an independent geophysical consultant. Two aligned NE-trending IP high chargeability zones have been identified (Fig. 11). The larger of the two IP anomalies will be one of the foci for future drilling with the aim of delineating economic mineralisation.

SAUGON GOLD PROJECT

The Saugon Project comprises three granted exploration permits (EP 017-XIII, 031-XIII and 032-XIII) and four exploration permit applications (EPA 00066-XIII, 00067-XIII, 00069-XIII and 00087-XIII) covering a combined total 27,174 hectares (Figs 2 and 12). The granted tenements and tenement applications are registered under Philsaga Mining Corporation, excepting EPA 00069-XIII which is in the process of being registered under Phsamed Mining Corporation (refer Tenement Schedule located elsewhere within this Annual Report).

FIRST HIT VEIN DEPOSIT

BACKGROUND

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

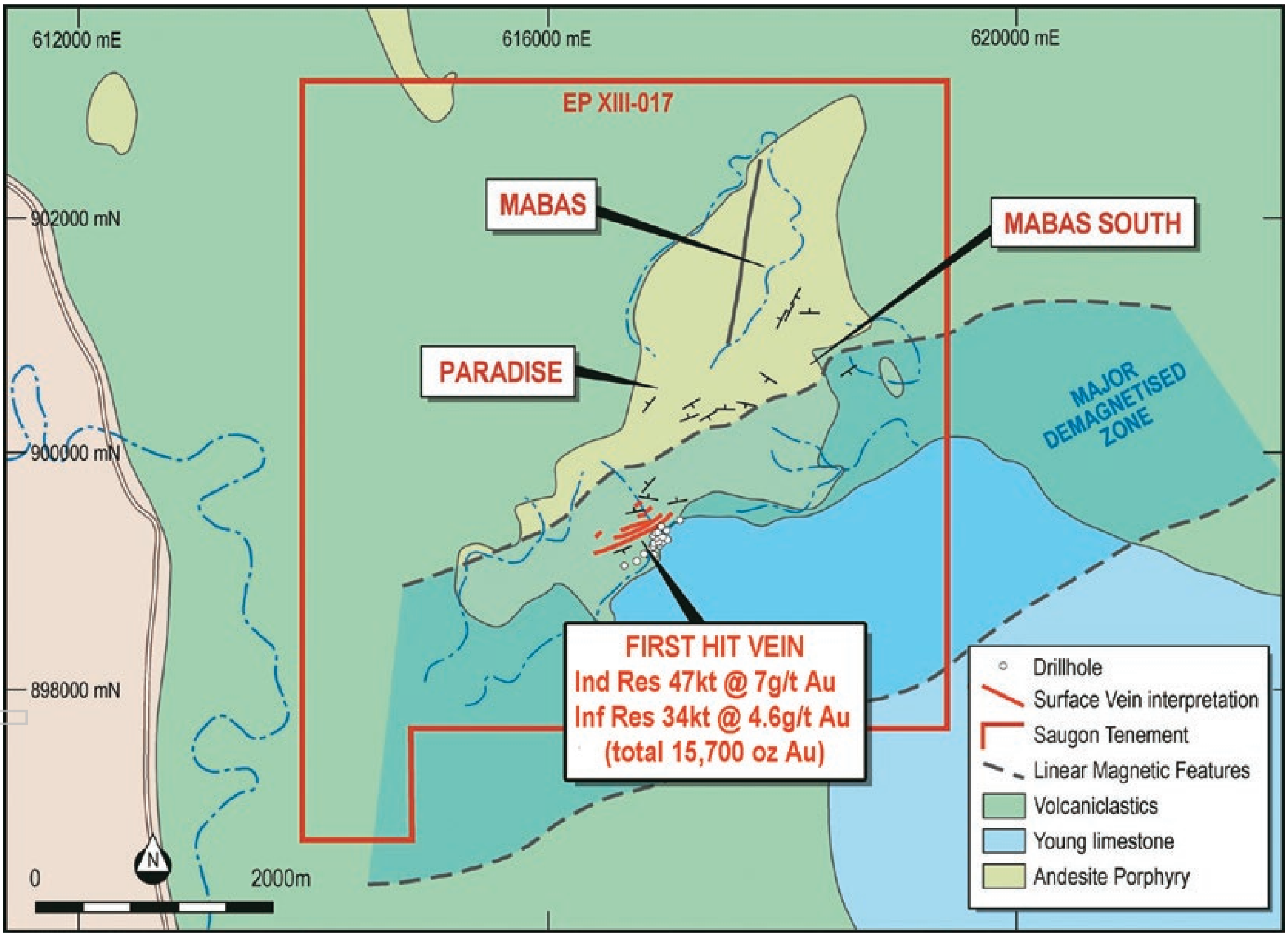

Figure 11: Saugon regional geology map

REGIONAL SETTING

Subsequent to the drilling in 2004, an aeromagnetic survey was completed which showed the 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 11. 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 completed a preliminary resource estimate for the FHV (refer 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. Since there has been no material changes to the resource since the resource was last estimated, the Company is not required to re-estimate the resource under the guidelines of the JORC 2012 Code, therefore the resource reported is compliant with the guidelines of the JORC 2004 Code.

EXPLORATION

Exploration activities are ongoing and include detailed geological mapping and soil and rock geochemistry.

APICAL PROJECT

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 2,084 hectares in the Tambis Region area. MRL is the Philippine operating company of Mindoro Resources Ltd, a public company listed on the TSX Venture Exchange in Canada and the ASX in Australia.

The tenement application is being progressed towards granting.

CORPLEX PROJECT

The Company through Philsaga has Memoranda 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 tenement applications 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 tenement applications are being progressed towards granting.

USA PORPHYRY COPPER- GOLD PROJECT

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

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

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

The tenement application is being progressed towards granting.

TENEMENTS

Figure 12 shows the locations of the Company's granted tenements and tenement applications. Processing of tenement applications has been stalled since the introduction of Executive Order 79 in 2012, and a review is currently being undertaken by the government to determine the new legislation on mining taxes and royalties for submission to Congress.

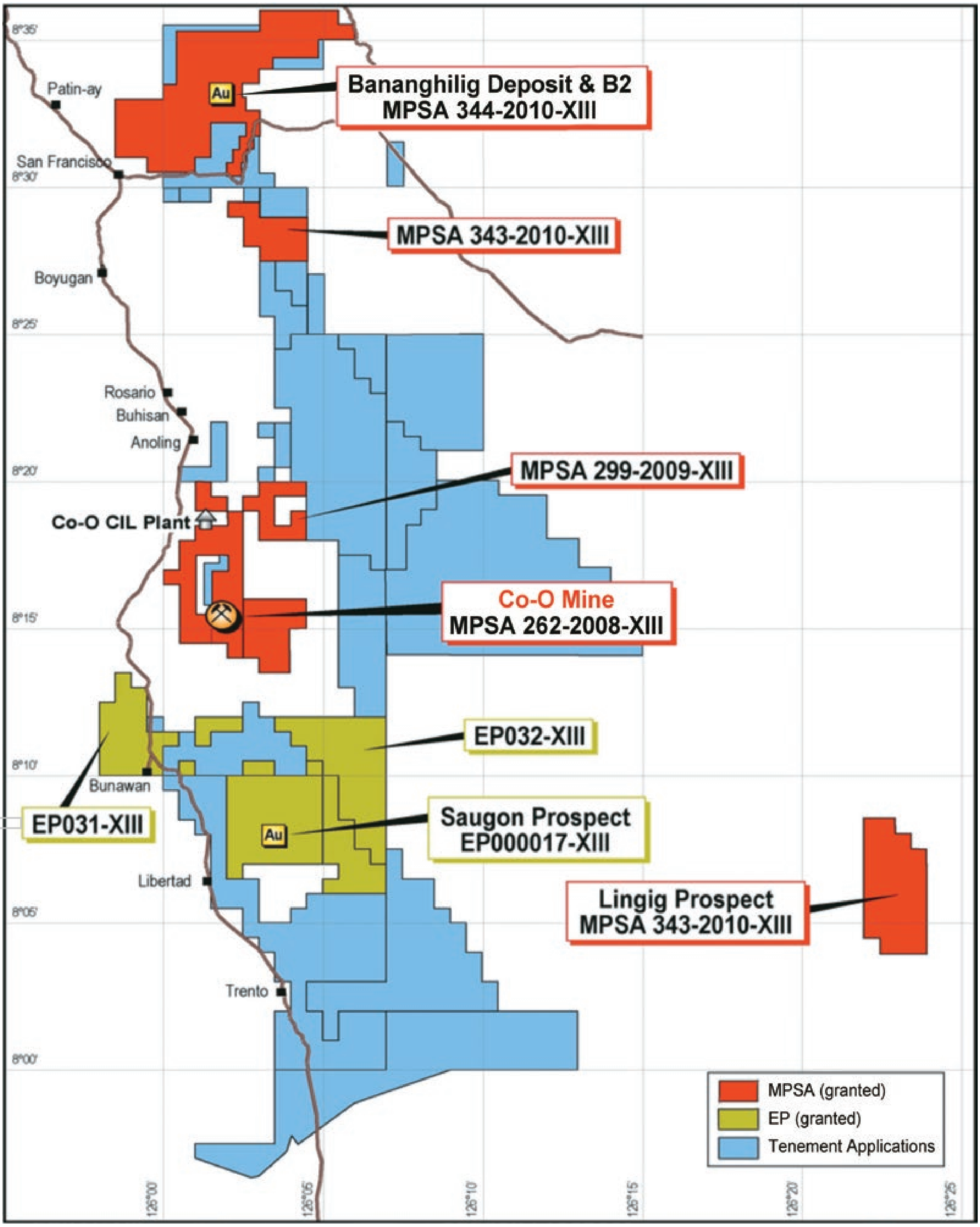

Figure 12: Tenement location map showing project areas and granted tenements and tenement applications.

SUSTAINABILITY

The Company continue to believe that its business should be founded on four key components that encompass our commitment to all stakeholders. Improvements are still being made to organisational coherence, proper internal procedures, regular checks and balances, performance and efficiencies. The four key components are:

- Health and Safety;
- Environmental Protection, Management and Monitoring;
- Work sustainability; and
- Community Participation, Development Programs and Benefits

HEALTH AND SAFETY

During the year the following practices were undertaken:

- Comprehensive safety awareness at the mine and mill sites, including traffic regulation;
- Comprehensive emergency preparedness plans and programs at mine and mill sites;
- Regular comprehensive health checks for all employees;
- Expanded mining and safety training activities for all underground personnel;
- Conducted 4 Basic Life Support and Standard First Aid Training seminars for all mine and mill employees for use at work and in the home;
- Continued regular training, including rope rescue, and equipping for mine rescue and firefighting teams, with the teams participating in annual national competitions;
- Regular safety meetings that emphasise workforce participation in ensuring safety and hazard minimisation; and,
- Deployed search, rescue and recovery teams to the province of Bohol that was devastated by an earthquake on October 15, 2013.

The 12 month Lost Time Accident Frequency Rate to 30 June 2012 was 1.04, to 30 June 2013 was 0.10, and to June 30, 2014 was 0.18, 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: Awarded Fire Fighting Champion in the Provincial Fire Olympics 2014 held on June 19, 2014

Photo: Basic life support and first aid training

REVIEW OF OPERATIONS

ENVIRONMENTAL MANAGEMENT AND MONITORING

The Company is committed to its environmental protection, management 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 management and performance, and is committed to ensuring proper rehabilitation on the sites where the Company has been conducting its exploration or operational activities

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

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

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

Co-O GOLD PROJECT ENVIRONMENTAL CONDITIONS

The Company's 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 daily basis to monitor water quality in and around the Company's facilities and the samples collected were analysed, with the results submitted to the relevant authorities.

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

Photo: Seedling of endemic species

Photo: Reforested surroundings at the mine site

The Company has also adopted the National Greening Program and Adopt-a-Forest Program of the Philippines Government. For this fiscal year, Philsaga Mining Corporation and Mindanao Mineral Processing and Refining Corporation have embarked on a 225 hectares reforestation program within the areas of the two host communities, which also consequently benefitted the settlers therein as it gave them income for each seedling planted.

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

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

- institute a number of commitments, mitigating measures and monitoring requirements to minimise any adverse impact of the project to the environment throughout its implementation, including:
  - observing good vegetative practices, proper land use and sound soil management;
  - conducting an effective information, education and communication program 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 program 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 Program with the Final Mine Rehabilitation and/or Decommissioning Plan integrated thereto, to the MGB, for approval;
  - setting up a Contingent Liability and Rehabilitation Fund and Environmental Trust Fund;
  - maintaining the existing Mine Environmental Protection and Enhancement Office to competently handle the environmental aspects of the project;
  - establishing a Mine Rehabilitation Fund Committee and Multipartite Monitoring Team;
  - submitting a Social Development and Management Program; and
  - designating a Community Relations Officer;
- ensure that the Company's contractors and subcontractors properly comply with the relevant conditions of the ECC; and
- protect the headwaters and natural springs/wells within the project site that are being utilised as sources of potable water by the community.

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

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

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

REVIEW OF OPERATIONS

CLIMATE CHANGE

It is a condition of the ECC for operation of the Co-O Mine that it establishes a reforestation and carbon sink program 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: Grown re-afforestation 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 2014 the Company employed 2274 regular workforce and 2,439 contract workers (mining, engineering, service provision, etc.).

The Company enhances employee skills and productivity through the attendance at training programs 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, PROGRAMS AND BENEFITS

COMMITMENT

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

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

EDUCATION

"Through all our education initiatives, it is pleasing to report that about 10,000 students are enrolled at the schools supported by the Company."

Scholarships

The Company has provided scholarship programs, both from the Social Development and Management Program (SDMP) and Corporation Social Responsibility (CSR) which commenced in 2003, has continued strongly during the year:

- Full education scholarships currently support over 75 students;
- Half scholarships support to 40 students;
- Educational assistance to 17 students.

Company schools and Adopt-a-School program

During the year, the Company supported the Philsaga High School Foundation at the Co-O Mill site and the Upper Co-O Elementary School at the Co-O Mine. In addition, it continued its "adopt–a-school" program in which 23 schools participated. Corporate sponsorship also assisted in achieving its aims.

The following were achieved:

- Supported the salaries and wages, and meals of all teachers and workers of Philsaga High School Foundation, including the Master's degree courses undertaken by some of the teachers and guidance counsellors. The Company also provided for school chairs, books and other necessities for the additional three grade levels imposed by the new educational program of the national government;
- Provided funds for the school preparation of 23 schools prior to opening of classes, as well as school materials to the school children;
- Provided monthly honoraria to 43 teacher's salaries and support for training seminars for teachers to upgrade their teaching skills, as well as provision of instructional materials;
- In conjunction with its partner agencies, provided school supplies for students;
- Provided two daily return bus services for high school students from remote areas to attend high school; and
- Provided monthly honoraria to 22 day care workers of various communities.

After the earthquake in Cebu and Bohol, as well as the super typhoon Yolanda (Internationally known as "Typhoon Haiyan") that hit the Provinces of Leyte and Samar on November 8, 2013 (the strongest recorded tropical cyclone in the country's history), the Company had undertaken the repair of buildings and will provide for school materials to 3 schools, located at Municipality of Palo, Leyte, Municipality of Guiuan, Eastern Samar, and Municipality of Loon, Bohol. The Company committed to spend Php 1 million each for the 3 schools. The turn-over of the rehabilitated schools at Palo, Leyte as well as Loon, Bohol was scheduled on 1 September, 2014.

LIVELIHOOD PROJECTS

Rubber tree plantation

The Company provides interest free loans in the form of rubber tree seedlings and other inputs to indigenous landowners for the establishment of rubber plantations that provide income for 50-60 years from around year seven. This year approximately 120 hectares were planted comprising over 108,000 seedlings generated in the Company's own nurseries.


Photo: Rubber seedling nursery

Rice production financing

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

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

COMMUNITY DEVELOPMENT AND ASSISTANCE PROGRAMS

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

Teacher training

The Company continued to support salaries for volunteer teachers as well as teacher training to improve teacher knowledge and skills in conjunction with the Department of Education for the additional K9 to K12 programme.

Honoraria to Teachers and Day care centre workers

Support was provided for 12 day care centres which cater for children below six years old. The Company continues to provide honoraria to teachers and day care workers, and providing school supplies and instructional materials.

Community health

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

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

Fruit tree programs

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

Institutional partnering

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

The Company has likewise created an informal partnership with Caraga State University by means of supporting all its environmental and bio-diversity studies, monitoring and geo-tagging of the flora and fauna found in the mill and mine sites.

Non-government organisation partnering

The Company continues to provide assistance to

- 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.

Support to the Livelihood Programs of the Union

The Company has provided funds for the livelihood programs of the Union (Philsaga Employees Labor Union-PTGWO), in conjunction with the Department of Labour and Employment, such as tailoring and water purifying. It has also funded the construction of a 3-storey building to house, the tailoring, the water purifying station and commissary to sell goods, items and food at low profit margin.

Support to the Flood Victims

Agusan del Sur suffers a great amount of rainfall every year, and there are times when the rains cause excessive flooding. The Company has provided for rescue boat engines as well as relief goods to the host municipalities, and other surrounding municipalities.

Subsequent to super typhoon Yolanda, almost Php 2 million was given to various organisations that will provide relief goods to the flood victims at the Provinces of Leyte and Samar.

Support to the Peace and Order

The Company has provided funds for the repair of vehicles, provided fuel to vehicles, food and building materials to the various police and military units to maintain the peace and order situation in the Caraga Region.

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.

PHILIPPINE GOVERNMENT

EXECUTIVE ORDER ON MINING IN THE PHILIPPINES

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

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

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

IMPLICATIONS OF THE EXECUTIVE ORDER ON MINING

Co-O Operations

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

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

Bananghilig Project

The EO-79 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 relevant information becomes available.

EXECUTIVE ORDER ON EXTRACTIVE INDUSTRIES TRANSPARENCY IN THE PHILIPPINES

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

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

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

The implications of the EO-147 with regards to the Company's projects are not considered to have any negative impact and the Company sees the Executive Order as a positive commitment by the Philippine Government to adopt good governance practices in accordance with International Guidelines of the EITI.

REVIEW OF OPERATIONS

JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

MEDUSA MINING LIMITED

The Information in this report relating to **Exploration Results** has been reviewed and is based on information compiled Mr Gary Powell who is a member of the Australian Institute of Geoscientists and a member of the Australasian Institute of Mining & Metallurgy. Mr Powell is a Non-Executive Director of Medusa Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Powell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

CUBE CONSULTING PTY LTD

The information in this report that relates to **Mineral Resources** is based on, and fairly represents information and supporting documentation compiled by Mr Mark Zammit, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Zammit is employed by Cube Consulting Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Zammit consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Carras consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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 (***"ASX Principles"***).

The Company's practices are largely consistent with the ASX Principles and, except as disclosed below, the Company believes it complied with each of those recommendations throughout the financial year ended 30 June 2014 and to the date of this report. Details of the Company's compliance with the ASX Principles are set out below, including details of specific disclosures required by the ASX Principles.

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

1. BOARD OF DIRECTORS

ROLE AND RESPONSIBILITIES OF THE BOARD

ASX PRINCIPLES, RECOMMENDATIONS 1.1, 1.3

The Board has adopted a Board Charter that sets out, amongst other things, its specific powers, duties and responsibilities, as well as matters delegated to the Managing Director and those specifically reserved for the Board. The Board's primary role is to guide and monitor the business and affairs of the Group on behalf of the shareholders by whom the Board is elected and to whom it is accountable.

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

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

The Board has delegated responsibilities for the day to day operational, corporate, financial and administrative activities of the Group to the 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.

CORPORATE GOVERNANCE STATEMENT

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 [54] to [56].

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 criterion for independence (see below for the criterion 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 six, comprised of four 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.

ASX PRINCIPLES, 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. Further, the Board is chaired by Andrew Teo, an independent Non-Executive Director.

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

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

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

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

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

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

Chairperson and Managing Director

ASXCGC RECOMMENDATION 2.3

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

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

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 one occasion to evaluate the performance of the Board, its Committees and individual Directors in accordance with the above evaluation process.

Details of the process for evaluating the performance of Senior Executives and Executive Directors, and the conduct of that process in the reporting period, are included in the Remuneration Report, which forms part of the Directors' Report on pages [59] to [69]. Details of Directors' attendance at Board meetings are set out in the Directors' Report on page [57].

Board access to independent advice

ASXCGC RECOMMENDATION 2.6

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

2. BOARD COMMITTEES

Nomination Committee

ASX RECOMMENDATIONS 2.4, 2.6

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

CORPORATE GOVERNANCE STATEMENT

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

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

The Nomination Committee consists of Ciceron Angeles (as Chairman of the Nomination Committee) and Andrew Teo. Peter Hepburn-Brown was a member of the Committee prior to his resignation on 19 August 2014. The Nomination Committee, therefore, comprises a majority of independent Directors and is chaired by an independent chair. One meeting of the Nomination Committee was held during the reporting period and details of the members attendance at these meetings are included in the Directors' Report on page [57].

Remuneration Committee

ASX RECOMMENDATIONS 8.1, 8.2, 8.3, 8.4

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

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

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

The members of the Remuneration Committee, who are all Non-Executive Directors, are Robert Weinberg (as Chairperson of the Remuneration Committee) and Andrew Teo Peter Hepburn-Brown was a member of the Committee until his resignation on 19 August 2014 who replaced Geoffrey Davis following his retirement in November 2013. The Remuneration Committee, therefore, comprises a majority of independent Directors and is chaired by an independent chair as recommended by ASXCGC Recommendation 8.2. One meeting of the Remuneration Committee was held during the reporting period and details of the members' attendance at these meetings are included in the Directors' Report on page [57].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.

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

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

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

Consistent with section 206J of the Corporations Act, it is the Company's policy to prohibit Directors and Senior Executives from dealing in financial products issued or created over or in respect of the Company's securities (eg hedges or derivatives), where that dealing has the effect of reducing or eliminating the risk associated with any equity incentives that the Company may offer from time to time. This is further detailed in the Directors' Report on page [65]. 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

ASX PRINCIPLES, RECOMMENDATIONS 4.1, 4.2, 4.3, 4.4

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

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control framework and audit functions. The Audit Committee's role also includes assessing the performance of the external auditor and, as appropriate, making recommendations to the Board on the appointment, re-appointment or replacement of the external auditor.

Information on the Company's procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement directors or partners is set out in the Company's External Auditor Selection and Rotation Policy, which is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

The members of the Audit Committee, who are all Non-Executive Directors, are Gary Powell (as Chairperson of the Audit Committee), Andrew Teo, and Robert Weinberg. Geoffrey Davis retired as a Committee member on 22 November 2013. The Audit Committee therefore, comprises a majority of independent Directors and is chaired by an independent chair as recommended by ASXCGC Recommendation 4.2.

Details of the qualifications of each member of the Audit Committee are included in the Directors' Report on pages [54] to [56]. 2 meetings of the Audit Committee were held during the reporting period and ddetails of the members' attendance at these meetings are included in the Directors' Report on page [57].

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;

CORPORATE GOVERNANCE STATEMENT

- receive quarterly safety, health and environment performance reports from management that include environmental, health and safety issues of a material nature, details of accidents and incidents and statistics concerning relative performance and continuous improvement; and
- provide feedback to management of safety, health and environment goals, policies, practices and systems. The Safety, Health and Environmental Committee consisted of Peter Hepburn-Brown (as Chairperson of the Safety, Health and Environmental Committee), Robert Weinberg and Andrew Teo. Geoffrey Davis retired as a Committee member on 22 November 2013. Mr Hepburn-Brown resigned on 19 August 2014.

3 meetings of the Safety, Health and Environmental Committee were held during the reporting period and details of the members' attendance at these meetings are included in the Directors' Report on page [57].

3. PROMOTING ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

ASXCGC RECOMMENDATION 3.1

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

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

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

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

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

Diversity Policy

ASX PRINCIPLES, RECOMMENDATIONS 3.2, 3.3, 3.4, 3.5

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

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

Recommendation 3.3 of the ASX Principles provides that a company should disclose in its annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and its progress towards achieving them. The Board has not at this stage adopted a formal diversity policy for the reasons set out above and, consequently, has not set measurable objectives under such a policy. The Board considers that it is not necessary to set measurable objectives for achieving gender diversity as recommended by 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 Recommendation 3.4 of the ASX Principles, the Medusa workforce gender profile is set out in the following table:

Role type	Female	Female %	Male	Male%
Technical	20	38%	33	62%
Supervisory / professional	9	8%	108	92%
Middle management	7	25%	21	75%
Senior Management	2	14%	12	86%
Total	38	18%	174	82%
Board members	-	-	6	100%

Share Trading Policy

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

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

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

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

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

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

A Director or employee wishing to deal in the Company's shares must first notify the 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

ASX PRINCIPLES, RECOMMENDATIONS 7.1, 7.2

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

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

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

- state or health of the industry sector;
- competition;
- market share (size);
- industrial relations;
- foreign exchange and interest rates;
- equity and commodity prices;
- political views; and
- a nation's economic well-being.

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

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

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

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Managing Director and Chief Financial Officer assurance

ASX PRINCIPLES, RECOMMENDATIONS 7.2, 7.3, 7.4

Before the adoption by the Board of the of the Company's financial statements for the year ended 30 June 2014, the Board receives written declarations from the Managing Director and Chief Financial Officer, in accordance with section 295A of the Corporations Act, that the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act and that the Company's financial statements and notes comply with the accounting standards and present a true and fair view of the consolidated entity's financial position and performance for the financial period.

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

Only the Chief Financial Officer's assurance is available due to the resignation of the Managing Director Mr Peter Hepburn-Brown on 19 August 2014.

5. CONTINUOUS DISCLOSURE

ASX PRINCIPLES, RECOMMENDATIONS 5.1, 5.2

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

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

6. SHAREHOLDER COMMUNICATION

ASX PRINCIPLES, RECOMMENDATIONS 6.1, 6.2

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

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

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

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

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

DIRECTOR'S REPORT

1. DIRECTORS

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

Name of Director	Period of Directorship
Non-Executive Directors:	
Mr Andrew Boon San Teo (Chairman)	since 15 February 2010 (appointed Chairman on 22 Nov 2013)
Dr Robert Maurice Weinberg	since 01 July 2006
Mr Ciceron Angeles	since 28 June 2011
Mr Gary Raymond Powell	since 24 January 2013
Mr Geoffrey John Davis	since 05 February 2002 (retired as Chairman on 22 Nov 2013)
Executive Directors:	
Mr Peter Gordon Hepburn-Brown (Managing Director)	since 15 September 2009 (resigned on 19 August 2014)
Mr Raul Conde Villanueva	since 24 January 2013

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

2. DIRECTORS' INFORMATION

MR ANDREW BOON SAN TEO

B.Com, UWA, (CPA)

Independent Non-Executive Chairman (appointed 22 November 2013)

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

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

MR RAUL CONDE VILLANUEVA

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

Executive Director

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

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

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 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 (AIM), London and Kasbah Resources Ltd (appointed 15 November 2006), an ASX listed entity. Dr Weinberg was an independent Non-Executive Director of Chaarat Gold Holdings Ltd (from 10 January 2011 to 4 May 2014), also listed on AIM.

Dr Weinberg is Chairman of the Remuneration Committee and is also a member of the Safety, Health & Environment Committee and Audit 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 37 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

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 31 years of experience working in Australia, Central Asia and importantly, since 1997, the Philippines.

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

Mr Powell has been overseeing the resource definition at the Company's Co-O Mine and Bananghilig Project and continues to consult to the Company as required. Mr Powell was appointed as the Chairman of the Audit Committee on 26 February 2014.

DIRECTOR'S REPORT

MR GEOFFREY JOHN DAVIS

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

Non-Executive Chairman

Retired 22 November 2013

Mr 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 retired from the Board, Audit Committee, Remuneration Committee and Safety, Health & Environment Committee on 22 November 2013.

MR PETER GORDON HEPBURN-BROWN

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

Managing Director

Since Resigned 19 August 2014

Mr Peter Hepburn-Brown who was appointed Managing Director on 9 June 2011, joined the Board of Medusa on 15 September 2009, and was the Company's Executive Director - Operations since 27 July 2010. He is a mining engineer with 36 years of experience in a wide range of mining situations, commodities and overseas jurisdictions.

He has held senior management positions such as Executive Director Operations for Harmony Gold Australia, General Manager Operations for Great Central Mines, as well as other executive, operational and consulting positions. Mr Hepburn-Brown's experience includes hands-on shaft sinking and airleg mining in narrow vein mines, experience that is well suited to the Company's current operations in the Philippines, as well as mining large open pit, disseminated ore bodies. Mr Hepburn-Brown has a proven track record and his skills and experience complement those of his fellow Board members.

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

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

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

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

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

4. MEETINGS OF DIRECTORS

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

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

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

5. PRINCIPAL ACTIVITIES

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

6. OPERATING RESULTS

The net consolidated profit for the financial year attributable to members of Medusa Mining Limited after provision of income tax was US$30.9 million [2013: US$50.2 million].

Key financial results:

Key Results	30 June 2014	30 June 2013	Variance	(%)
Revenues	US$84.2M	US$100.7M	(US$16.5M)	16%
EBITDA	US$48.3M	US$63.2M	(US$14.9M)	24%
NPAT	US$30.9M	US$50.2M	(US$19.3M)	38%
EPS (basic)	US$0.154	US$0.266	(US$0.112)	42%
Dividend per share	Nil	Nil	Nil	N/A

Medusa recorded a net profit after tax ("NPAT") of US$30.9 million and earnings before interest, tax depreciation and amortisation ("EBITDA") of US$48.3 million for the full year to 30 June 2014, compared to US$50.2 million and US$63.2 million respectively in the previous year.

The Company recorded Revenues of US$84.2 million compared to US$100.7 million for the previous year. Medusa is an un-hedged gold producer and received an average price of US$1,299 per ounce from the sale of 65,943 ounces of gold for the year (previous year: 77,488 ounces at US$1,610 per ounce).

As at year end, the Company, had total cash and cash equivalent in gold on metal account of approximately US$13.68 million (2013: US$7.45 million).

During the year:

- The Co-O Mine produced 59,904 ounces of gold for the year, at an average recovered grade of 4.76 g/t gold (2013: 62,243 ounces at average recovered grade of 7.02 g/t gold)
- The average cash cost for the year of US$418 per ounce was higher than the previous year's average cash cost of US$313 per ounce due primarily to excess mine manning levels, low mine productivity, SAG mill commissioning delays and lower than budget mill recoveries.
- Depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US$17.5 million (2013: US$13.1 million);
- US$15.8 million was expended on exploration activities (2013:US$24 million);
- Capitalised mine development costs totalled US$36.3 million for the year (2013: US$34.5 million);
- US$23.6 million was expended on capital works associated with the new mill construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2013: US$44.2 million);

7. REVIEW OF OPERATIONS

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

8. DIVIDENDS

No dividends were declared during the financial year.

9. SIGNIFICANT CHANGE IN STATE OF AFFAIRS

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

- In the September 2013 quarter, the Company raised gross proceeds of A$34,002,702 via the placement of 18,890,390 ordinary shares at A$1.80 each to clients of Euroz Securities Limited
- On 4 April 2014, application was made to the UK Listing Authority for the Securities to be removed from the Official List, and to the London Stock Exchange ("LSE") for the Securities to be removed from trading. The last day of dealings in the Securities on the LSE was on 22 May 2014. The cancellation of the listing and of trading in the Securities on the LSE took effect on 23 May 2014.
- On 22 November 2013 Mr Geoffrey Davis retired as Chairman of the Company and Mr Andrew Teo was appointed as his replacement.

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

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

Mr Geoffrey Davis agreed to assume the role of Chief Executive Officer for an interim period following the resignation of Peter Hepburn-Brown as Managing Director, and will officially commence his role on 1 September 2014.

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 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
Andrew Teo	75,000	-	-
Peter Hepburn-Brown[1]	22,000	-	-
Robert Weinberg	62,675	-	-
Ciceron Angeles	-	-	-
Raul Villanueva	-	300,000	-
Gary Powell	-	-	-

(1) since resigned 19 August 2014.

13. REMUNERATION REPORT (AUDITED)

(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:
Andrew Teo, Chairman (appointed as Chairman 22 November 2013)
Robert Weinberg
Ciceron Angeles
Gary Powell
Geoffrey Davis, (retired as Chairman 22 November 2013)

Executive Directors:
Peter Hepburn-Brown, Managing Director (since resigned 19 August 2014)
Raul Villanueva

EXECUTIVE OFFICERS

Peter Alphonso - Company Secretary

DIRECTOR'S REPORT

(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 2014 and the previous financial year.

Name	Year	Short term benefits				Post-employment benefits		Long-term benefits		Equity-settled share-based payments		Cash-settled share-based payments	Termi-nation benefits	TOTAL	Proportion of remunera-tion per-formance related	Value of options as proportion of remuner-ation
		Salary/fees	Directors' fees	Non-monetary	Bonus [4]	Super-annuation	Other	Incentive plans	LSL	Shares/ units	Options/ rights					
DIRECTORS Non-Executive																
Geoffrey Davis [6]	2014	224,587	35,212	-	-	-	-	-	-	-	-	-	-	259,799	-	-
	2013	27,597	101,440	-	-	-	-	-	-	-	-	-	-	129,037	-	-
Robert Weinberg	2014	-	68,089	-	-	-	-	-	-	-	-	-	-	68,089	-	-
	2013	-	76,080	-	-	-	-	-	-	-	-	-	-	76,080	-	-
Andrew Teo	2014	-	81,982	-	-	-	-	-	-	-	-	-	-	81,982	-	-
	2013	-	76,080	-	-	-	-	-	-	-	-	-	-	76,080	-	-
Ciceron Angeles	2014	42,921	68,089	-	-	-	-	-	-	-	-	-	-	111,010	-	-
	2013	63,016	76,080	-	-	-	-	-	-	-	-	-	-	139,096	-	-
Gary Powell [1]	2014	269,607	68,089	-	-	-	-	-	-	-	-	-	-	337,696	-	-
	2013	160,204	32,188	-	-	-	-	-	-	-	-	-	-	192,392	-	-
Executive																
Peter Hepburn-Brown [5], [8]	2014	696,147	-	-	-	31,955	87,360	-	-	-	-	-	-	815,462	-	-
	2013	746,800	-	-	-	12,968	67,205	-	-	-	-	-	-	826,973	-	-
Raul Villanueva [2]	2014	373,910	-	-	-	-	-	-	-	-	-	-	-	373,910	-	-
	2013	174,348	-	-	-	-	-	-	-	-	-	-	-	174,348	-	-
EXECUTIVES																
Peter Alphonso	2014	331,758	-	-	-	22,827	97,747	-	74,371	-	-	-	-	526,703	-	-
	2013	285,363	-	-	-	12,711	39.381	-	-	-	-	-	-	337,455	-	-
Roy Daniel (7)	2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2013	603,480	-	-	-	25,000	-	-	-	-	-	-	-	628,480	-	-
Samuel Afdal [3]	2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2013	210,945	-	-	-	-	-	-	-	-	-	-	-	210,945	-	-
TOTAL	2014	1,938,930	321,461	-	-	54,782	185,107	-	74,371	-	-	-	-	2,574,651	-	-
	2013	2,271,753	361,868	-	-	50,679	106,586	-	-	-	-	-	-	2,790,886	-	-

Notes
(1) Mr Gary Powell appointed 24 January 2013
(2) Mr Raul Villanueva appointed 24 January 2013
(3) Mr Samuel Afdal 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 2014/15 relating to the financial year ended 30 June 2014.
(5) Performance Rights granted during the 2011 financial year (and disclosed as Equity settled share based payments in the previous financial year) lapsed during the 2013 financial year due to performance criteria not being met.
(6) Mr Geoffrey Davis retired 22 November 2013
(7) Mr Roy Daniel retired 30 June 2013
(8) Mr Peter Hepburn-Brown since resigned 19 August 2014
(9) Comprises Annual Leave accrued during the year but not paid
(10) Comprises Long Service Leave accrued during the year but not paid

(c) Remuneration options and equity based instruments

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

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

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

(e) Option/rights holdings

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

Financial year 2013/2014

Name	Balance 01/07/13	Options/ rights granted as remuneration	Options/ rights exercised	Options/ rights not exercised & lapsed	Balance held 30/06/14	Vested & exercisable 30/06/14 [1]	Total not exercisable 30/06/14 [2]
DIRECTORS							
Geoffrey Davis[3]	-	-	-	-	-	-	-
Peter Hepburn-Brown[4]	-	-	-	-	-	-	-
Robert Weinberg	-	-	-	-	-	-	-
Andrew Teo	-	-	-	-	-	-	-
Ciceron Angeles	-	-	-	-	-	-	-
Raul Villanueva	300,000	-	-	-	300,000	300,000	-
Gary Powell	-	-	-	-	-	-	-
EXECUTIVES							
Peter Alphonso	-	-	-	-	-	-	-

(1) Options vested and exercisable are all the options vested at the reporting date;
(2) Options that are not exercisable have not vested at the reporting date
(3) Mr Geoffrey David retired 22 November 2013
(4) Mr Peter Hepburn-Brown resigned 19 August 2014

Financial year 2012/2013

Name	Balance 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[3]	-	-	-	-	-	-	-
Peter Hepburn-Brown[4]	250,000	-	-	(250,000)	-	-	-
Robert Weinberg	-	-	-	-	-	-	-
Andrew Teo	-	-	-	-	-	-	-
Ciceron Angeles	-	-	-	-	-	-	-
Gary Powell	-	-	-	-	-	-	-
Raul Villanueva	300,000	-	-	-	300,000	150,000	150,000
EXECUTIVES							
Roy Daniel[5]	-	-	-	-	-	-	-
Peter Alphonso	-	-	-	-	-	-	-
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) Mr Geoffrey Davis retired 22 November 2013
(4) Mr Hepburn-Brown was allocated 250,000 performance rights on 11 November 2011
(5) Mr Roy Daniel retired as Finance Director 09 June 2011 but continued in an executive role as Chief Financial Officer until 30 June 2013
(6) Mr Samuel Afdal resigned on 10 December 2012

(f) Share holdings

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

Financial year 2013/2014

Name	Balance 30/06/13	Shares held at appointment	Bonus Issue of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/14
NON-EXECUTIVE DIRECTORS							
Andrew Teo	75,000	-	-	-	-	-	75,000
Geoffrey Davis (1)	4,102,750	-	-		-		4,102,750
Robert Weinberg	62,675	-	-	-	-	-	62,675
Ciceron Angeles	-	-	-		-	-	-
Gary Powell	-	-	-	-	-	-	-
EXECUTIVE DIRECTORS							
Peter Hepburn-Brown (2)	22,000	-	-	-	-	-	22,000
Raul Villanueva	-	-	-	-	-	-	-
Executives							
Peter Alphonso	127,500	-	-	-	-	-	127,500

(1) Mr Geoffrey Davis retired 22 November 2013
(2) Mr Peter Hepburn-Brown since resigned 19 August 2014

Financial year 2012/2013

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

(1) Raul Villanueva appointed 24 January 2013
(2) Mr Gary Powell appointed 24 January 2013
(3) Mr Roy Daniel retired 30 June 2013
(4) Mr Samuel Afdal resigned 10 December 2012

(g) Remuneration policies

REMUNERATION COMMITTEE

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

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

REMUNERATION PHILOSOPHY

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

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

NON-EXECUTIVE DIRECTORS REMUNERATION:

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

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

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

Directors' fees cover all main Board activities and membership of Board Committees. No retirement benefits are provided for any Non-Executive 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:

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

EXECUTIVE REMUNERATION:

<u>Objective:</u>

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

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

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

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

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.

- 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 2014.

- 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.

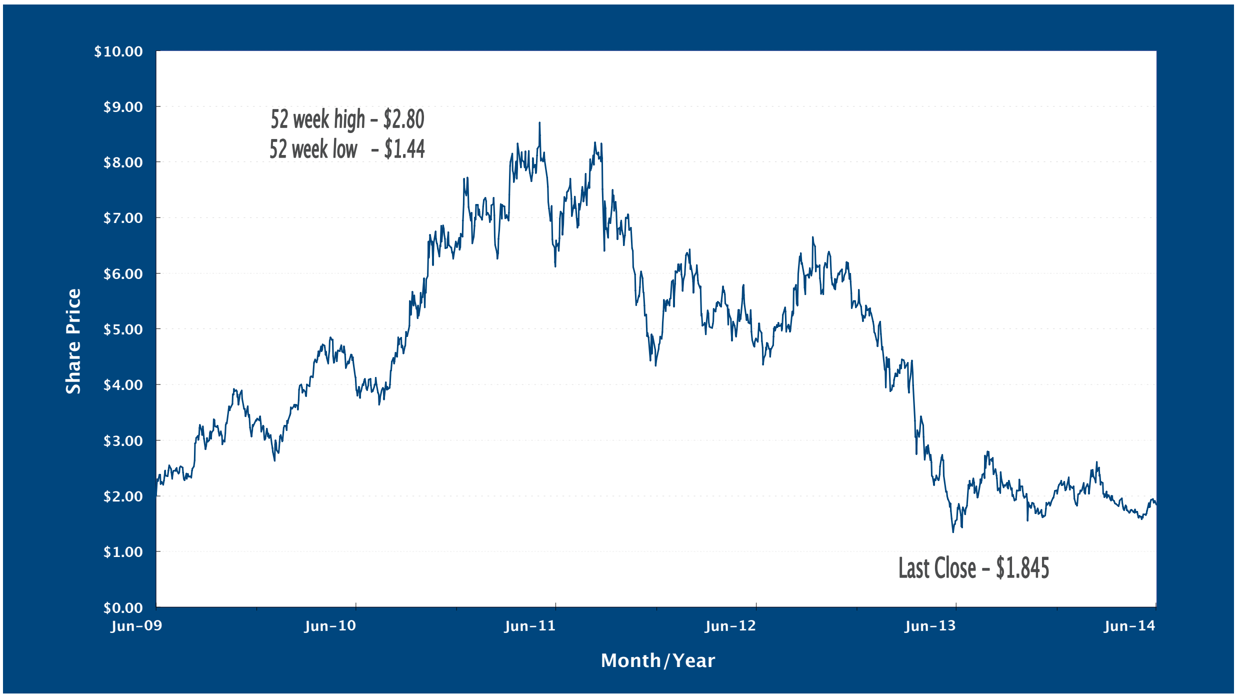
No LTIs were granted to any key management personnel during the financial year ending 30 June 2014.

(h) Company performance

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

Year ended 30 June	Note	2010	2011	2012	2013	2014
Basic earnings per share (EPS)	(1)	US$0.378	US$0.587	US$0.261	US$0.266	US$0.154
Share price at 30 June		A$3.90	A$6.59	A$4.83	A$1.55	A$1.85
Share price increase	(2)	A$1.70	A$2.69	(A$1.76)	(A$3.28)	A$0.30
Total shareholder returns (TSR)	(3)	77.3%	69.0%	(26.7%)	(67.5%)	19.4%

(1) Basic EPS is calculated as net profit after tax divided by the weighted average number of ordinary shares;
(2) Share price movement during the financial year;
(3) TSR is defined as the growth/decline (in percentage terms) in the share price, taking into account dividends paid over the previous financial year ending 30 June. No dividends were paid during the current financial year (Dividends totalling A$0.10 were paid in the 2011 and 2012 financial years and A$0.02 was paid for the financial year ending 2013 No dividends were paid or capital returned in the previous respective years from 2008 to 2010).



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

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

(j) Employment contracts

EXECUTIVE DIRECTORS

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

Contract description:	Employment contract between the Company and Peter Hepburn-Brown ("Employee").
Term:	An initial term ending on 8 June 2016 (subject to earlier termination) ("Initial Term"). If not terminated on or prior to 8 June 2016, the agreement will continue until terminated.
Services:	The Employee is employed as Managing Director of the Company and will be responsible for the overall management of the Company (subject to the direction of the Board); and its operations and strategic development.
Remuneration:	<u>Fixed remuneration:</u> A$725,000 per annum plus a superannuation contribution of A$25,000 per annum, subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standard. <u>Variable remuneration - Short term incentive:</u> The Employee maybe entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions. The quantum of any bonus paid must fall within 0.5% of NPAT and not to exceed 50% of an individual's fixed remuneration. <u>Variable remuneration - Long term incentive:</u> 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.

Peter Alphonso (Company Secretary/Chief Financial Officer)

Contract description:	Employment contract between the Company and Peter Alphonso ("Employee").
Term:	An initial term ending on 30 September 2015 (subject to earlier termination) ("Initial Term"). If not terminated on or prior to 30 September 2015, the agreement will continue until terminated.
Role:	The Employee is initially employed in the role of Company Secretary/Chief Financial Officer and may subsequently be employed in other comparable roles as determined by the Employer. The Employee will be responsible for the day to day management of all financial, administrative and corporate functions of the Company.
Remuneration:	<u>Fixed remuneration:</u> A$300,000 per annum (inclusive of superannuation), subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standard. <u>Variable remuneration - Short term incentive:</u> The Employee may be entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions.
Termination:	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.

(j) Employment contracts (continued)

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

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

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

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

(k) Related Parties

Related parties:	Geoffrey Davis, Robert Weinberg, Peter Hepburn-Brown, Andrew Teo, Ciceron Angeles, Raul Villanueva and Gary Powell.
Type of transaction:	Director Protection Deed ("Deed")
Transaction details:	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 – resigned 22 November 2013)
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; (2013: A$5,984) per month. Cedardale Holdings Pty Ltd charged the Company A$30,453 for the period 1 July 2014 to 22 November 2014 (date of resignation); (2013: A$71,306) for the lease of office premises. No amounts were outstanding at year end (2013: 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$217,990 (2013: A$27,597). No amount remains outstanding at time of resignation (2013: nil).

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$269,607 (2013:160,204) was charged to Philsaga.

(l) Un-issued shares under options/rights

Expiry date	Exercise price	No. of options/rights	No. of shares issued if options/rights exercised
Employee options			
3 January 2015	A$5.10	1,000,000	1,000,000

(m) Shares issued on exercise of options/rights

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

14. 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.

15. INDEMNIFICATION OF AUDITORS

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

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

16. ENVIRONMENTAL REGULATIONS

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

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

17. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

18. NON-AUDIT SERVICES

During the year, Grant Thornton, 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 2014.

	2014 (US$)	2013 (US$)
Taxation services	5,000	14,600
Financial reporting advice	-	10,959
Total non-audit services	5,000	25,559

19. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2014 has been received and can be found on page 20 of the Financial Report.

20. ROUNDING OFF AMOUNTS (ASIC CLASS ORDER 98/100)

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

Signed in accordance with a resolution of the Board of Directors

Andrew Teo
Chairman

Dated at Perth this 29th day of August 2014

AUDITORS INDEPENDENCE DECLARATION

Grant Thornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Medusa Mining Limited for the year ended 30 June 2014, 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 AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner - Audit & Assurance

Perth, 29 August 2014

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

		Consolidated	
		2014	2013
	Note	US$000	US$000
Revenue	2	84,196	100,680
Cost of sales		(42,806)	(33,551)
Exploration & evaluation expenses	3	(107)	(6,849)
Administration expenses		(8,265)	(8,508)
Other expenses		(2,358)	(1,587)
Profit before income tax expense		30,660	50,185
Income tax (expense)/benefit	5	211	(4)
Profit attributable to members of the Group	6,21	30,871	50,181
Other comprehensive income, net of income tax:			
Exchange differences on translation of foreign operations and other comprehensive income for the year		(4,837)	(6,381)
Total comprehensive income for the year		26,034	43,800
Overall operations:			
Basic earnings per share (US$ per share)	6	0.154	0.266
Diluted earnings per share (US$ per share)	6	0.153	0.263

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
for the year ended 30 June 2014

	Note	Consolidated 2014 US$000	Consolidated 2013 US$000
CURRENT ASSETS			
Cash & cash equivalents	22	13,063	4,698
Trade & other receivables	7	12,030	29,617
Inventories	8	18,084	18,339
Other current assets	9	512	662
Total Current Assets		43,689	53,316
NON-CURRENT ASSETS			
Trade & other receivables	10	21,489	2,600
Property, plant & equipment	11	115,470	101,549
Intangible Assets		96	-
Exploration, evaluation & development expenditure	12	261,743	219,962
Deferred tax assets	15	2,983	1,603
Total Non-Current Assets		401,781	325,714
TOTAL ASSETS		445,470	379,030
CURRENT LIABILITIES			
Trade & other payables		19,954	18,616
Borrowings	13	7,132	1,725
Employee benefits	14	740	1,017
Total Current Liabilities		27,826	21,358
NON-CURRENT LIABILITIES			
Borrowings	13	2,202	528
Deferred tax liability	15	1,782	141
Employee benefits	14	1,354	753
Total Non-Current Liabilities		5,338	1,422
TOTAL LIABILITIES		33,164	22,780
NET ASSETS		412,306	356,250
EQUITY			
Issued capital	17	102,902	73,070
Reserves	18	13,440	18,087
Retained profits	21	295,964	265,093
TOTAL EQUITY		412,306	356,250

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2014

	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 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						
Share options issued during the period in accordance with AASB 2 - share based payment	19	-	-	708	-	708
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**
Comprehensive Income						
Net profit after tax		-	30,871	-	-	30,871
Other comprehensive income		-	-	-	(4,837)	(4,837)
Total comprehensive income for the year		-	30,871	-	(4,837)	26,034
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period	17	29,832	-	-	-	29,832
Share options issued during the period in accordance with AASB 2 - share based payment	19	-	-	190	-	190
Sub-total		102,902	295,964	4,638	8,802	412,306
Dividends paid		-	-	-	-	-
Balance at 30 June 2014		**102,902**	**295,964**	**4,638**	**8,802**	**412,306**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 30 June 2014

	Note	Consolidated 2014 US$000	Consolidated 2013 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		86,206	125,687
Payments to suppliers & employees		(36,637)	(30,911)
Interest received		153	26
Net cash provided by operating activities	22	49,722	94,802
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant & equipment		(20,224)	(43,405)
Payments for intangible assets		(96)	-
Payments for exploration & evaluation activities		(8,196)	(10,350)
Payment for development activities		(45,318)	(45,682)
Net cash from (used in) investing activities		(73,834)	(99,437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		29,832	-
Payments for dividends		-	(3,925)
Proceeds from bank loans		7,081	2,253
Net cash (used in) financing activities		36,913	(1,672)
Net (decrease) in cash and cash equivalents held		12,801	(6,307)
Cash & cash equivalents at the beginning of the financial year		4,698	12,468
Exchange rate adjustment		(4,436)	(1,463)
Cash & cash equivalents at the end of the financial year	22	13,063	4,698

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The financial statements were authorised by the Directors on 26 August 2014.

BASIS OF PREPARATION

Reporting Basis and Conventions

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

(a) Principles of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2014. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

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

A list of controlled entities during the year ended 30 June 2014 is presented in note 20.

(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.

New and revised standards that are effective for these financial statements

- A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013. Information on these new standards is presented below.

AASB 10 Consolidated Financial Statements

- AASB 10 supersedes AASB 127 *Consolidated and Separate Financial Statements*(AASB 127) and AASB Interpretation 112 *Consolidation - Special Purpose Entities*. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.
- Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

AASB 11 Joint Arrangements

- AASB 11 supersedes AASB 131 Interests in Joint Ventures (AAS 131) and AASB Interpretation 113 Jointly Controlled Entities- Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).
- The Group's does not maintain any joint arrangement within the scope of AASB 11. The application of AASB 11 did not have a material impact on the company.

AASB 12 Disclosure of interests in Other Entities

- AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures

- AASB 127 now only addresses separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 13 Fair Value Measurement

- AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.
- AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 Financial Instruments: Disclosures.
- The Group has applied AASB 13 for the first time in the current year.

Amendments to AASB 119 Employee Benefits

- The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

Eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

Change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability; and

Enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

- Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 Presentation of Financial Statements.
- The application of AASB 119 did not have a material impact on the statement of comprehensive income, statement of financial position, statement of cash flows and on the earnings per share for the year ended 30 June 2013 and 30 June 2014.

(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 dollar the presentation currency for the Group is US dollar. The reason for using US dollar as the presentation currency is that the US dollar is the primary currency used in the global gold market.

Transaction and balances

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

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

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

Group companies

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

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

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

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

(s) Cash and cash equivalents

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

- cash on hand and at call deposits with bank or financial institutions, net of bank overdrafts; and

- investments in money market instruments with less than 30 days to maturity.

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

(t) Financial instruments

Recognition, Initial Measurement and Derecognition

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

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

Classification and Subsequent Measurement of Financial Assets

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

• Loans and receivables

• Financial assets at Fair Value Through Profit or Loss ('FVTPL')

• Held-To-Maturity ('HTM') investments; or

• Available-For-Sale ('AFS') financial assets

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

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

Loans and Receivables

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

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

HTM Investments

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

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

Classification and subsequent measurement of financial liabilities

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

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

(u) Inventories

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

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

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

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

(v) Share based payments

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

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

(w) Defined Benefit Fund

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

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

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

(x) Critical accounting estimates and judgments

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

Key estimates - Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets (refer note 1(g)). Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer to details of key elements and carrying values of non-financial assets at note 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 $30m that comprises tax credit certificates (TCC) and VAT claimable for cash. The current asset portion of VAT $17m comprises amounts that are estimated to be utilised by TCC to offset various indirect taxes within the current period. The non-current amount of VAT receivable of $13m represents the estimated amount utilised in future periods against tax liabilities of $13m.

(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	
	2014	**2013**
	US$000	US$000

2. REVENUE

Operating activities:		
Gold and silver sales	83,882	100,622
Non-operating activities:		
Interest revenue	160	24
Foreign exchange gain	72	3
Other	82	31
Total revenue	84,196	100,680

3. EXPENSES

Profit before income tax expense/(income) has been determined after charging/(crediting) the following items:		
Depreciation of non-current assets	9,062	6,121
Amortisation expense	8,479	6,934
Total depreciation & amortisation	17,541	13,055
Employee benefits expense	5,954	6,366
Defined Contribution	90	73
Defined Benefit	480	298
Exploration expenditure written off	107	6,849
Impairment losses:		
- assets written off	552	61
	552	61
Operating lease rental:		
- minimum lease payments	102	87

4. DIVIDENDS

No Final dividend was declared (2013: 2 cents a share declared on 29 August 2012 and paid on 4 October 2012)	-	3,925
No Interim dividend was declared	-	-
	-	3,925

	Consolidated	
	2014	2013
	US$000	US$000

5. TAXATION

	2014 US$000	2013 US$000
a) The components of tax expense comprise:		
Current tax	-	116
Deferred tax	261	(112)
Under / Over	(472)	-
	(211)	4
b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Operating profit before income tax	30,660	50,185
Prima facie income tax expense/(credit) at 30% (2011: 30%) on operating profit	9,198	15,056
less - tax effect of:		
Other non-deductible/(non-assessable) expenses	1,162	1,266
Difference of effective foreign income tax rates	(10,349)	(17,700)
Deferred tax adjustment	250	1,382
Under / Over	(472)	-
Income tax expense/(benefit)	(211)	4
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.

	2014 US$000	2013 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	263	1,515
- Australian tax losses	3,290	2,775
- Philippine tax losses	-	-
	3,553	4,290

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

	2014	2013
Earnings used to calculate basic and diluted EPS	30,871	50,181
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	200,632,560	188,903,911
Weighted average unlisted options outstanding	1,632,692	1,964,313
Weighted average of ordinary shares diluted as at 30 June 2014	202,265,252	190,868,224

	Consolidated	
	2014	2013
	US$000	US$000

7. CURRENT RECEIVABLES

	2014 US$000	2013 US$000
Gold awaiting settlement	619	2,881
GST/VAT receivables	8,410	23,315
Other receivables	3,001	3,421
Total current receivables	12,030	29,617

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

8. INVENTORIES

	2014 US$000	2013 US$000
Consumables - at cost	9,916	9,283
Ore stockpile - at cost	2,862	3,593
Gold Inventory - at cost	5,306	5,463
Total inventories	18,084	18,339

9. OTHER CURRENT ASSETS

	2014 US$000	2013 US$000
Prepayments	512	662

10. NON CURRENT RECEIVABLES

	2014 US$000	2013 US$000
GST/VAT receivables	21,489	2,600
Total non-current receivables	21,489	2,600

11. PROPERTY, PLANT & EQUIPMENT

	2014 US$000	2013 US$000
Plant & equipment:		
At cost	147,660	124,010
less - accumulated depreciation	(32,476)	(22,832)
Total plant and equipment at net book value	115,184	101,178
Furniture & fittings:		
At cost	799	769
less - accumulated depreciation	(513)	(398)
Total furniture & fittings at net book value	286	371
Total carrying amount at end of year	115,470	101,549
Reconciliations:		
Plant and equipment:		
Carrying amount at beginning of year	101,178	63,563
plus - additions	23,582	44,154
less - disposal	(131)	-
plus - forex differences on translation	(570)	264
less - depreciation	(8,875)	(6,803)
Carrying amount at end of year	115,184	101,178

	Consolidated	
	2014	2013
	US$000	US$000

11. PROPERTY, PLANT & EQUIPMENT (continued)

	2014 US$000	2013 US$000
Furniture & fittings:		
Carrying amount at beginning of year	371	366
plus - additions	39	121
less - disposals	(61)	(61)
plus - forex differences on translation	56	55
less - depreciation	(119)	(110)
Carrying amount at end of year	286	371

12. EXPLORATION , EVALUATION & DEVELOPMENT EXPENDITURE

	2014 US$000	2013 US$000
Exploration and evaluation expenditure:		
At cost	29,857	29,186
Development expenditure:		
At cost	264,991	215,482
less - accumulated amortisation	(33,105)	(24,706)
Net development expenditure	231,886	190,776
Total carrying amount at end of year	261,743	219,962

Reconciliations:

	2014 US$000	2013 US$000
Exploration and evaluation expenditure:		
Carrying amount at beginning of year	29,186	42,461
plus - costs incurred	15,768	24,017
less - transferred to development	(10,949)	(25,973)
less - expenditure written off	(107)	(6,849)
plus/(less) - forex differences upon translation	(4,041)	(4,470)
Carrying amount at end of year	29,857	29,186
Development expenditure:		
Carrying amount at beginning of year	190,776	140,436
plus - costs incurred	36,329	34,494
plus - transferred from exploration	10,949	25,973
less - amortisation expense	(8,399)	(7,831)
plus - forex differences upon translation	2,231	(2,296)
Carrying amount at end of year	231,886	190,776

	Consolidated 2014 US$000	Consolidated 2013 US$000

13. BORROWINGS

	2014 US$000	2013 US$000
Current borrowings		
Unsecured liability – Interest bearing loan	7,132	1,725
Total Current borrowings	7,132	1,725
Non-Current borrowings		
Secured liability – Interest bearing loan	662	134
Unsecured liability – Interest bearing loan	1,540	394
Total Non-Current borrowings	2,202	528
Total	9,334	2,253

Metropolitan Bank and Trust Company

Philsaga Mining Corporation ("Philsaga"), a subsidiary of the Company, obtained loans from Metropolitan Bank and Trust Company in 2014 and 2013 amounting to U$13.4M and U$4.5M, respectively. These loans bear interest rates ranging from 3.75% to 4.00% and have terms of one (1) to sixty (60) months. As of June 30, 2014 and 2013, the outstanding balances of these loans amounted to U$8.2M and U$1.6M, respectively. These amounts include loans that are denominated in Euro and Dollar acquired during the year.

14. EMPLOYEE BENEFITS

	2014 US$000	2013 US$000
Current:		
Employee benefits	740	1,017
Total current employee benefit	740	1,017
Non-Current:		
Retirement Benefit	1,354	753
Total current employee benefit	1,354	753

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

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

	2014	2013
Discount Rate	5.15%	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.

14. EMPLOYEE BENEFITS (continued)

	Consolidated 2014 US$000	Consolidated 2013 US$000
Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
Current service cost	280	191
Interest on obligation	55	46
Amortisation of past service cost-non vested	40	61
Total	375	298
The amount included in the statements of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:		
Present Value of defined benefit obligation	1,745	910
Unrecognised actuarial loss	(276)	(40)
Unamortised past service cost-non vested	(115)	(117)
Total	1,354	753
Movements in the present value of the defined benefit obligation in the current period were as follows:		
Balance beginning	910	739
Current service cost	280	191
Interest Cost	55	46
Unrecognised actuarial loss	313	-
Benefits paid	(157)	(44)
Foreign exchange gains/(loss)	344	(22)
Balance ending	1,745	910

The Company has no plan assets held by trustees but an employee retirement fund amounting to US$1,129,391(2013:US$1,145,538) was appropriated as at June 30, 2014. The employee retirement fund is presented as part of cash at bank.

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 2014				
Deferred tax liability				
Capitalised exploration & evaluation expenditure	141	-	1,641	1,782
Deferred tax assets				
Carried forward tax losses	1,451	-	2	1,453
Other	152	-	1,378	1,530
Carried forward tax losses	1,603	-	1,380	2,983

15. DEFERRED TAX (continued)

Consolidated Group

	Consolidated			
	Opening Balance	Forex on translation	Credit/ (charged) to Income	Closing Balance
	US$000	US$000	US$000	US$000
30 June 2013				
Deferred tax liability				
Capitalised exploration & evaluation expenditure	257	(4)	(112)	141
Deferred tax assets				
Carried forward tax losses	78	233	1,321	1,632
Other			152	152
Carried forward tax losses	1,632	(29)	-	1,603

16. AUDITOR'S REMUNERATION

	Consolidated	
	2014	2013
	US$000	US$000
Remuneration received or due and receivable by the Company's auditors,		
Grant Thornton Audit Pty Ltd for:		
• auditing or reviewing the financial reports	149	149
• other services:		
- financial reporting advice	-	11
- other services provided by related practice of auditor - taxation and compliance	5	15
Total auditor's remuneration	154	175
Remuneration of other auditors of the Company's Philippines subsidiaries for:		
• auditing or reviewing the financial reports	73	67
• other services:		
- other services provided by related practice of auditor - legal and taxation	5	13
Total auditor's remuneration	78	80

	Consolidated	
	2014	2013
	US$000	US$000
17. ISSUED CAPITAL		
207,794,301 ordinary shares (30 June 2013: 188,903,911)	102,902	73,070
Total issued capital	102,902	73,070
Ordinary shares		
Balance at beginning of year	73,070	73,070
Ordinary shares issued during the year:		
(i) Ordinary shares issued - new issues	29,832	-
Balance at end of year	102,902	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.

	2014	2013
Balance at beginning of year	188,903,911	188,903,911
Ordinary shares issued during the year:		
07 November 2013 @ A$1.80	9,445,195	-
25 November 2013 @ A$1.80	9,445,195	-
Balance at end of year	207,794,301	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.

	Consolidated	
	2014	2013
	US$000	US$000
Capital for the reporting period under review is summarised as follows:		
Total Equity	412,306	356,250
Cash and cash equivalents	(13,063)	(4,698)
Capital	399,243	351,552
Total equity	412,306	356,250
Borrowings	9,334	2,253
Overall financing	421,640	358,503
Capital-to-overall financing ratio	95%	98%

	Consolidated	
	2014	2013
	US$000	US$000

18. RESERVES

Option and performance rights reserve	4,638	4,448
Foreign currency translation reserve	8,802	13,639
Total reserves	13,440	18,087

(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 2014 (unless otherwise stated, all unlisted options and performance rights have full vesting rights)

- 575,000 options expiring 3 July 2014 and exercisable at A$8.10 each (the options were fully vested at reporting date).
- 1,000,000 options expiring 3 January 2015 and exercisable at A$5.10 each (the options were fully 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 2014:

(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.

(i) 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 (resigned 19 august 2014) would be required to remain in the employment of the Company at the vesting date.

During the year 2013, 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.

	2014		**2013**	
Share based options and performance rights	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	1,715,000	4.4000	1,965,000	4.4000
Granted	-		-	-
Forfeited	(140,000)	-	(250,000)	-
Exercised	-		-	-
Outstanding at year end	1,575,000	6.0487	1,715,000	6.0487
Exercisable at year end	-	4.4000	927,500	4.4000

During the year 2013, 250,000 Performance Rights lapsed due to performance criteria not being met.

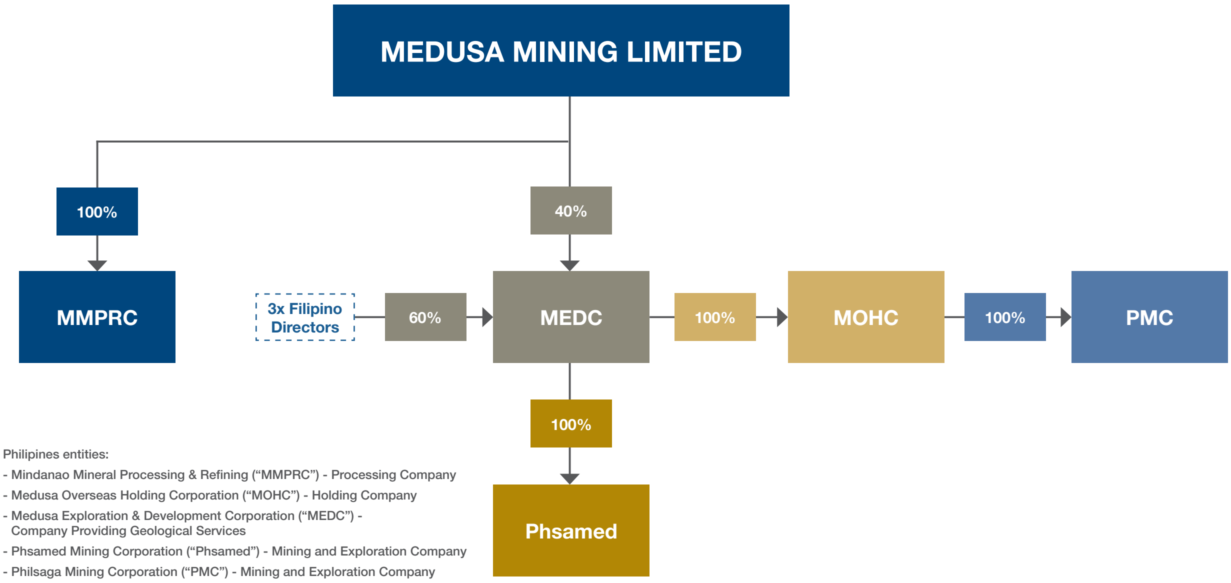
The options and performance rights outstanding at 30 June 2014 (all of which are unlisted) had a weighted average exercise price of A$6.1952 and a weighted average remaining contractual life of 3.99 months.

Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is US$190,547 (2013: US$707,408) and relates, in full, to equity-settled share based payment transactions relating to employees.

20. INVESTMENT IN SUBSIDIARIES

The following companies are controlled entities of Medusa Mining Limited as at 30 June 2014:

Controlled Entities	Date of incorporation	Country of incorporation	% interest held 2013	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. RETAINED PROFITS

	Consolidated 2014 US$000	2013 US$000
Retained profit at start of year	265,093	218,837
Net profit attributable to members of Company	30,871	50,181
Dividends Paid	-	(3,925)
Retained profits at end of year	295,964	265,093

22. 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:-

	Consolidated 2014 US$000	Consolidated 2013 US$000
Cash at bank	13,062	4,697
Cash on hand	1	1
Total cash assets	13,063	4,698

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

	2014 US$000	2013 US$000
Profit after income tax	30,871	50,181
add/(less) -		
Non-cash items:		
- Depreciation/amortisation	17,541	13,055
- Exploration expenses written off	106	6,849
- Recognition of share based expenses	191	707
- Foreign exchange (gain) / loss	(72)	(1)
- VAT write off	332	-
- Loss on asset disposal / write off	(19)	41
- Income tax credit /(expense)	(253)	4
	48,697	70,836
add/(less) -		
Changes in assets and liabilities		
- Decrease in trade and other receivables	(1,303)	23,746
- Decrease/(Increase) in prepayments	150	44
- (Increase) in inventories	255	(3,692)
- Decrease in trade & other payables	1,662	3,955
- (decrease) in deferred taxes payable	261	(87)
Net cash provided by operating activities	49,722	94,802

(c) Restricted Funds

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

(i) A Rehabilitation fund of US$359,823 (2013: US$359,380) to be used at the end of life of mine for environmental rehabilitation.

(ii) An Employee Retirement fund of US$1,129,391 (2013: US$1,145,538) established to meet employee entitlements on retirement.

(iii) The Company has a Provident fund of US$258,020 (2013: US$240,895) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

23. 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Consolidated Group										
Financial Assets										
Cash & cash equivalent	0.71	0.70	12,265	4,439	-	-	798	259	13,063	4,698
Loans and receivables	-	-	-	-	-	-	3,620	6,302	3,620	6,302
			12,265	4,439	-	-	4,418	6,561	16,683	11,000
Financial Liabilities										
Financial liabilities at amortised cost										
Bank Loan - Current	-	-	-	-	7,132	-	-	-	7,132	-
Bank Loan - Non Current	-	-	-	-	2,202	2,253	-	-	2,202	2,253
Trade & sundry payables	-	-	-	-	-	-	19,954	18,616	19,954	18,616
			-	-	9,334	2,253	19,954	18,616	29,288	20,869

	Consolidated	
	2014	**2013**
	US$000	US$000
Receivables are expected to be collected as follows:		
Less than 6 months	3,620	6,302
6 months to 1 year	-	-
	3,620	6,302

As at 30 June 2014 and 2013, all receivables were neither past due nor impaired.

Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	19,891	18,616
	19,891	18,616

(ii) Net fair values

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

(iii) Sensitivity analysis

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

Interest Rate Sensitivity Analysis

At 30 June 2014, 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	
	2014	2013
	US$000	US$000
Change in profit before income tax / equity		
- increase in interest rate by 100 basis points	123	41
- decrease in interest rate by 100 basis points	(123)	(41)

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, 2013 and 2014 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$000			
Consolidated	AUD	US$	PHP	TOTAL US$
2014				
Functional Currency of Group Entity				
Australian Dollar	n/a	574	-	574
US Dollar	-	-	707	707
Philippine Peso	-	740	-	740
	-	1,314	707	2021
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

	Consolidated	
	2014	2013
	US$000	US$000
Change in profit before income tax / equity		
- strengthening of A$ to US$ by 15%	(75)	(5)
- strengthening of Philippine Peso to US$ by 15%	(19)	21
	(94)	16
- weakening of A$ to US$ by 15%	75	5
- weakening of Philippine Peso to by 15%	19	(21)
	94	(16)

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$1,299 (2013: 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$8.564 million (2013: US$12.476 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.

24. 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.

	Consolidated 2014 US$000	Consolidated 2013 US$000
These commitments are not provided in the financial report and are payable:		
- no later than 1 year	3,171	3,168
- 1 year or later and no later than 5 years	3,158	3,155
Total exploration commitments	6,329	6,323

(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.

	Consolidated 2014 US$000	Consolidated 2013 US$000
These commitments are not provided in the financial report and are payable:		
- no later than 1 year	9	108
- 1 year or later and no later than 5 years	-	9
Total operating lease expense commitments	9	117

(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:

	Consolidated 2014 US$000	Consolidated 2013 US$000
These commitments are not provided in the financial report and are payable:		
- no later than 1 year	45	45
- 1 year or later and no later than 5 years	460	460
Total other commitments	505	505

(ii) On 24 November 2009 Philsaga was granted Mineral Production Sharing Agreement ("MPSA") number 299-2009-XIII over the Co-O mine. Under the terms of the Agreement Philsaga is committed to mine related expenditure in the Philippines as follows:

	Consolidated 2014 US$000	Consolidated 2013 US$000
These commitments are not provided in the financial report and are payable:		
- no later than 1 year	44	44
- 1 year or later and no later than 5 years	454	454
Total other commitments	498	498

25. EVENTS SUBSEQUENT TO REPORTING DATE

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

Mr Geoffrey Davis agreed to assume the role of Chief Executive Officer for an interim period following the resignation of Peter Hepburn-Brown as Managing Director, and will officially commence his role on 1 September 2014.

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.

26. 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 2014:				
Segment revenue	83,882	-	-	83,882
Reconciliation of segment revenue to Group revenue add:				
Interest income				160
Other				154
Group Revenue				84,196
Segment result	35,508	(20)	(4,739)	30,749
Reconciliation of segment result to group result: add back:				
Gain on disposal of asset				19
Other revenue				154
Interest revenue				160
less:				
Income tax expense				211
Group profit				30,871
Segment assets	434,822	3,836	3,829	442,487
Reconciliation of segment asset to group assets:				
plus: Deferred tax assets				2,983
Total Group assets				445,470
Segment liabilities	29,373	5	2,004	31,382
Reconciliation of segment liabilities to group liabilities				
plus: Deferred liabilities				1,782
Total Group liabilities				33,164
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

Revenue and non-current assets by geographical region	Australia	Phillippines	Total
	US$000	US$000	US$000
12 months to June 2014:			
Segment Revenue	-	83,882	83,882
Non-Current Assets	41,946	356,852	398,798
12 months to June 2013:			
Segment Revenue	-	100,622	100,622
Non-Current Assets	15,825	308,286	324,111

In accordance with AASB 8 disclosure requirements Non-Current Assets shown in geographical information include tangible and intangible assets but exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

The Group sells its gold on the open market. Selection of a customer is at the Group's discretion and there is no commitment to exclusive sales to a particular customer. During the financial year ended 30 June 2014, all of the Group's revenues depended on a single customer (2013:100%).

27. PARENT COMPANY INFORMATION

	2014	2013
	US$000	US$000
Parent Entity:		
Current Assets	3,636	1,127
Total Assets	45,707	21,709
Current Liabilities	2,004	3,956
Total Liabilities	2,004	3,956
Net Assets	43,703	17,754
Issued Capital	102,902	73,070
Option Premium Reserve	4,638	4,448
Foreign Exchange Reserve	14,596	13,965
Accumulated Losses	(36,164)	(31,460)
Dividends paid	(42,269)	(42,269)
Total Equity	43,703	17,754
Profit/(loss) for the year	(4,704)	(5,155)
Total Comprehensive Income/(loss)	(4,073)	(6,779)

28. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2014, but have not been applied in preparing this financial report.

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

AASB 9 *Financial Instruments*

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

Effective date (annual reporting periods beginning on or after 1 January 2018).

The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018 and the IASB is yet to finalise the remaining phases of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 in Australia).

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

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

Effective date (annual reporting periods beginning on or after 1 January 2014).

- When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.

AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets.

Effective date (annual reporting periods beginning on or after 1 January 2014).

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

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

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

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

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

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

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

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entitiy.

AASB 2014-1 *Amendments to Australian Accounting Standards* (Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119))

Part B of AASB 2014-1 makes amendments to AASB 119 Employee Benefits to incorporate the IASB's practical expedient amendments finalised in International Financial Reporting Standard Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) in relation to the requirements for contributions from employees or third parties that are linked to service.

The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of AASB 119 for the gross benefit.

Effective date (annual reporting periods beginning on or after 1 July 2014).

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entitiy.

AASB 2014-1 *Amendments to Australian Accounting Standards* (Part E: Financial Instruments)

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

Effective date (annual reporting periods beginning on or after 1 January 2015).

- *The entity has not yet assessed the full impact of these amendments.*

IFRS 15 Revenue from Contracts with Customers

IFRS 15:

- replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations
- establishes a new control-based revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

In the Australian context, the Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian Standard (AASB 15 Revenue from Contracts with Customers), along with a new Exposure Draft (ED) on income from transactions of Not-for-Profit (NFP) entities by September 2014.

Effective date (annual reporting periods beginning on or after 1 January 2017).

This standard is first adopted for the year ending 30 June 2018, the Company has not yet assessed the impact of the transactions and balances to be recognised in the financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to IAS 38 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two limited circumstances:

- the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.

Effective date (annual reporting periods beginning on or after 1 January 2016).

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

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 Business Combinations, should:

- apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by IFRS 3 and other IFRSs.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.

Effective date (annual reporting periods beginning on or after 1 January 2016).

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

- *The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.*

29. FRANKING ACCOUNT

The Company has no franking credits available.

30. 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
for the year ended 30 June 2014

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

   (a) the financial statements and notes set out on pages 72 to 108 and the remuneration disclosures that are contained in pages 59 to 69 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 2014 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 59 to 69 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 2014.

Signed in accordance with a resolution of the Board of Directors

Andrew Teo
Chairman

Dated at Perth this 29th day of August 2014

Grant Thornton

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

Report on the financial report

We have audited the accompanying financial report of Medusa Mining Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

GrantThornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2014 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 2014 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 8 to 17 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance

Perth, 29 August 2014

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 19 September 2014.

1. SHAREHOLDING

(a) Distribution of shareholders and shares

Distribution		Number of Shareholders	Number of Shares
1	- 1,000	1,823	936,361
1,001	- 5,000	2,193	6,037,667
5,001	- 10,000	691	5,254,354
10,001	- 100,000	797	22,877,923
100,001	- 1,000,000	74	21,234,810
1,000,000	and over	14	151,453,186
Total		**5,592**	**207,794,301**

The number of shareholdings held in less than marketable parcels is 527.

(b) Voting rights

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

(c) Twenty largest shareholders

Total number of ordinary shares on issue - 207,794,301

	Name of shareholders	Number of shares held	(%)
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,279,077	21.79
2.	NATIONAL NOMINEES LIMITED	40,889,606	19.68
3.	J P MORGAN NOMINEES AUSTRALIA LIMITED	24,712,012	11.89
4.	CITICORP NOMINEES PTY LIMITED	12,308,837	5.92
5.	ZERO NOMINEES PTY LTD	10,260,000	4.94
6.	AMALGAMATED DAIRIES LIMITED	3,296,881	1.59
7.	MR WILLIAM DOUGLAS GOODFELLOW	3,141,925	1.51
8.	CEDARDALE HOLDINGS PTY LTD <G&S DAVIS SUPER FUND A/C>	2,737,673	1.32
9.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,978,775	0.95
10.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,906,418	0.92
11.	BARCLAYSHARE NOMINEES LTD	1,694,488	0.82
12.	BNP PARIBAS NOMS PTY LTD <DRP>	1,320,014	0.64
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,289,307	0.62
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,067,626	0.51
15.	YANDAL INVESTMENTS PTY LTD	1,000,000	0.48
16.	TD DIRECT INVESTING NOMINEES (EUROPE) LTD <SMKTNOMS A/C>	993,307	0.48
17.	QIC LIMITED	990,994	0.48
18.	MR GIOVANNI SANTALUCIA	930,000	0.45
19.	MRS SUSAN DAVIS	865,077	0.42
20.	MR ROY PHILIP DANIEL + MRS DONNA MARY DANIEL <DANIEL SUPER FUND A/C>	815,875	0.39
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES	**157,477,892**	**75.79%**
	Total: Remaining Holders Balance	**50,316,409**	**24.21%**

(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	23,742,006	11.43%
Wellington Management Company, LLP	14,118,864	6.79%

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
• 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

ADDITIONAL SHAREHOLDER INFORMATION
for the year ended 30 June 2014

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

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

6. STOCK EXCHANGE LISTINGS

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

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

TENEMENTS SCHEDULE

Name	Tenement ID	Registered Holder	Company's Interest [1]	Royalty	Area (hectares)
Co-O Mine	MPSA No. 262-2008-XIII	Philsaga	100.0%	-	2,538.79
	MPSA No.299-2009-XIII	Philsaga	100.0%	-	2,200.36
Co-O	APSA No. 00012-XIII	BMMRC	100.0%[2]	-	339.80
	APSA No. 00087-XIII	Samuel Afdal	100.0%[2]	-	846.44
	APSA No. 00088-XIII	Phsamed	100.0%	-	7,303.73
	APSA No. 00098-XIII	Philcord	100.0%[2]	1% net profit	1,184.38
	APSA No. 00099-XIII	Philcord	100.0%[2]	1% net profit	676.83
Saugon	EP 017-XIII	Philsaga	100.0%	-	3,132.31
	EP 031-XIII	Philsaga	100.0%	-	3,978.54
	EP 032-XIII	Philsaga	100.0%	-	3,047.53
	EPA No. 00066-XIII	Philsaga	100.0%	-	6,769.13
	EPA No. 00067-XIII	Samuel Afdal	100.0%[2]	-	1,692.69
	EPA No. 00069-XIII	Phsamed	100.0%	-	7,789.80
	EPA No. 00087-XIII	Philsaga	100.0%	-	764.20
Tambis	MPSA No. 344-2010-XIII	Philex	100.0%	7% net smelter	6,207.62
Das-Agan	MPSA No. 343-2010-XIII	Das-agan	100.0%	3% gross	3,809.55
Apical	APSA No. 00028-XIII	Apmedoro	Earning 70.0% (JV)	-	2,084.09
Corplex	APSA No. 00054-XIII	Corplex	100.0%	3% net smelter	2,118.16
	APSA No. 00056-XIII	Corplex	100.0%	-	162.00
	APSA No. 00077-XIII	Corplex	100.0%	4% gross	810.00
	EPA No. 00186-XIII	Corplex	100.0%	3% net smelter	7,111.35
Tagbina	EPA No. 00176-XIII	Sursur	100.0%	3% gross	3,823.00
	EPA No. 00180-XIII	Sursur	100.0%	3% gross	5,948.00
	EPA No. 00181-XIII	Sursur	100.0%	3% gross	6,118.00
Sinug-ang	EPA No. 00114-XIII	Salcedo/Philsaga	100.0%	-	190.38

Notes:

1 There has been no change to Company's interest for any tenement during the 2013-2014 financial year and there has been no tenement acquired or disposed of during the same reporting period.

2 Assigned to Philsaga Mining Corporation

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

Registered Holder -

Philsaga	Philsaga Mining Corporation
BMMRC	Base Metals Mineral & Resources Corporation
Phsamed	Phsamed Mining Corporation
Philcord	Mindanao Philcord Mining Corporation
Corplex	Corplex Resources Incorporated
Salcedo	Neptali P. Salcedo
Alcorn	Alcorn Gold Resources Corporation
Philex	Philex Gold Philippines Incorporated
Das-Agan	Das-Agan Mining Corporation
Apmedoro	APMEDORO Mining Corporation
Sursur	Sursur Mining Corporation