MEDUSA

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ANNOUNCEMENT

13 October 2017

2017 ANNUAL REPORT

(ASX: MML)

Please find attached a pdf version of Medusa's 2017 Annual Report which is also viewable on the Company's website www.medusamining.com.au

For further information please contact:

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Chief Executive Officer
Phone: +618 9474 1330
Website: www.medusamining.com.au

MEDUSA

ANNUAL REPORT

2017

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CORPORATE DIRECTORY

DIRECTORS

Andrew Boon San Teo
Non-Executive Chairman

Boyd Walter Timler
Managing Director

Raul Conde Villanueva
Executive Director

Ciceron Angeles
Non-Executive Director

Roy Philip Daniel
Non-Executive Director

COMPANY SECRETARY

Peter Stanley Alphonso

EXECUTIVE MANAGEMENT

Boyd Walter Timler
Managing Director

Raul Conde Villanueva
President Philippines subsidiaries

Peter Stanley Alphonso
Chief Financial Officer

SENIOR MANAGEMENT

James Piñgul Llorca
Manager, Geology & Resources

David Angus McGowan
General Manager, Engineering

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STOCK EXCHANGE LISTING

Australian Stock Exchange Limited (ASX)
Trading Code: MML

AUDITORS

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10 Kings Park Road
West Perth WA 6005

Philippines:

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

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Level 32, Exchange Plaza
2 The Esplanade
Perth WA 6000

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Perth WA 6000

Telephone: + 61 8 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.

AUSTRALIAN BUSINESS NUMBER (ABN)

60 099 377 849

HIGHLIGHTS

Financials

Description	Unit	30 June 2017 (1)	30 June 2016 (2)	Variance	(%)
Revenues	US$	US$100.1M	US$128.1M	(US$28.0M)	(22%)
EBITDA (1)	US$	(US$35.2M)	US$69.5M	(US$104.7M)	(151%)
NPAT (1)	US$	(US$62.1M)	US$44.3M	(US$106.4M)	(240%)
EPS (basic)	US$	(US$0.299)	US$0.213	(US$0.512)	(240%)

Notes:

(1) includes asset impairment losses of US$70.8M and exploration write-offs of US$7.1M for year ended 30 June 2017;

(2) Restated accounts relating to prior year adjustments. EBITDA and NPAT previously reported were US$69.6M and US$43.8 M respectively.

- Revenues of US$100.1 million compared to US$128.1 million for the previous year, a decrease of 22%;
- Medusa is an un-hedged gold producer and received an average gold price of US$1,256 per ounce from the sale of 79,194 ounces of gold for the year (2016: 108,529 ounces at US$1,173 per ounce);
- Losses before interest, tax, depreciation and amortisation ("EBITDA") of (US$35.2 million), which includes asset impairment losses of US$70.8 million and exploration write-off of US$7.1 million (2016: EBITDA of US$69.5 million);
- Basic earnings per share ("EPS") of (US$0.299) on a weighted average basis, based on NPAT of (US$62.1 million) (2016: EPS of US$0.213, based on NPAT of US$44.3 million);
- The Company had total cash and cash equivalent in gold on metal account of US$11.5 million at year end (2016: US$22.0 million);
- Depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US$18.0 million (2016: US$21.6 million);
- US$16.2 million was expended on capital works associated with the new mill construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2016: US$16.8 million);
- Exploration expenditure, inclusive of underground diamond drilling was US$12.3 million (2016: US$9.3 million);
- Capitalised mine development costs totalled US$27.6 million for the year (2016: US$26.3 million); and
- Corporate overheads of US$6.7 million (2016: US$5.9 million).

Operations

Description	Unit	June 2017	June 2016	Variance	(%)
Ore mined	WMT	564,965	623,659	(58,694)	(9%)
Ore milled	DMT	499,733	561,192	(61,459)	(11%)
Head grade	g/t	5.33	6.40	(1.07)	(17%)
Recovery	%	94.3%	94.0%	0.3%	0%
Gold produced	ounces	80,743	108,578	(27,835)	(26%)
Cash costs (1)	US$/oz	$595	$466	($129)	(28%)
Gold sold	ounces	79,194	108,529	(29,335)	(27%)
Avg gold price received	US$/oz	$1,256	$1,173	$83	7%

Note:

(1) Net of development costs and includes royalties and local business taxes

- The Company produced 80,743 ounces of gold for the year, compared to 108,578 ounces from the previous corresponding period, at an average recovered grade of 5.33 g/t gold (June 2016: 6.40 g/t gold).
- The average cash costs of US$595 per ounce, inclusive of royalties and local business taxes was higher than the previous year's average cash costs of US$466 per ounce.
- All in Sustaining Costs ("AISC") for the year was US$1,374 per ounce of gold compared to the previous year's AISC of US$999 per ounce of gold, primarily as a result of a drop in gold production.

Production Guidance (2017/18)

The production guidance for 2017/18 at the Co-O mine is expected to be:

- between 80,000 to 90,000 ounces; and
- at an AISC of between US$1,050 to US$1,200 per ounce.

The guidance is governed by the completion of the E15 Service Shaft by the March quarter of 2018. Once completed, the E15 will unconstraint the L8 Production Shaft as all manpower and materials will be removed and the L8 Production Shaft becomes a dedicated skipping shaft.

The guidance also assumes that the Co-O Mine will be realising improvements within the March 2018 quarter and allowing a reasonable transition period.

Corporate

Dividend:

No dividends were declared nor paid during the year.

Board appointment/resignations:

- Mr Boyd Timler was appointed Managing Director on 9 January 2017
- On 22 August 2017, Mr Ciceron (Jun) Angeles tendered his resignation as a Non-Executive Director effective 31 October 2017.

MANAGING DIRECTOR'S REVIEW

Dear Shareholders,

A strategic plan was implemented at the start of the fiscal year to ensure Medusa maintains its position as a consistent, sustainable and self-funding gold producer whilst maintaining an unhedged gold sales position.

There were 4 fundamental goals laid out in the FY16-17 strategy, namely to:

- progressively complete the required mine infrastructure projects to ensure consistent long-term cost-effective production;
- properly define the ore reserves and mineral resources of the ore body by understanding the geology, in order to best plan and schedule the long-term mining operations;
- review, assess and rationalise the group's tenement portfolio and retain the areas with the highest exploration potential; and
- progress the company culture ensuring there is ownership at all levels of the organisation in achieving our goals and vision in sustainable, profitable growth with our established licence to operate in the Philippines.

Of the key infrastructure projects, the mine ventilation was upgraded and is now delivering significant improved airflow into the lower levels, and the Level 8 pumping station commissioned at year-end, is now taking up the majority of dewatering from the lower levels. These infrastructure projects have improved the overall productivity and efficiency in the lower levels, and enabled us to complete over 22,000 metres of mine development (13,000 metres of horizontal development) and over 58,000 metres of resource and reserve diamond drilling from the underground drill stations. This was achieved without the benefits of the new E15 Service Shaft which is currently under construction, and the L8 Production Shaft which underwent a major unplanned maintenance upgrade mid-year.

The most important infrastructure project is E15 Service Shaft ("E15") and despite some minor hiccups, the E15 is expected to come online by the March quarter of 2018. Once operational, the E15 is expected to take the full burden of manpower and material movements, allowing for a +15% increase in the Mine's overall skipping capacity. In addition, the Company has also completed the construction of three Winzes (internal inclined shafts) from Level 8 to Level 9, two of which have already been extended to Level 10 and two other Winzes are progressing from Level 8 to Level 12. Despite hoisting restrictions on Level 8, of the 13,000 metres of horizontal development, 1,722 metres were completed on Level 9, plus the progress of five Winzes. This focus will ensure the deeper high-grade ore reserve blocks are sufficiently developed when E15 Service Shaft is commissioned.

The full year production was 80,743 ounces of gold with an All-In-Sustaining Costs ("AISC") of US$1,374 per ounce of gold, a shortfall from the original guidance of between 105,000 to 115,000 ounces of gold at AISC of US$1,000 to US$1,100 per ounce. The year's lower than expected production were greatly impacted by the unplanned maintenance of the L8 Production Shaft "guide rails" and the lower than expected development and stoping grades from the inferred mineral resource blocks developed in the upper levels. It was expected to see a grade and ounce improvement for H2 but this was delayed into the June quarter. Almost 24,000 ounces were produced in the June quarter, with the previous three averaging approximately 19,000 ounces per quarter.

The exploration push has been channelled into defining the mineral resource limits of the Co-O mine. By year-end we now understand the controls on the vein system with the completion of the resource drilling program from Levels 8 and 9, that have also shown the epithermal vein system is still open at depth and to the east. Results show the main Great Hamish vein is open at depth and to the east on L16, but the other main veins have taken up the gold endowment to the north and east between Level 8 and Level 12 that remain open down plunge. This drilling resulted in a resource grade improvement of almost 14% but a reduction on tonnes and ounces based on vein width. The reserves now sit at 1.64 million tonnes, grading 6.54 g/t, for 345,000 ounces of gold. This year's drilling program was focused to understand the orebody and gain confidence in the resource. The indicated resource to reserve conversion was 76% for the April 2017 reporting. The tenement rationalization has resulted in our regional tenement position being refocused from 596 km2 to 410 km2, retaining just the prospective ground. Going forward, regional focus in the short-term will remain in the Co-O mine and near mine vicinity.

At the start of last year, Medusa's affiliated companies had become ISO 14001 certified. The Co-O mine has been subject to a series of environmental and social responsibility audits conducted by the Mines Department which the Company has passed each time. The Company has maintained its licence to operate by maintaining high community, safety and environmental standards. This same level of ownership is being instilled on our line managers to take the same level of ownership for our cost management improvements; reduced power consumption, tighter controls on mine contractors, suppliers and labour allocation for tasks. The infrastructure improvements are having positive impacts on behaviours, which drive results and overall performance.

Medusa has stayed within it's free cash envelope. The year started with a cash position (and equivalents) of US$22.0M and as at 1st July 2017, Medusa was at US$11.5M. The drawdown in cash for the capital expansion projects, resource drilling campaign and maintaining the mine development levels was all within plan, and only slightly impacted by the reduced ounces produced.

The guidance for the full year July 2017 to June 2018 (FY17-18) is 80,000 to 90,000 ounces of gold at AISC of US$1,050 to US$1,200 per ounce of gold produced. The guidance is governed by the completion of the E15 Service Shaft and being retrospective of what was achieved in this past year.

For the coming year Medusa will stay committed to its 3-year strategic plan as follows:

- commission E15 Service Shaft by March Quarter 2018;
- focus on the underground drilling program to add resource and reserve ounces on the known structures and test the downdip extensions on the main and new veins;
- develop the high-grade reserves on Levels 9 and 10;
- optimize the L8 Production Shaft skipping and tramming efficiencies to the loading pockets;
- rationalize the Co-O mine efficiencies with the removal of the prior constraints (mine ventilation and mine de-watering) and then incorporate the new efficiencies that come from the E15 Shaft and improved workforce and materials movement, increasing the mines skipping capacity by over 15%;
- progress the TSF#1 newly defined mineral resource to a pre-feasibility level study for a potential additional mill feed;
- progress the development strategy for the life-of-mine plan and extraction schedule for the reserves below Level 12; and
- ensure we continue to maintain our "licence to operate" in the Philippines, basically by doing the right thing.

The last financial year has proved challenging but I firmly believe we are on the right path of continued and sustainable success and on behalf of the Board and all employees, I would like to thank you for your continued support.

Boyd Timler

Managing Director

REVIEW OF OPERATIONS

HIGHLIGHTS

"For the financial year ending 30 June 2017 the Company achieved production of 80,743 ounces above the revised guidance of 78,000 to 80,000 ounces of gold"

"The company has also maintained its ore reserves position at 345,000 ounces compared to FY2016 reserve ounces of 376,000 ounces."

MINERAL RESOURCES AND ORE RESERVES:

"The Company's ore reserves currently at 345,000 ounces, after mining depletion, compared to FY2016 reserve ounces of 376,000 ounces. These ore reserves only accounted for 10 months of drilling and development (30 April 2017 data cut-off date) to ensure the annual resources and reserves update was better aligned to the full year (FY) financial reporting."

Table I. Total Mineral Resources and Ore Reserves estimates as at 30 April 2017

Deposit	Category	Tonnes [4]	Grade [4] (g/t gold)	Gold [4] (ounces)
MINERAL RESOURCES [1,2]				
Co-O Resources [1] (JORC 2012)	Indicated	1,172,000	12.11	456,000
	Inferred	1,003,000	12.50	403,000
Total Co-O Resources	**Indicated & Inferred**	**2,175,000**	**12.29**	**859,000**
Bananghilig Resources [3] (JORC 2012)	Indicated	7,580,000	1.66	406,000
	Inferred	200,000	4.42	29,000
Total Bananghilig Resources	**Indicated & Inferred**	**7,780,000**	**1.73**	**435,000**
Saugon Resources [3] (JORC 2012)	Indicated	47,500	7.00	10,700
	Inferred	34,000	4.60	5,000
Total Saugon Resources	**Indicated & Inferred**	**81,500**	**6.00**	**15,700**
TSF#1 Tailings Resources (JORC 2012)	Indicated	510,000	1.72	28,200
Total TSF#1 Tailings Resources	**Indicated**	**510,000**	**1.72**	**28,200**
TOTAL RESOURCES	**Indicated**	9,309,500	3.01	900,700
TOTAL RESOURCES	**Inferred**	1,237,000	10.98	437,000
TOTAL RESOURCES	**Indicated & Inferred**	**10,546,500**	**3.94**	**1,337,700**
ORE RESERVES [2]				
Co-O Reserves [2] (JORC 2012)	Probable	1,640,000	6.54	345,000
TOTAL RESERVES	**Probable**	**1,640,000**	**6.54**	**345,000**

REVIEW OF OPERATIONS

Notes:
1. Mineral Resources are inclusive of Ore Reserves.
2. Co-O and Bananghilig Mineral Resources and Co-O Ore Reserves estimated under guideline of JORC 2012.
3. Saugon Mineral Resources were previously prepared and first disclosed under the JORC 2004, and have not been updated to comply with JORC 2012 on the basis that the information has not materially changed since it was last reported.
4. Rounding to the nearest 1,000 may result in some slight apparent discrepancies in totals

MINERAL RESOURCES:

Co-O:

- a minimum lower block cut-off of 3.2 gram*metres/tonne accumulation, which incorporates minimum mining widths of 1.25m or 1.5m (depending on vein attitude) above cut-off grade, in its derivation;
- various high cut gold grades, up to 300 g/t gold, have been applied to different veins, and
- a gold price of US$1,500 per ounce has been applied

Bananghilig:

- Indicated Resource: a lower block cut-off of 0.75 g/t gold has been applied to mineralisation within a US$1,500/oz Whittle pit shell, reflective of open pit mining costs.
- Inferred Resource: a lower block cut-off of 3.0 g/t gold has been applied to mineralisation outside of the US$1,500/oz Whittle pit shell, to a maximum depth of 100 metres below the pit shell walls and base, reflective of underground mining costs.
- a high cut of 40 g/t gold has been applied to all mineralisation.
- Allowance for artisanal mining depletion of 18,300 oz gold applied within the Whittle pit shell
- a gold price of US$1,500 per ounce has been applied

Saugon:

- a lower cut-off of 2.0 g/t gold has been applied
- a gold price of US$1,500 per ounce has been applied

TSF#1 Tailings:

- a lower cut-off of 0.85g/t gold has been applied
- a Bangka drilling was undertaken using grid spacing of 25 by 25 meters
- a gold price of US$1,500 per ounce has been applied

ORE RESERVES:

- Ore Reserves are a subset of Mineral Resources

Co-O:

- minimum mining widths of 1.25 metres (stopes ≥50°) and 1.5 metres (stopes <50°) have been applied, and where the vein width was equal to, or greater than, the minimum mining width, an extra 0.25 metres dilution was added to the hanging wall,
- a further 10% dilution has been allowed for slabbing in mining of low angle stopes under draw,
- shape dilution of 7% of extra tonnage at 2 g/t gold applied, to reflect pinch and swell of veins, and faulting,
- an allocation for extra development 'on-vein' at a grade of 2 g/t gold has been applied.
- an allocation for extra development 'off-vein' at a grade of 1 g/t gold has been applied.
- 85% mining recovery for stopes <10 g/t gold,
- 90% mining recovery for stopes ≥10 g/t gold,
- all pillars in the mine were manually assessed and a 75% recovery factor was applied to all sill pillars and a 50% recovery to crown pillars with an approximate 20% ore loss,
- stopes containing <500 tonnes were removed to account for ore loss,
- a cut-off grade of 4.0 g/t gold has been applied to all stopes,
- a gold price of US$1,250 per ounce has been applied.

Co-O OPERATIONS:

- Annual gold production totalled 80,743 ounces, with annual gold sales of 79,194 ounces at cash costs of US$595 per ounce.
- The annual AISC was US$1,374 per ounce, with the capital costs portions related to the infrastructure projects progressed in FY16-17 as a significant re-investment back into the Co-O mining operations. Mill recoveries were increased to 94.3%
- Tails Storage diversion and catchment dams and channels being constructed to improve water catchment and recycling, and diversion of creeks and rain water away from the TSF infrastructure.
- The E15 Service Shaft sinking operations have progressed to Level 6 with expected completion in the third quarter of the 2017-18 year.
- The ventilation system upgrades were completed with Level 8 seeing an increase in air flow and a reduction in temperature. Work is continuing to maintain the good ventilation in future work areas.
- The Level 8 primary pumping station for mine dewatering was being commissioned at end of the reporting year. This will improve the overall efficiency of the mine wide pumping system, from a staged system to a single lift from L8 to surface.
- There are now three winzes (internal inclined shafts) operating from Level 8 down to Level 9, all three are now linked and all the main veins have been intersected on Level 9. Two of the winzes also service down to Level 10. A further two winzes are in development from Level 8, down to the Level 12, they will also service Levels 9, 10 and 11.
- Development of Level 9 is advanced with ore development on all the main veins and stoping has started on the Great Hamish Vein.

SUMMARY OF EXPLORATION ACTIVITIES:

"The Company's rationalised tenement portfolio covers approximately 410 km2 of the richly endowed and highly prospective Central Pacific Cordillera of Eastern Mindanao."

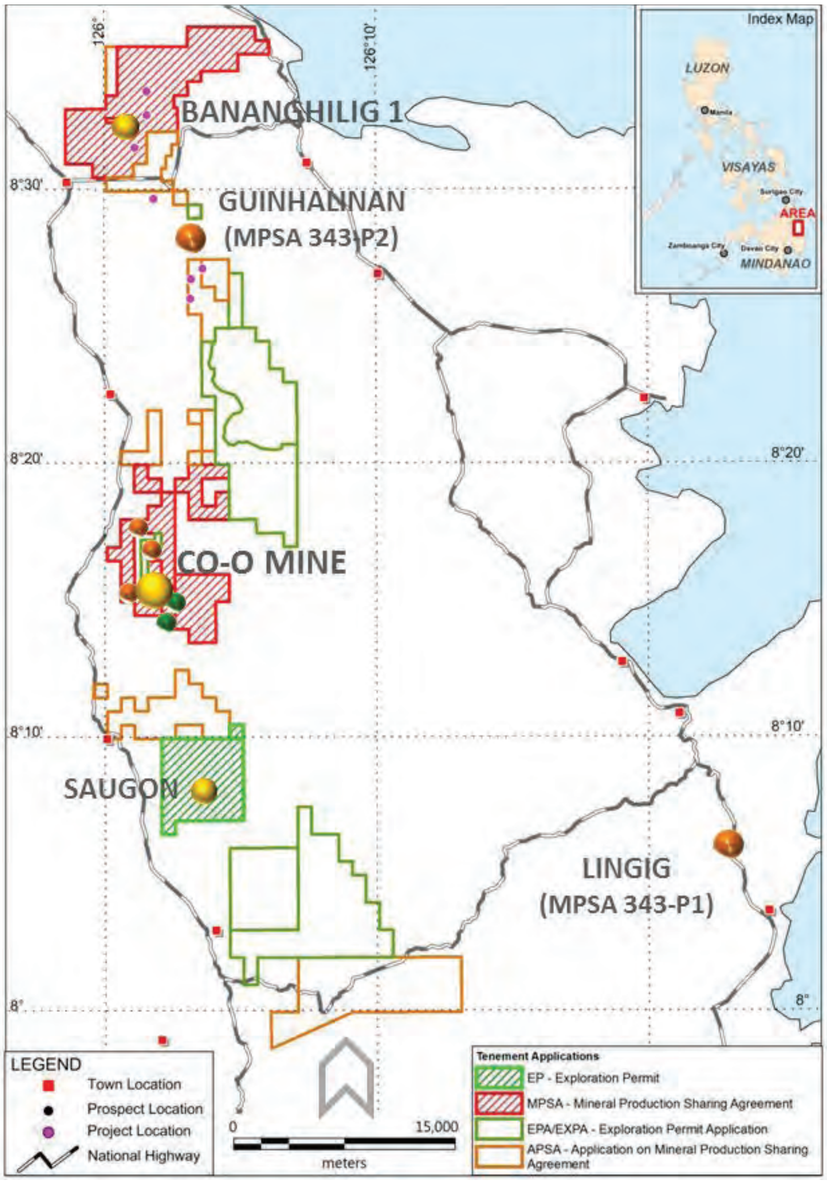


Figure 1: Eastern Mindanao tenement location plan, showing consolidated tenement outlines, mines, deposits and prospects.

Co-O MINE

The drilling program focused on better understanding the geological limits of the main epithermal veins, particularly the eastern and down plunge limits of the Great Hamish Vein ("GHV") at the expense of completing all the infill drilling of the central down dip sections below Level 11 and Level 12. The GHV eastern limit between Levels 10 to 16 is now well understood and shows the vein is again returning high grade economic intercepts at and below Level 16, again leaving it open to the east and down dip.

The drilling has also confirmed our interpretation of the structural controls and impact of the Diatreme contact. This is confirmed with the results seen on the Jereme ("JV") and Don Pedro ("DPV") veins to the east from Level 8 to Level 11 having yielded new high-quality intercepts and resources. Both veins are open to the east and down dip for future resource expansion.

REVIEW OF OPERATIONS

Co-O REGIONAL

Exploration activities for FY 2016-2017 focused on the evaluation of prospects within the Co-O and Tambis tenements, review of Philsaga Mining Corporation ("PMC") granted tenements and applications, review of our coal COC tenements, and project generative works. Exploration highlights of these exploration initiatives are as follows:

BANANGHILIG GOLD DEPOSIT

There has been no development or material change on the Bananghilig Deposit since the Company completed an exhaustive two-year (2015 to 2016) review of the Bananghilig B1 ("Bananghilig) gold deposit which resulted in a mineral resource estimate reported in 2016 in accordance with the guidelines of JORC 2012.

The total Indicated and Inferred Mineral Resources for the Bananghilig Gold Deposit, at a block cut-off grade of 0.75 g/t gold for Indicated (open-pit material), and 3.0 g/t gold for Inferred (underground material), is estimated at 7.78 million tonnes at a grade of 1.73 g/t gold (435,000 ounces contained gold). The details of the study have been reported by the Company in September 2016.

SAUGON DEPOSIT

The Saugon Inferred Mineral Resource (81,500 tonnes at a grade of 5.97 g/t gold for a total of 15,700 ounces contained gold) has remained unchanged from 2013. This information was prepared and first disclosed under JORC 2004. It has not been updated since to comply with the JORC 2012 on the basis that the information has not materially changed since it was last reported.

TSF# 1 TAILINGS DRILLING PROJECT

The Tailings Storage Facility 1 ("TSF#1") was the TSF utilized by the original processing plant since the 1980s. The TSF#1 material is from the earlier higher gold grade Co-O mine ore and coupled with old extraction techniques used at that time. Previous assessment completed on October 2015, focused on metallurgical testing using samples collected from auger drill holes.

The collected samples gave a generalized understanding of the qualitative metallurgy, but did not give a quantitative measurement of the material. The Company implemented and completed a 63-hole Bangka drilling program with a total meterage of 516 metres. The drilling at TSF#1 was designed at 25 metres x 25 metres grid, logged and sampled every meter and sent for analysis at Philsaga's laboratory.

The drilling results were modelled in Surpac and a resource estimation using a lower cut-off grade of 0.85 g/t gold gave 510,169 tonnes with 1.72 g/t gold containing 28,200 ounces of gold in the Indicated category that is compliant to the JORC 2012 code reporting standard. The geological model interpretation reveals that concentration of the higher grades at the upper portion of the tailings section will simplify mining, minimizing the need of disturbing the lower grade basal tailings material. A more detailed study has commenced into the feasibility of mining and processing the material from TSF#1.

COAL PROJECT

The project has been terminated and tenements relinquished. All data for the project submission to the Department of Energy ("DOE") has been completed.

The decision to terminate and relinquish this project is due to the stabilisation of the local power grid, as well as the purchase of power generators as backup to sustain the mine and mill operations. There is no longer the need for the company to define a coal resource for a third party to establish a coal fired powered plant.

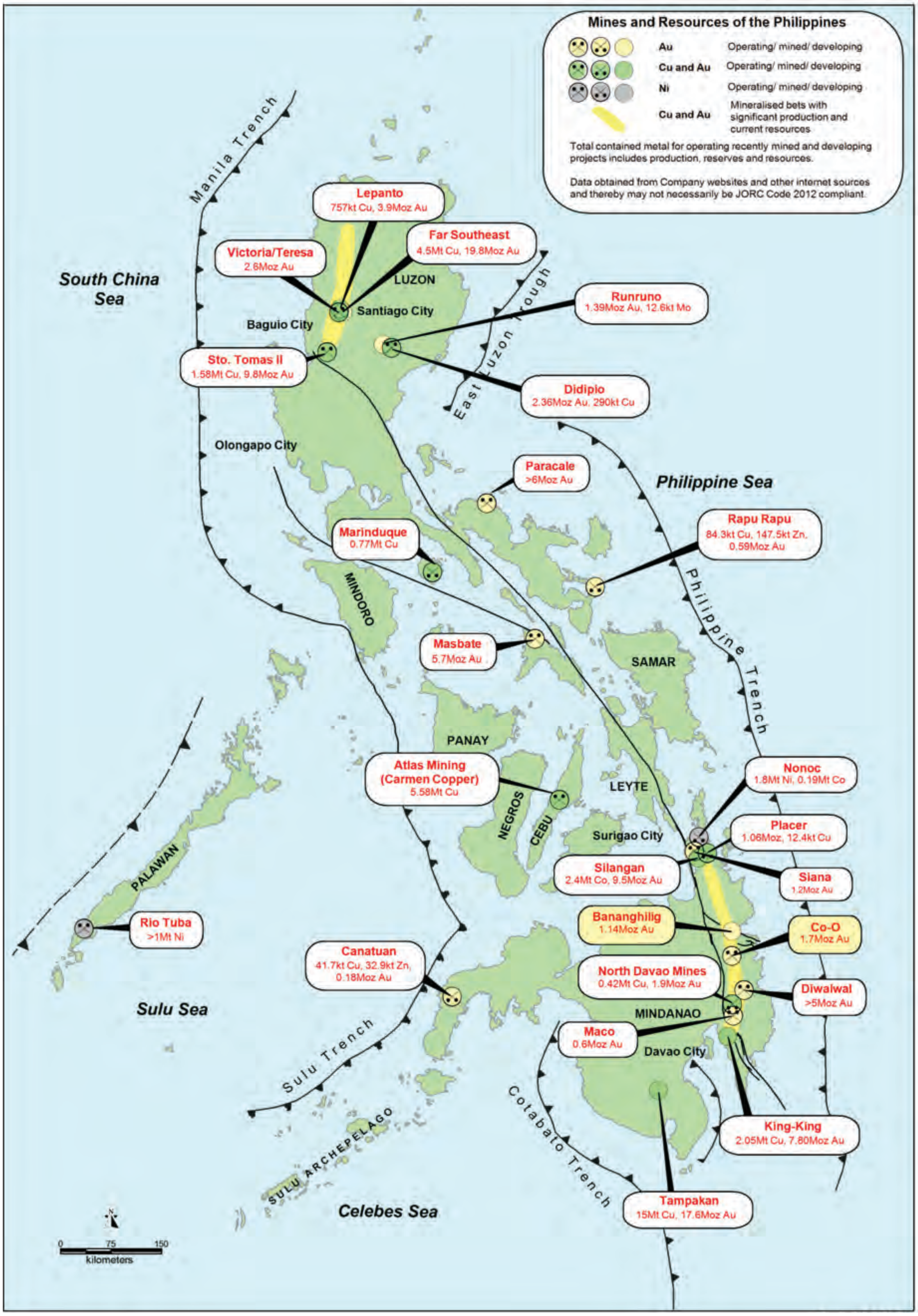


Figure 2: Location diagram of the Company's main project areas in relation to the significantly mineralised belts of the Philippines.

REVIEW OF OPERATIONS

Co-O PROJECT

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

Co-O GOLD PRODUCTION

Table II. Co-O gold production statistics for financial years ended 30 June 2016 and 2017.

Description	Unit	June 2017	June 2016	Variance	(%)
Ore mined	WMT	564,965	623,659	(58,694)	(9%)
Ore milled	DMT	499,733	561,192	(61,459)	(11%)
Head grade	g/t	5.33	6.4	(1.07)	(17%)
Recovery	%	94.3%	94%	0.30%	0%
Gold produced	ounces	80,743	108,578	(27,835)	(26%)
Cash costs (1)	US$/oz	$595	$466	($129)	(27%)
Gold sold	ounces	79,194	108,529	(27,835)	(26%)
Average gold price received	US$/oz	$1,256	$1,173	$83	7%

Notes:
(1) Net of capitalised development costs and includes royalties and local business taxes.

- The Co-O Mine produced 80,743 ounces of gold at an average head grade of 5.33 g/t gold for the year. This is lower than the previous year reflecting the focus on development of the mine and implementing projects to improve the mine infrastructure.
- The average cash cost for the year of US$595 per ounce, was higher than the previous year due primarily to higher proportion of the ore coming from ore development resulting in higher cost per tonne and lower grade resulting in higher cost per ounce.
- All in Sustaining Costs ("AISC") for the year was US$1,374 per ounce of gold and includes significant investment in resource drilling to gain a better understanding and confidence in the mineral resource, 22,393 metres of underground infrastructure and capital development required to improve the mine's future operational efficiencies and capabilities expansion development of E15 Shaft and related infrastructure; ventilation, primary mine dewatering, internal winzes to access below Level 8.

FY2017-18 PRODUCTION GUIDANCE

The production guidance for the full year (FY) 2017/18 at the Co-O mine is expected to be between 80,000 to 90,000 ounces at AISC of between US$1,050 to US$1,200 per ounce.

The guidance is predominately governed by the completion of the E15 Service Shaft in the March 2018 Quarter. Once completed, the E15 Service Shaft will furnish transportation for the workforce and all equipment and material movements. This will allow the existing L8 Production Shaft to revert back to 100% dedicated skipping shaft, increasing its skipping availability.

The AISC will remain above US$1,200 per ounce for the first 6 months while capital is being spent to complete the E15 Service Shaft.

Co-O MILL

The Co-O Processing Plant is a conventional gold mill, comprising a single stage jaw crusher, SAG mill and conventional CIL circuit, with a gravity gold & intense cyanide leach system. Tailings are treated and thickened before discharge to a multi-celled tails storage facility.

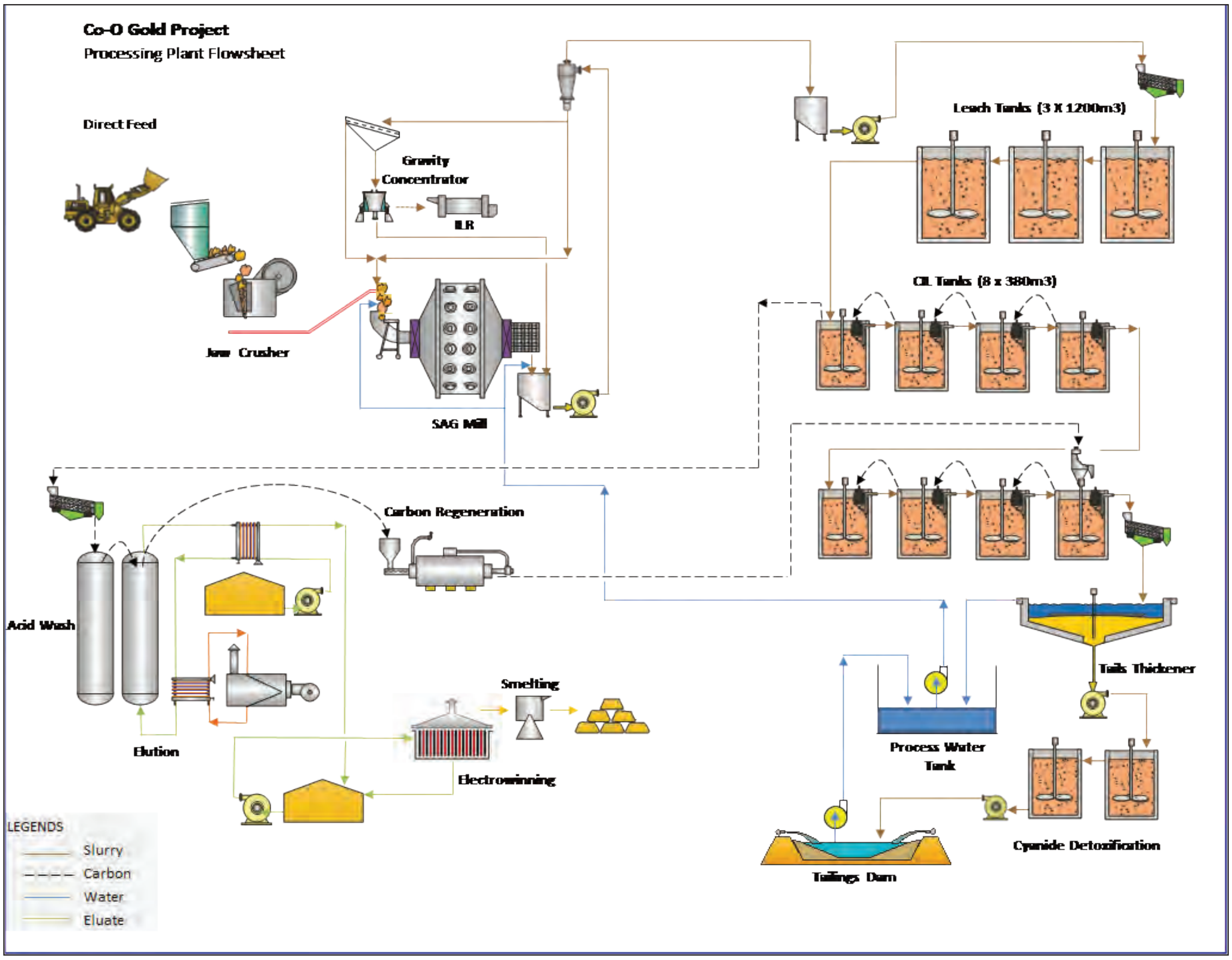


Diagram 1: Co-O Process Plant flow chart

The Co-O mine is 6 kilometres from the process plant, with a 12 kilometres haulage route due to the geography and topography.

The processing plant is powered from the regional grid, but also has its own dedicated gensets that can run the plant at full capacity if required. The majority of the power is from the area grid.

The Co-O Mill performed efficiently throughout the fiscal year with mill recovery being increased to 94.3%, with head grades of 5.33 g/t.

Mill throughputs was restricted by availability of ore from the mine, resulting in low utilisation of the processing plant. Optimisation of processing plant operation and maintenance resulted to reduced cost for contract labour for mill relines and major shutdowns as these were completed by on site personnel during scheduled down time.

Low utilisation is expected to continue into the FY17-18 period, improving in the last quarter when the E15 Shaft is expected to be operational enabling greater hoisting capacity from the L8 Shaft.

With the exception of completing the diversion dam and channel at the TSF, the Mill does not require any major works, upgrades or refurbishments for the current life-of-mine plan ("LOMP"). Tails storage facility ("TSF") dam #5 was completed last year and expected to provide adequate TSF capacity for next 4 years.

REVIEW OF OPERATIONS

Picture 1: Co-O Processing Plant

Co-O MINE

The Co-O Mine is a shaft access, underground track mine, utilising battery powered locomotives and 1.2 tonne mine cars. Ore and waste is mined using air-leg mining and is extracted from the mine via the main L8 Production Shaft, two 60 degree inclined shafts; Baguio and Agsao, and through the original portals. Diagram 2 is a representative drawing of the primary infrastructure of the Co-O mine. The primary Levels from 1 to 8 normally average 1,000 meters from West to East. Levels are developed 50 meters apart vertically, putting Level 8 approximately 400 meters below surface. There are three winzes operating between Level 8 and Level 9 with two of these also servicing Level 10. A further 2 winzes are being developed from Level 8 to service Levels 9, 10, 11 and 12. When complete the other winzes will be systematically deepened to also service Levels 11 and 12 also.

The E15 Shaft, a new man and materials shaft, is being developed from the surface to Level 10. It reached Level 6 in the last quarter of FY16/17 and is expected to be operational in the March quarter of FY17-18. When operational the E15 Shaft will transport all men and materials underground enabling the L8 Shaft to become a dedicated hoisting shaft increasing the mine skipping capacity by +16%

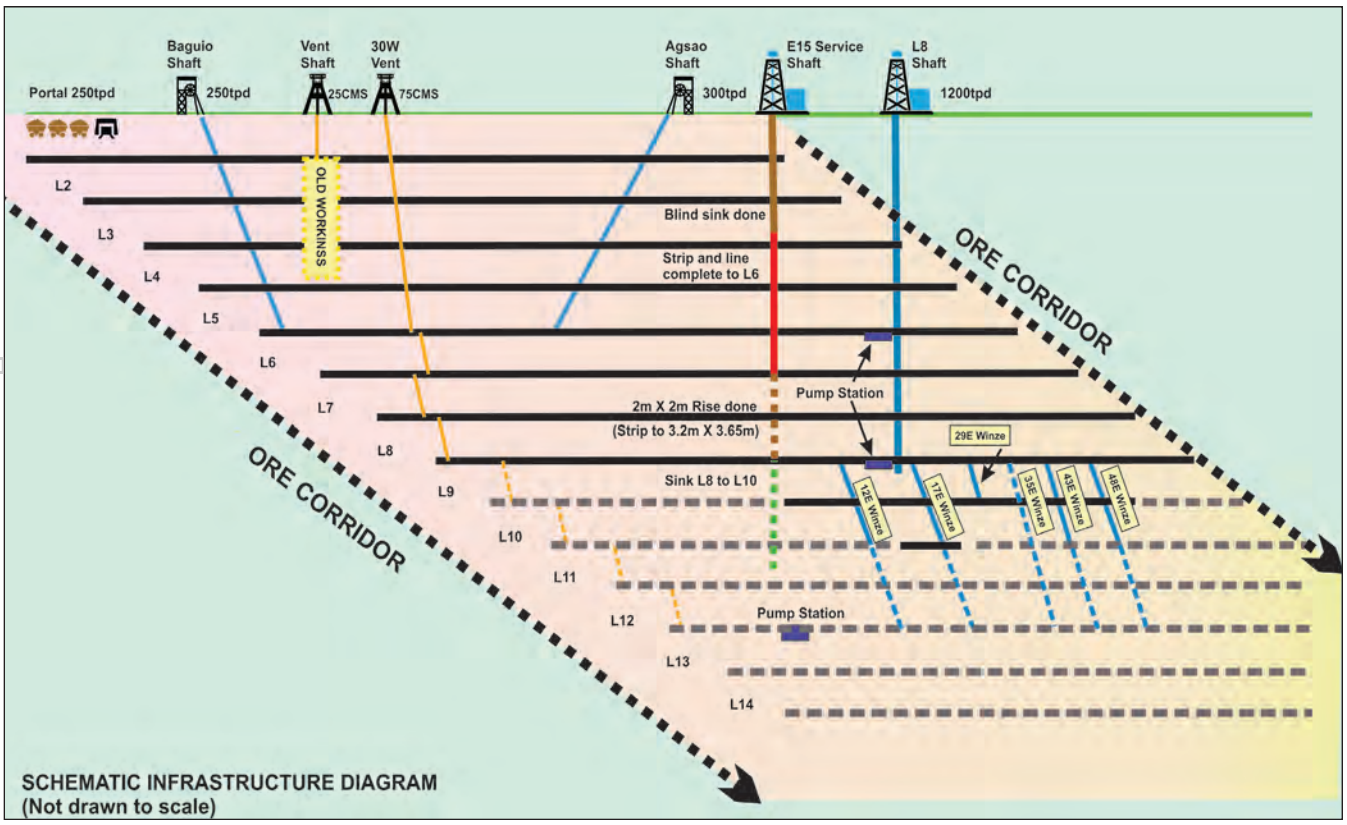
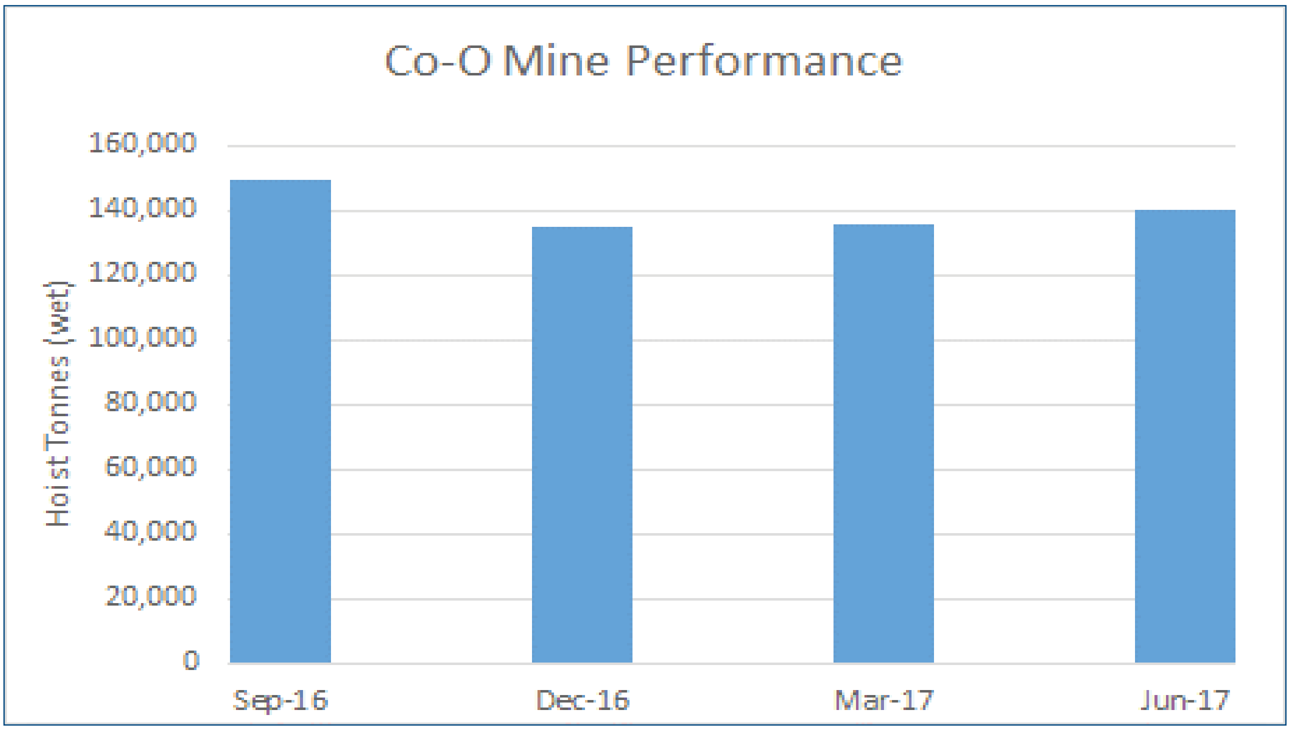


Diagram 2: Shows location of major infrastructure in the Co-O mine

During the FY 16-17 the underground mine was limited by hoisting capacity and limited number of high grade stopes.

- The December 2016 and March 2017 quarters saw higher than normal Levels of maintenance for the L8 Shaft while completing a program to replace the conveyance guides which had been wearing at a higher rate than anticipated. The extra maintenance time required to change the L8 Shaft guides had an adverse impact on the total material hoisted.
- Utilisation of the L8 shaft for hoisting was also limited through the year by flooding at the shaft base, providing access for Department of Environmental and Natural Resources (DENR) audit conducted over a 9 day period, transportation of men and materials and the need to hoist waste from the lower Levels.
- Increased underground diamond drilling and infrastructure projects during the year increased the demand on the L8 Shaft for movement of people and materials.
- Focus on underground development to gain access to future stoping areas, this included the development of internal shafts from Level 8 to Levels 9 and 10, and the subsequent horizontal development.
- Men and equipment were redirected for the clearing of waste material from Level 5 and Level 6, created by E15 Shaft sinking operations.
- New Level 8 pumping station was completed by the end of the last quarter and has eliminated flooding on Level 8 and Level 5.
- The ventilation upgrade has been completed resulting in increased primary airflows by more than 200%, and reduced temperatures in the lower portions of the mine. Work continues on improving the secondary ventilation distribution.
- The E15 Service Shaft sinking operations have progressed to Level 6 with expected completion in the third quarter of the 2017-18 year.
- There are now three winzes (internal inclined two shafts) operating from Level 9, all three are now linked and all the main veins have been intersected. 2 of the winzes also service Level 10. A further 2 winzes are in development to the Level 12, they will also service Levels 9 and Level 10.
- Development of Level 9 is advanced with ore development on all the main veins and stoping on the Great Hamish Vein.
- Integration of the long-range planning, short-range planning and mine geology data has improved the planning and scheduling process of the mine.



Graph 1: Co-O Mine: Ore Tonnes Mined for FY16-17 by quarter

The mine produced approximately 150,000 wet tonnes on a quarterly basis. The constraining factor was the hoisting limitations. To improve this, where possible mine waste is backfilled into the old stopes, but this is only effective in the upper Levels.

REVIEW OF OPERATIONS

STOPING METHODS

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

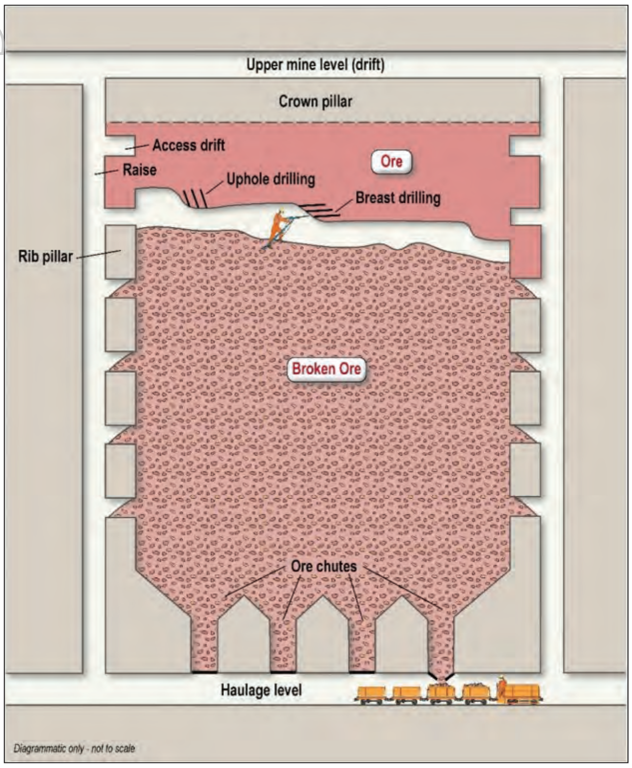


Diagram 3: Schematic diagram of a shrink stope

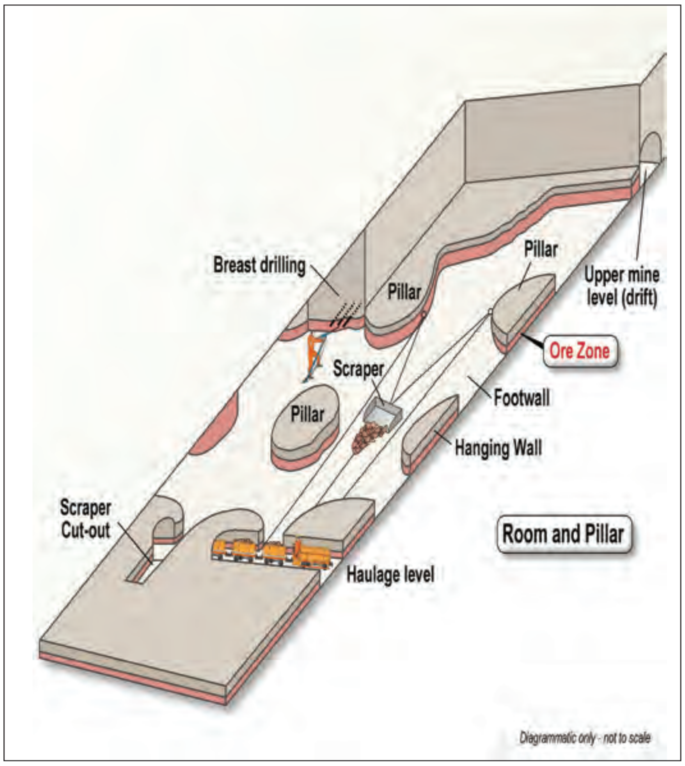


Diagram 4: Schematic diagram of a room and pillar (slot) stope

(i) ***Shrink stope mining***

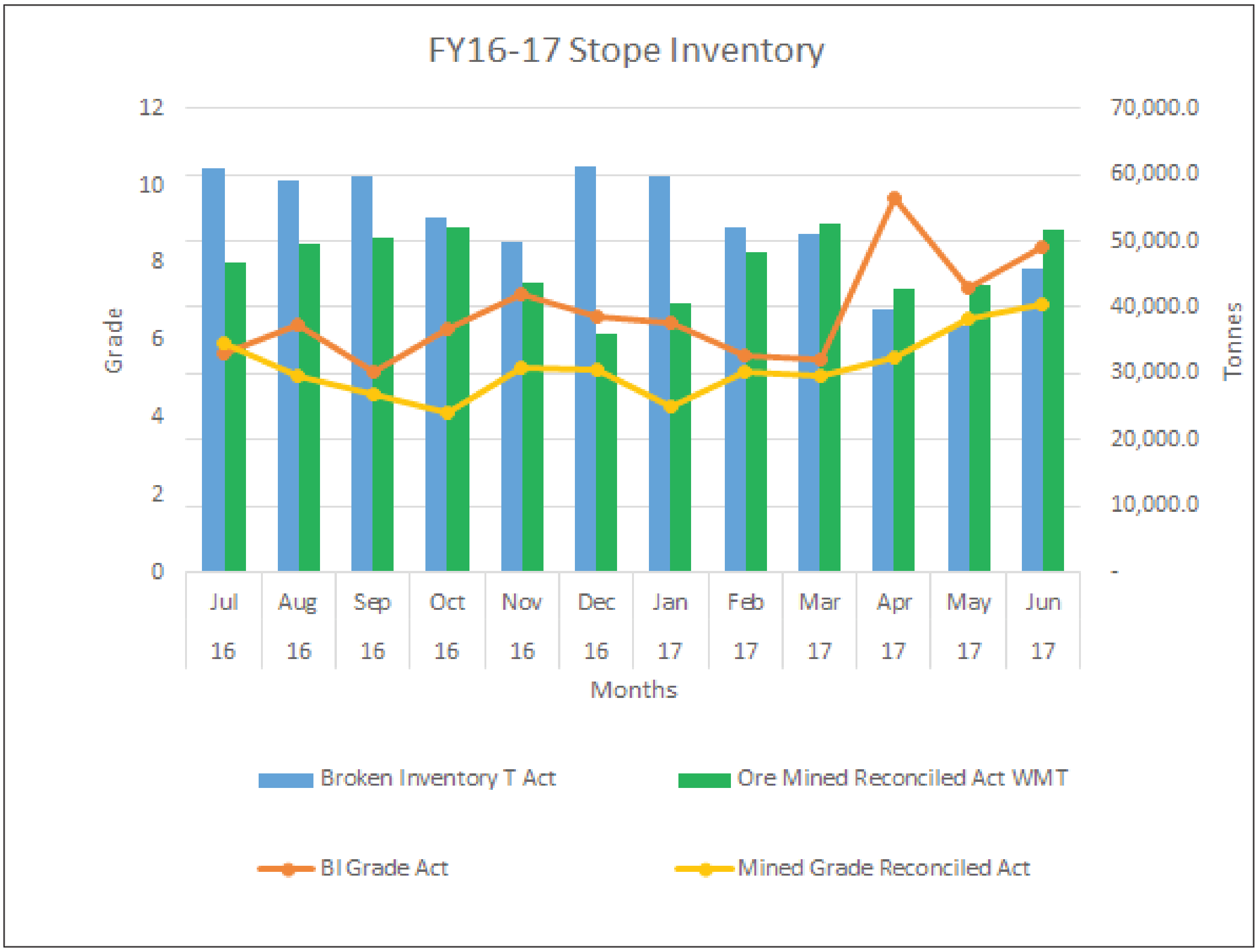
This method is predominantly used on steeply dipping veins with a minimum mining width of 1.25 metres. (Diagram.3). Mining commences from the bottom and progresses upwards and the broken ore is left in the stope to provide ground support. The volume of ore expands after blasting by about 30% and this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

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

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

Graph 2 depicts the amount of in-stope broken stockpiles to 30 June 2017 compared to mine production. Over the year there has been a gradual draw down on the stope inventory though was reversed in the last quarter as more stopes became available and were being worked. There was a slight improvement in broken ore grades through the FY16-17. These improvements started to be realized in the June 2017 quarter as some of the high grade stopes on Level 9 were put into pulldown phase.

A number of operational improvements were completed or in progress for the FY16-17 included a number of critical infrastructure expansions and upgrades.



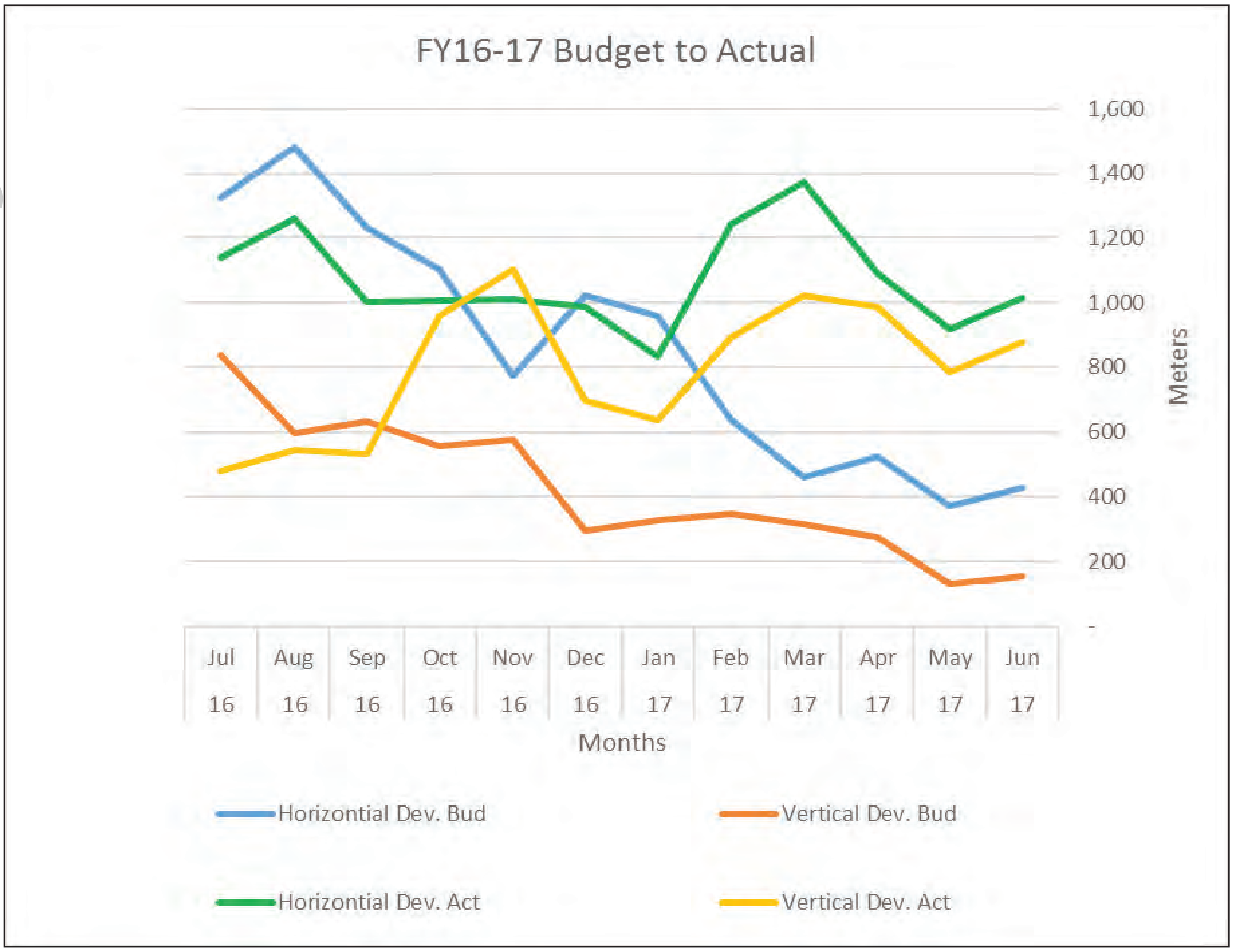
Graph 2: In-stope broken inventory to 30 June 2017

DEVELOPMENT

Development and stoping continued on all Levels (Levels 1 to 10) during the year, as well as Winzes (internal shafts) from Level 8 down to Levels 9, 10 and 11. Most development is conducted on ore with waste development being confined to cross-cuts, ventilation raises, internal shafts and infrastructure requirements.

A total of 22,393 metres of horizontal and vertical development was completed in FY16-17. This was an increase of 521 metres over the previous year. The focus is on the development of the lower sections of the mine (Levels 7, 8, 9 and 10).

Graph 3 shows the distribution of both horizontal and vertical development through the year. The increase in vertical development reflects the introduction of more efficient blocking raises for the shrinkage stopes. The amount of horizontal development reflects the push to develop the upper and lower Levels and concurrently. This negatively impacted on the capitalized development costs for the FY16-17, but will result in future efficiency improvements.



Graph 3: FY16-17 planned vs. actual development (horizontal and vertical)

L8 SHAFT

The L8 Shaft saw higher than normal Levels of maintenance during the December 2016 and March 2017 quarters while completing a program to replace the conveyance guides, which had been wearing at a higher rate than anticipated. The extra maintenance time required to change the L8 Shaft guides had an adverse impact on the total material hoisted.

The increased movement of materials, required for greater underground drilling and underground infrastructure projects on the lower Levels, competes with skip ore hoisting time. This will continue until such time as the construction of the E15 Service Shaft is completed. The L8 Shaft hoisting capacity will increase as it will become a dedicated hoisting shaft. Currently L8 shaft is utilized a minimum of 8 hours per day to move manpower or materials in addition to a dedicated maintenance time window each day and Sundays.

E15 SERVICE SHAFT

The E15 Service Shaft is being built for the transportation of manpower and materials to Levels 4, 5, 6, 7, 8, 9 and 10. Upon completion, this will allow L8 Shaft to become a dedicated hoisting conveyance, thus improving the mines hoisting ability.

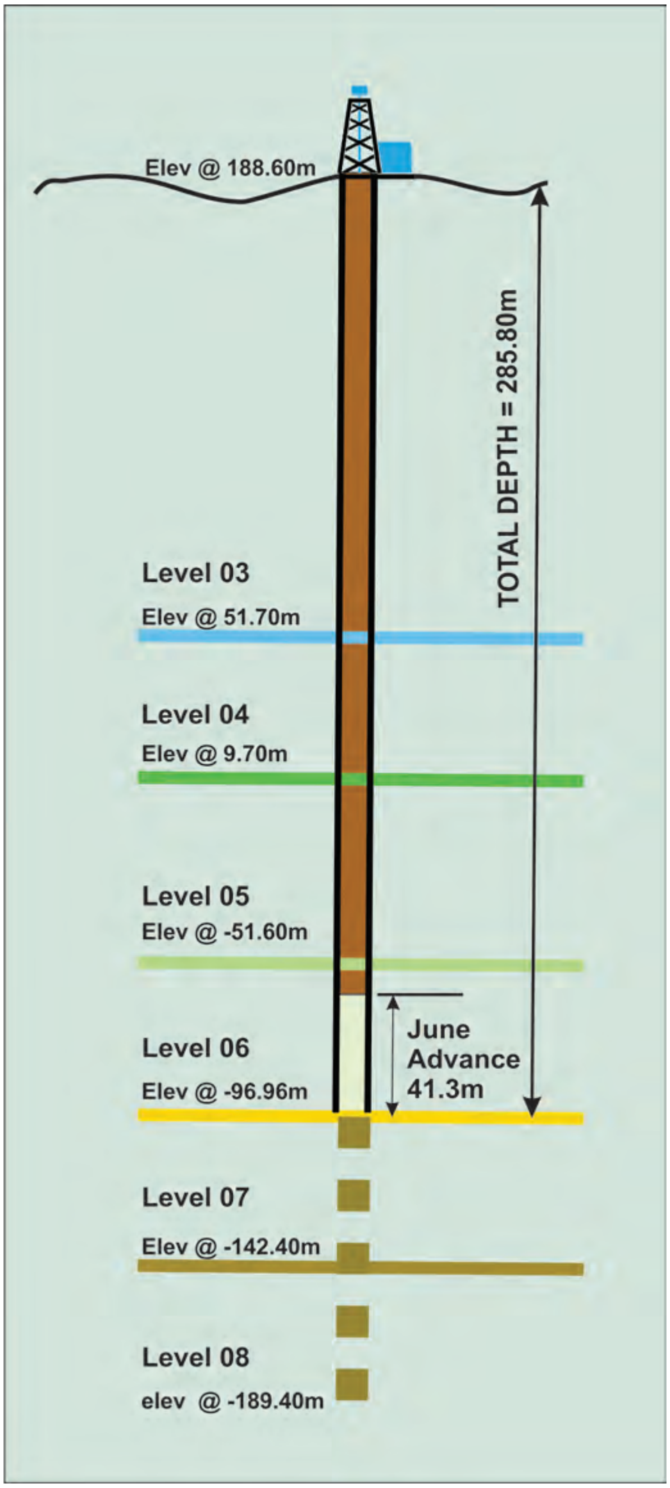


Diagram 5: E15 Service Shaft as built drawing as of 30 June 2017

During FY 16-17 the following progress has been made in the E15 Service Shaft:

- Head frame construction completed;
- Main Winder and Stage Winder commissioned;
- Commission Sinking stage;
- Mining of safety pillar; and
- Strip Alimak Raise to 3.2 metres by 3.65 metres and install mesh, rock bolts and fibrecrete down to Level 6.

REVIEW OF OPERATIONS

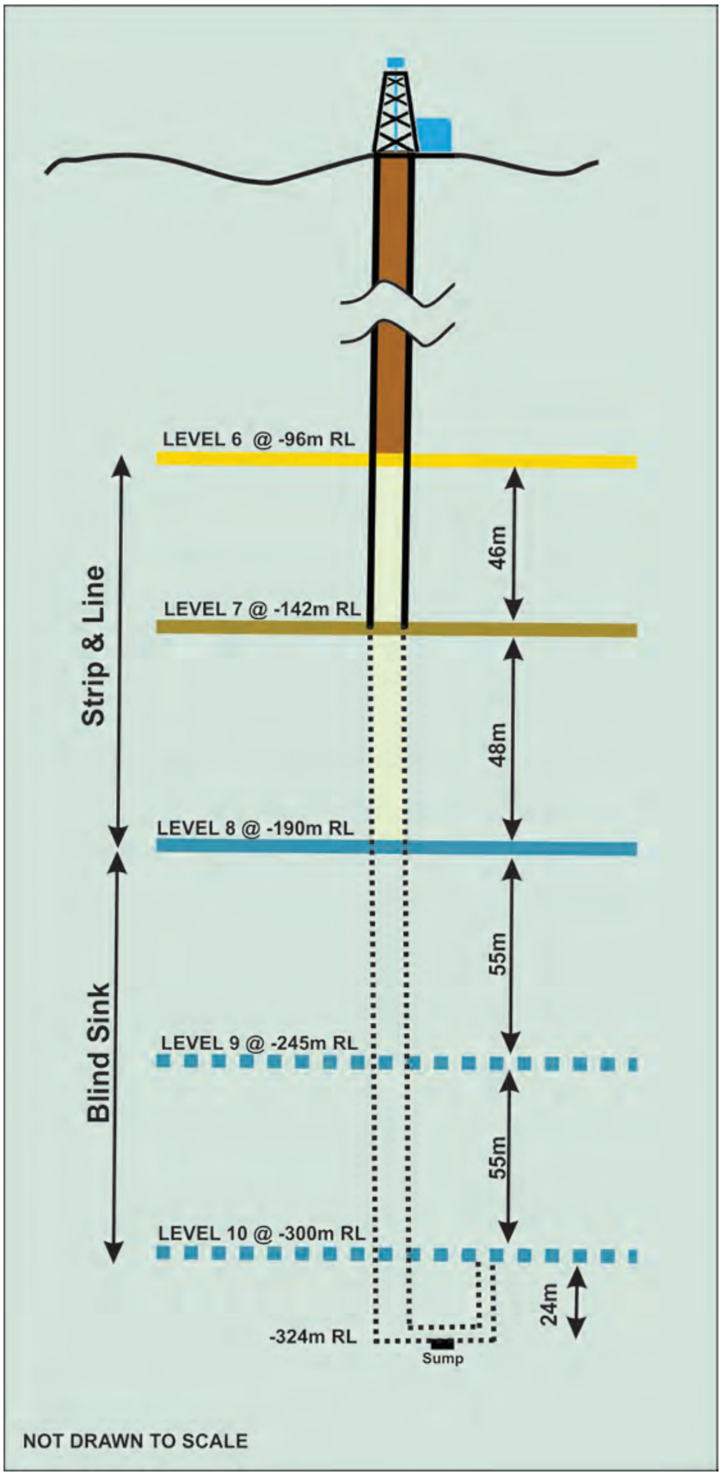


Diagram 6: E15 Service Shaft arrangement drawing for the remainder of the shaft construction

The E15 Shaft is expected to be completed in the third quarter of FY17-18 and involves;

- Strip the Alimak and support the shaft from Level 6 to Level 8 – Sep. 2017;
- Complete Level 9 and Level 10 Access drives – Sep. 2017
- Blind sinking from Level 8 to Level 10 - Nov. 2017;
- Blind sink Level 10 to bottom of shaft – Dec. 2017;
- Install shaft infrastructure such as rope guides, drawbridges and steel work in the base of the shaft – Mar. 2017;
- Re-configure the headframe from sinking to operations, and commissioning of the shaft - Mar. 2017

Picture 3:: E15 Head Frame and winder houses

Picture 4: Shaft break through onto 5 Level

REVIEW OF OPERATIONS

INTERNAL WINZES (SHAFTS) FROM LEVEL 8 TO LEVEL 10

By the end of the FY16-17, four primary Winzes (internal inclined shafts) were in operation hoisting from Levels 9 and 10 to Level 8. The 17E and 29E Winzes service Level 9 while the 12E Winze and 43E winzes service both Level 9 and 10.

Development on Level 9 is now advanced with these winzes being linked and several stopes in production.

Two further Winzes are being developed to Level 12 at 48E and 35E position.

PRIMARY VENTILATION

The primary ventilation upgrade project has been completed with the new Howden Centrifugal Fans operating as planned. This has doubled the primary ventilation flow and resulted in lowering the temperature in the lower Levels of the mine. Work is continuing to improve the secondary ventilation distribution.

PRIMARY MINE DE-WATERING SYSTEM

The new pumping station on Level 8 has been completed. This included new cavity pumps that lift the dirty water from Level 8 direct to the surface via the L8 Shaft Rising Main and is considered a far more efficient pumping system than the previous stage pumping system using of submersible pumps series. The new pumps have been selected to manage dirty water, thus reducing the need for silt catchment sumps. The system will capture the suspended solids in the surface settlement and filtration system. Elimination of the sump cleaning and subsequent material handling in the L8 Shaft will also improve the L8 Shaft skipping utilisation.

This new system will improve the reliability of the mine overall dewatering, minimising the risk of shaft flooding in the future and allow the previous inefficient staged dewatering system to be rationalised.

Co-O MINE GEOLOGY

The detailed discussions and interpretations of the Co-O geology and mineralisation were initially reported on 14 August 2012 and are also contained, with plans and sections, in the 2012, 2013, 2014 2015 and 2016 Annual Reports.

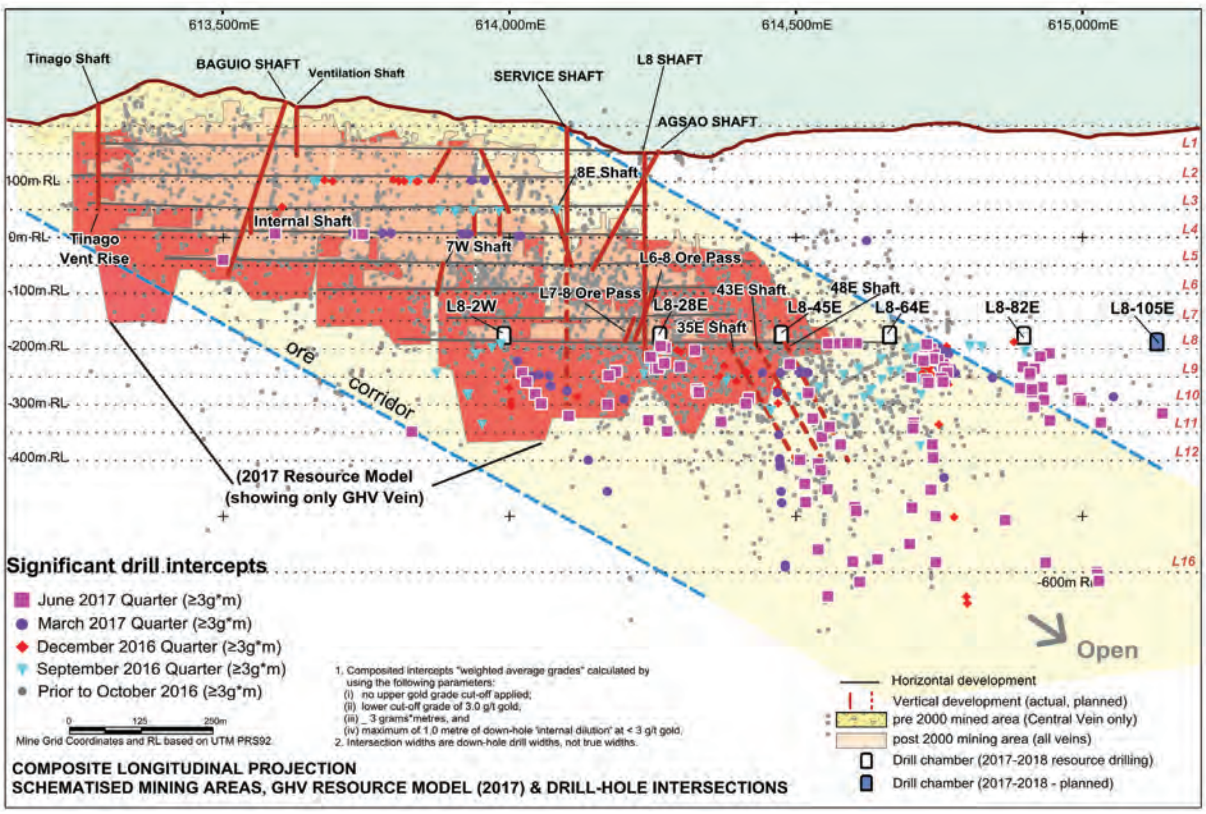


Figure 3: Co-O Mine composite longitudinal projection showing the locations of reported significant drill intercepts (since 2010), underground development, E15 Service Shaft. The 2017 Indicated and Inferred resource model (red) is also shown, demonstrating the potential for down-plunge extensions at depth.

During the past 10 months, the Company has continued its resource drilling campaign with an intensive review of the Great Hamish Vein ("GHV") with particular attention to the identification of structures and vein textures and their relationships with mineralisation and gold grades in the eastern extension. The key points from the extensive review, re-interpretations and re-modelling of the Co-O Mine underground geology achieved a number of key objectives:

- Gained higher Level of confidence in the Co-O resources as per the high conversion rate to reserves;
- Defined the eastern geologic limit to the main GHV between Levels 10 and 14;
- Greater understanding of the structural controls on the epithermal gold system created by the Diatreme Intrusive contact as indicated on Figures 3 & 4; Idealized Long-section and cross-sections of the Co-O deposit; Figure 5 is a representation of Level 10 and how the Diatreme Contact is influencing the pinch out of Great Hamish Vein and creating the structural environment for the Jereme ("JV") and Don Pedro ("DPV") veins to the north east. Figures 6 & 7 indicate the geological complexity of the Co-O vein system, it's primary veins and the numerous associated splay veins. The Diatreme Contract flexure at Level 16 (Figures 3 & 4) is again creating a dilatant environment for the GHV as seen from the drilling results;
- The GHV at Level 16 is again returning economic intercepts open to the east and down dip;
- The JV and DPV as both open to the east and down dip; and
- Confirmed a grade increase where the veins narrow due to structural controls;

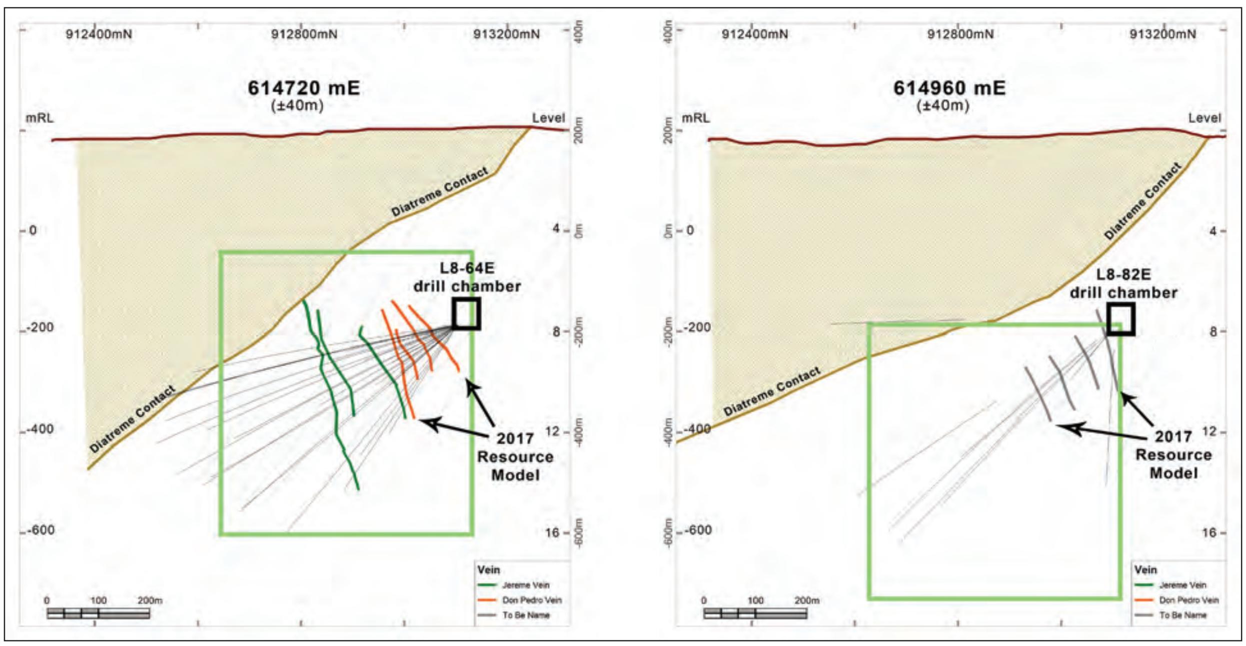


Figure 4: Cross-sections at 614720mE (±40m) and 614960mE (±40m), through the L8-64E and L8-82E Drill Chamber positions respectively, showing the ore corridor (green rectangle), its proximity to the diatreme, and the existing drilling (grey hole traces). The drilling revealed other veins that still has to be named and shows that the potential extensions to the Co-O vein systems downdip is still open.

REVIEW OF OPERATIONS

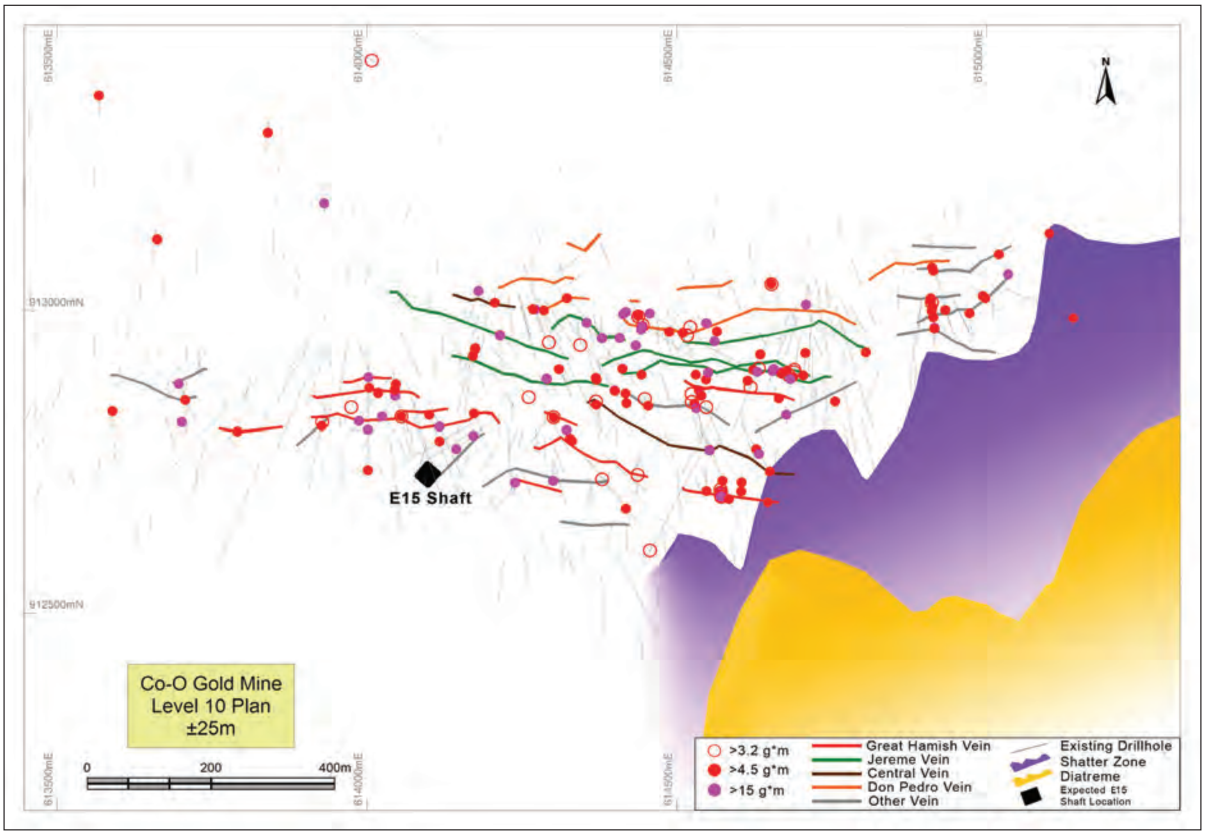


Figure 5: Level 10 plan showing the Co-O major vein systems and its relation to the "Shatter Zone" and the Diatreme to the East.

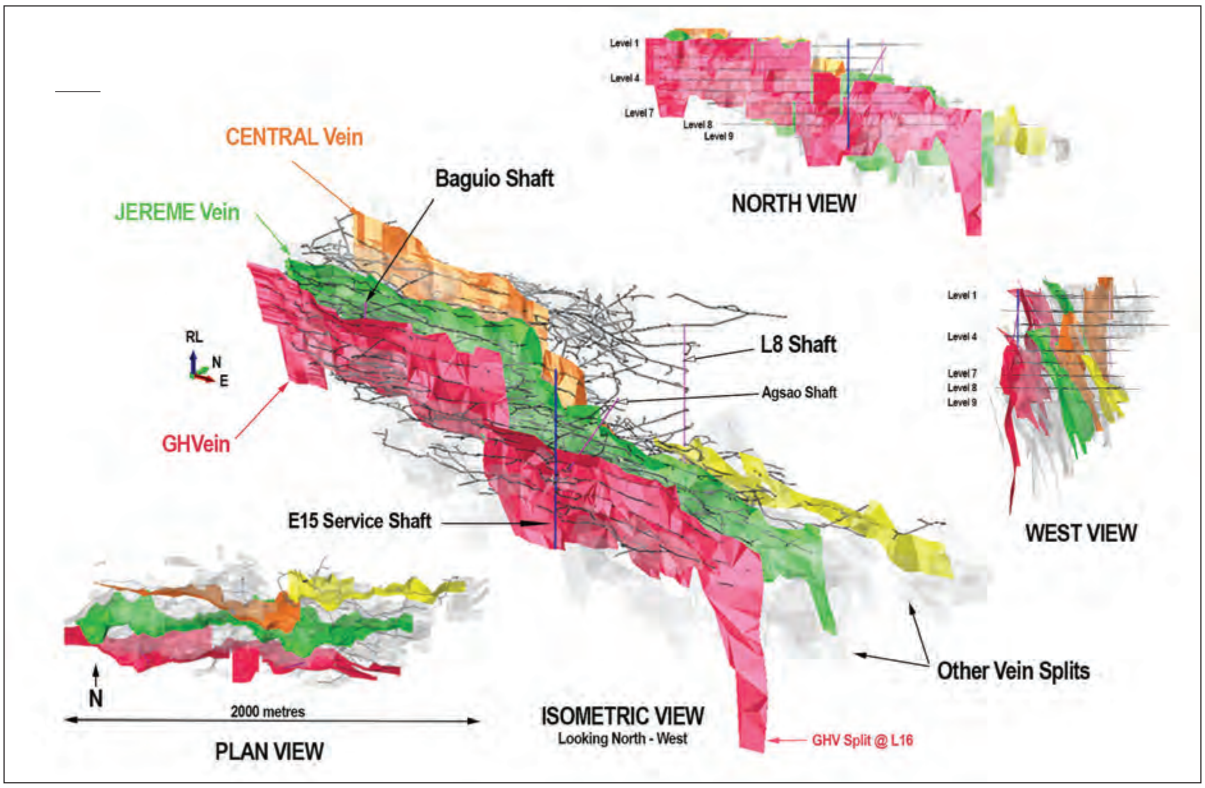


Figure 6: Isometric and Orthogonal views of the Co-O Mine's 2017 resource model, major veins (GHV, Jereme, Central and Don Pedro Veins) in colour and associated sub-parallel and link veins in translucent grey, plus underground development and production shafts.

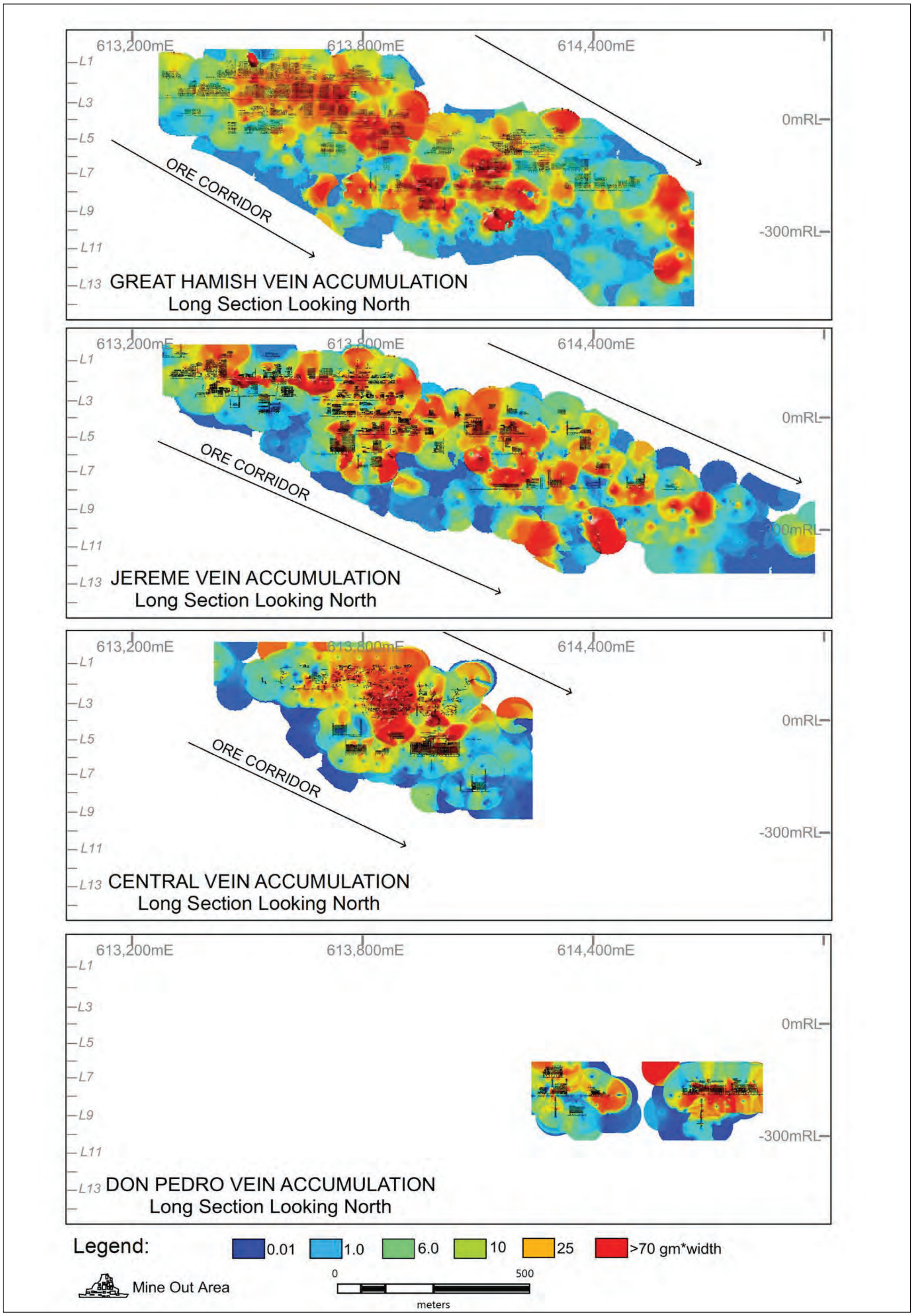


Figure 7: Longitudinal sections of the major vein systems showing the gold accumulations (gm*width), or gold endownment.

REVIEW OF OPERATIONS

GROUP ORE RESERVES AND MINERAL RESOURCES

The Annual Mineral Resources Update Statement and Annual Ore Reserves Update Statements for the Company were released on 7 August 2017, and include Material Information for the individual deposits, including a Material Information Summary pursuant to ASX Listing Rules 5.8 and 5.9 and the Assessment and Reporting Criteria in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC 2012").

The Mineral Resources and Ore Reserves Statements have been prepared in accordance with the JORC 2012 for the Co-O Mine and the Bananghilig B1 deposit, however the Saugon Mineral Resources was prepared and first disclosed under JORC 2004 and has not been updated to comply with JORC 2012 on the basis that the information has not materially changed since it was last reported.

Refer to the Company's Annual Update Statement of Mineral Resources and Ore Reserves dated 7 August 2017 for background information and material information relating to the resources and reserves estimates.

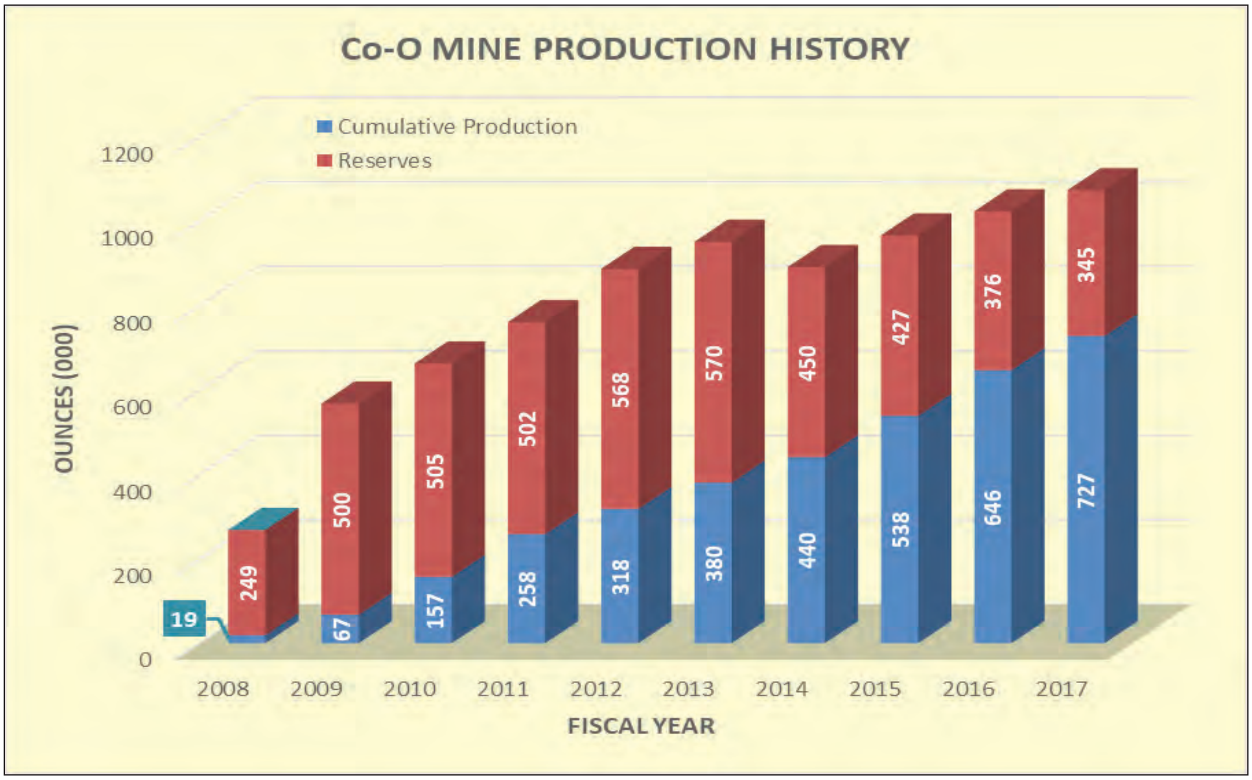
The Company conducts regular internal and external reviews of Mineral Resource and Ore Reserve estimation procedures to validate the quality and integrity of these procedures. External consultants are also regularly contracted to conduct independent reviews of Mineral Resource and Ore Reserve estimation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

The Co-O Mine has a long history of Ore Reserve replacement by way of diamond drilling and conversion of Indicated Resources (Graph 4). The Company remains confident in the long-term future of the Co-O Mine given the current Mineral Resource inventory, the nature of the geology and mineralisation and the historic high conversion rate (~70%), after allowance for mining recovery, of Indicated Mineral Resources to Ore Reserves. The Co-O Mine continues to maintain a minimum +3-year mine plan, for Indicated Resource, but in excess of a 5-year life, considering the resource endowment. This is typical of the way these types of narrow vein, high-grade gold mines have operated for many years.

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 30 April 2017, and has been depleted for mining to 30 April 2017. Gold price assumptions used to estimate Mineral Resources and Ore Reserves are:

- Mineral Resources - US$1,500 per ounce gold
- Ore Reserves - US$1,250 per ounce gold



Graph 4: Production, Ore Reserves and Mineral Resources status since 2007, demonstrating the Co-O Mine's history of increasing resources and replacing mine depletion.

Notes:
FY2008 to FY2013 - Ore Reserve ounces are classified under JORC 2004 guidelines;
FY2014 to FY2017 - Mineral Resource and Ore Reserve ounces are classified under JORC 2012 guidelines; and
FY2017 Ore Reserves estimated using gold price of $1,250 per ounce (FY2016 reserves at $1,250 per ounce).

Co-O MINE MINERAL RESOURCES

Total Inferred and Indicated Mineral Resources for the Co-O Mine are now estimated at 2.18 million tonnes at an average grade of 12.29 g/t gold for a total 0.86 million ounces contained gold, compared to the 30 June 2016 estimate of 2.77 million tonnes at an average grade of 10.8 g/t gold for a total 0.96 million ounces contained gold (Table III).

The changes in the Co-O Mine's Mineral Resources (a net reduction of 102,000 ounces) are primarily due to mining depletion of 68,000 ounces (64,000 ounces recovered), and the following adjustments:

- this period, only accounted for 10 months of drilling (30 April 2017 data cut-off date) to ensure the annual resources and reserves re-estimation was better aligned to the full year (FY) financial reporting.
- new resource drilling initially targeted the eastern extension of Great Hamish Vein ("GHV") to test the geological limits. Significant intercepts at Level 16 show the GHV is still open for further exploration at depth and to the east, while the GHV between Levels 8 to 14 returned less favourable results with narrow mineralisation intersections due to the presence of the diatreme (intrusive contact). Also, from Levels 9 to 14, the northern veins, Jereme Vein ("JV") & Don Pedro Vein ("DPV") in particular, indicate the presence of favourable mineralisation that is open to the east and downdip, given the shortened 10-month period carry out all the infill/step-out resource drilling in the major higher grade central areas of the main veins, particularly on Levels 10 and 11.
- greater understanding through the addition of FY2017 underground drilling results and mining development resulting in revised vein interpretations, in particular with the drilling intercepts being higher grade but narrow in nature,
- the vein interpretation focussing on higher grade core of the veins with elimination of surrounding low grade stock work material. This interpretation is realistic in that Medusa are now able to mine narrower stopes and dilution now comprises low grade stock work material, whereas previously it had been waste.

While the total ounces in the Indicated Resource category has been reduced by 17%, the grade has increased by 11%. The ounce reduction is primarily a result of mining depletion (accounting for 12% reduction) and interpretation now focussing on the higher-grade components of veins (accounting for 5% reduction). The overall grade of the total combined Indicated Resource and Inferred Resource has increased by 14%. Note that in 2017 drilling was limited to a period of 10 months due to the close off date for reporting being bought forward to 30 April 2017 to better align with financial reporting.

Traditionally the Co-O Mine has mined material from outside of the Indicated Resource. This material comes from the Inferred Resource category, and from unclassified mineralised veins exposed through development, at a proportion of up to 25% of ore supply to the mill. No attempt has been made in the estimation of Indicated Resource or Ore Reserve to make an allowance for this activity.

Table III: Comparison summary of total undiluted Co-O Mineral Resource estimates for 30 June 2016 & 30 April 2017

Mineral Resource Category [1]	30 June 2016			30 April 2017			Variance		
	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
Indicated [2]	1,564,000	10.90	548,000	1,172,000	12.11	456,000	(25.1%)	11.1%	(16.8%)
Inferred [2]	1,203,000	10.68	413,000	1,003,000	12.50	403,000	(16.6%)	17.0%	(2.4%)
Total	**2,767,000**	**10.80**	**961,000**	**2,175,000**	**12.29**	**859,000**	**(21.4%)**	**13.8%**	**(10.6%)**

Notes:

[1] Mineral Resources are reported inclusive of Ore Reserves.

[2] Resources are reported to Level 16 (-595m RL), with very limited Resources below Level 14 (-495m RL).

REVIEW OF OPERATIONS

Co-O MINE ORE RESERVES

A detailed review of all Co-O Mine and milling production data, including mining and metallurgical performances to determine appropriate physical mining parameters, cut-off grades and dilutions has been completed for this latest update to the Mineral Resource and Ore Reserve statement (Table I).

The Co-O Mine Probable Ore Reserves are now estimated at 1.64 million tonnes at a grade of 6.54 g/t gold for a total 345,000 ounces contained gold, compared to the 30 June 2016 estimate of 1.67 million tonnes at a grade of 6.99 g/t gold for a total 376,000 ounces contained gold.

The changes in the Co-O Mine Ore Reserves are primarily due to: mining depletion; modified vein interpretations through increased geological knowledge of the different vein sets obtained by further underground mapping and drilling; revision of mineability of remnant ore in some stopes, and a restriction of recoverable pillars mostly to the three major veins in the mine (i.e. GHV, Jereme & Central veins), with some high grade pillars from minor veins. The Co-O Ore Reserves are reported using a gold price of US$1,250 per ounce.

Carras Mining Pty Ltd ("Carras") of Perth, Western Australia, was contracted to undertake the Co-O Mine Ore Reserves estimate for FY2017. Carras was assisted by Philsaga's long-term planning engineers and senior underground mine geologists.

Table IV: Comparison Summary of the Co-O Mine's Ore Reserve estimate for 30 June 2016 and 30 April 2017.

Ore Reserve Category	30 June 2016			30 April 2017			Variance		
	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
Probable [1]	1,670,000	6.99	376,000	1,640,000	6.54	345,000	(1.8%)	(6.4%)	(8.2%)
Total	**1,670,000**	**6.99**	**376,000**	**1,640,000**	**6.54**	**345,000**	**(1.8%)**	**(6.4%)**	**(8.2%)**

Note:
[1] Ore Reserves are reported to Level 13 (-454m RL). with very limited Reserves below Level 12 (-395m RL).

Co-O EXPLORATION

"Underground drilling during 2017-18 will continue to focus on converting wide-spaced intersections in the down-dip and down-plunge vein extensions between Levels 8 to 16 into resources, and to develop additional mineral resources."

RESOURCE DEFINITION DRILLING

In FY2017, the focus of underground drilling and development was primarily to probe the eastern extension of GHV as well as upgrade resources, which had previously been classified as Inferred, into the Indicated category. This drilling was carried out from Level 5 and Level 8 drilling chambers.

The resource definition drilling (chambers 64E and 82E) to the east, on Level 8, showed significant intercepts of the GHV at Level 16 show the GHV is still open for further exploration at depth, while the GHV between Levels 10 and 14 gave less than favourable results due to the presence of the diatreme. Consequently, there has not been an overall increase in the total mineral resources from the GHV. However, on the same position at Levels 8 to 11, the northern veins comprising of Jereme, Don Pedro and other splays show significant intercepts. The significant drill intercepts are presented in Figure 3; this includes results from prior to October 2016 (grey dots).

Table V: Summary of Co-O Mine underground drilling

Project	Purpose	Number of Holes	Meterage
Co-O Mine Underground	Resource and definition drilling	146	58,471

Details of significant intersection results obtained during the FY2017 have been reported in the September 2016, December 2016, March 2017 and June 2017 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 ≥ 6 gram-metres.

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width (metres)	Gold Grade (g/t gold)
UNDERGROUND RESOURCE DRILLING - LEVEL 2									
L2-10W-004	613929	913178	102	150.0	25	0	9.60	0.85	7.67
							63.85	1.45	10.42
L2-16W-001	613808	912804	103	93.1	150	0	36.00	1.45	78.07
							66.20	0.50	10.07
L2-16W-003	613811	912805	103	82.6	115	0	59.75	0.45	128.73
L2-16W-004	613807	912804	103	40.4	193	0	39.90	0.20	7.40
L2-17W-001	613821	912960	101	49.6	42	1	28.15	0.25	10.63
L2-19W-001	613797	912920	101	94.4	48	1	13.35	1.20	13.44
UNDERGROUND RESOURCE DRILLING - LEVEL 3									
L3-10W-001	613931	912882	48	70.0	39	0	0.20	0.25	8.03
							67.10	1.20	59.88
L3-10W-002	613930	912875	48	95.5	145	0	12.50	1.55	11.14
L3-10W-004	613926	912875	48	70.0	195	0	61.85	1.60	20.60
							66.60	0.30	72.60
L3-10W-005	613924	912876	48	67.0	224	0	65.40	0.30	13.61
L3-12E-005	614143	912930	50	212.1	229	0	82.25	0.20	129.19
UNDERGROUND RESOURCE DRILLING - LEVEL 4									
L4-1E-001	613958	912797	4	150.4	148	0	112.25	1.75	13.05
L4-24W-001	613763	912862	8	80.5	57	-1	17.50	0.25	10.68
L4-26W-002	613733	912902	8	249.3	14	-3	10.00	1.05	14.49
L4-33W-001	613629	912772	8	202.6	220	1	59.20	0.40	20.93
UNDERGROUND RESOURCE DRILLING - LEVEL 5									
L5-48W-002	613504	912946	-38	150.6	348	0	19.40	0.50	7.13
L5-48W-002							25.00	0.20	6.63
UNDERGROUND RESOURCE DRILLING - LEVEL 8									
L8-28E-015	614268	912864	-190	366.5	191	-14	55.00	1.45	10.39
							76.80	0.50	294.07
							80.30	0.30	120.80
							87.20	0.45	20.01
							197.40	0.20	21.73
							258.75	0.50	26.17
L8-28E-016	614272	912866	-190	571.6	144	-10	202.30	2.35	54.69
L8-28E-017	614271	912865	-191	587.3	135	-21	33.05	0.20	16.10
							193.05	0.55	19.69
							69.25	0.25	16.37
L8-28E-019	614268	912866	-191	550.6	203	-49	1.70	0.20	22.81
							44.25	0.20	33.47
							54.55	0.45	14.27
L8-28E-020	614269	912864	-191	555.6	164	-34	0.55	1.00	34.70
							9.60	0.30	29.80
L8-28E-021	614267	912865	-191	500.6	214	-38	47.75	0.85	25.64
L8-28E-022	614270	912865	-191	563.6	144	-40	60.35	0.25	13.66
							123.80	0.30	27.42
							129.60	1.60	12.73
							213.55	0.40	24.20
L8-28E-024	614270	912865	-191	563.6	144	-40	167.60	0.20	598.43
L8-28E-026	614265	912865	-191	551.6	235	-43	2.95	0.35	31.77
							32.00	0.70	28.03
							158.80	1.00	29.00
L8-28E-029	614265	912866	-191	551.6	240	-29	101.90	0.45	38.67
							102.65	0.40	14.73
							119.10	0.50	103.83
L8-28E-030	614268	912865	-191	550.6	176	-52	41.20	0.60	27.64
							195.00	0.35	14.77

REVIEW OF OPERATIONS

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width (metres)	Gold Grade (g/t gold)
UNDERGROUND RESOURCE DRILLING - LEVEL 8									
L8-2W-001	613991	913098	-188	616.5	203	-10	15.35	2.00	56.10
							52.00	0.60	48.40
							113.80	0.40	12.10
							278.10	1.00	10.11
L8-2W-003	613993	913098	-189	646.9	185	-26	300.90	0.80	9.13
L8-2W-005	613993	913098	-189	656.6	178	-26	232.70	0.20	98.27
							252.10	0.40	14.23
L8-2W-006	613993	913098	-188	656.1	166	-19	243.40	0.45	28.64
L8-2W-007	613993	913098	-188	499.9	155	-16	328.90	0.85	47.18
L8-2W-008	613995	913098	-189	554.1	156	-27	419.90	0.55	358.71
							526.35	0.30	13.91
L8-2W-009	613993	913097	-188	552.9	162	-15	210.40	0.65	12.30
							302.95	0.30	25.11
L8-2W-010	613993	913098	-188	550.7	164	-13	214.40	0.70	9.31
							281.10	0.30	8.94
L8-2W-011	613993	913097	-188	551.1	172	-14	269.20	0.80	11.22
L8-2W-012	613994	913098	-188	551.1	161	-21	539.20	0.35	7.33
L8-2W-013	613994	913097	-188	557.1	168	-21	201.10	0.20	9.07
							250.90	0.90	7.83
							252.90	0.20	11.83
							298.40	1.30	7.28
L8-2W-016	613992	913098	-188	551.4	210	-21	370.80	1.50	32.26
L8-45E-024	614465	913037	-191	554.6	172	-53	107.55	0.35	7.84
							251.55	0.90	9.36
							253.45	0.25	9.32
							323.00	0.65	8.20
							347.15	0.25	10.74
							481.20	0.20	13.49
							486.05	0.50	9.07
L8-45E-025	614466	913037	-191	596.6	169	-47	273.70	0.20	19.25
							329.60	0.65	9.28
L8-45E-026	614467	913037	-191	574.4	152	-47	231.00	0.85	9.17
							413.20	0.30	34.33
							524.80	2.00	9.00
							529.70	2.45	71.47
L8-45E-027	614468	913037	-191	553.0	135	-44	47.35	0.50	16.10
							119.60	0.40	9.43
							155.20	0.30	8.57
							204.40	0.20	59.50
							240.40	5.00	6.78
							247.60	0.20	36.93
L8-45E-028	614467	913037	-191	568.5	150	-56	259.75	1.00	11.27
							274.00	1.00	7.17
							317.60	0.80	7.03
							481.40	0.30	74.77
							527.70	0.85	94.17
L8-45E-029	614466	913038	-191	500.1	151	-66	304.00	0.60	16.77
L8-45E-030	614462	913038	-191	572.1	223	-57	111.90	1.00	24.67
							124.15	0.55	30.17
							149.05	0.30	8.83
L8-57E-001	614588	913034	-187	90.3	205	1	71.50	0.30	14.30
							74.20	0.20	32.50
L8-57E-002	614590	913035	-187	80.4	162	1	54.05	1.25	7.79

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width (metres)	Gold Grade (g/t gold)
UNDERGROUND RESOURCE DRILLING - LEVEL 8									
L8-57E-004	614588	913038	-187	155.6	332	-1	3.30	0.25	30.50
							6.00	0.50	43.27
L8-64E-007	614722	913104	-188	559.9	201	-36	203.40	0.20	11.89
L8-64E-008	614726	913102	-188	617.6	180	-25	43.60	0.60	11.59
							110.40	0.75	7.15
							116.80	0.45	14.11
							125.40	0.30	93.84
							205.45	0.45	7.07
							398.20	0.20	17.42
L8-64E-009	614722	913104	-187	610.2	209	-10	58.80	0.70	11.50
							143.80	0.20	12.22
							153.40	0.50	15.90
							236.70	2.65	47.53
							285.40	0.25	7.26
							295.20	0.30	58.36
							389.50	0.30	7.66
							461.30	0.20	10.62
							464.80	0.50	6.30
L8-64E-010	614726	913101	-187	595.1	177	-8	52.80	0.55	25.69
							77.80	0.20	13.64
							122.50	0.20	6.22
L8-64E-011	614722	913103	-187	620.2	209	-20	52.10	0.50	25.30
							145.60	0.45	6.12
							186.85	0.25	68.48
							232.00	0.40	7.47
							233.45	0.25	13.54
							240.30	0.70	136.12
							270.15	0.35	9.35
							361.85	0.85	8.53
L8-64E-012	614726	913102	-187	613.8	182	-11	49.95	0.80	15.26
							88.80	0.40	8.18
							258.80	0.35	64.38
							293.50	1.20	19.74
L8-64E-013	614723	913103	-187	610.9	192	-10	52.10	2.25	16.55
							65.60	0.40	7.16
							126.40	0.20	7.47
							217.40	0.20	9.64
							225.80	0.50	108.80
							430.40	0.35	7.14
							440.00	0.80	10.51
L8-64E-014	614730	913104	-187	550.1	135	-2	103.55	0.85	23.06
							106.10	1.00	8.65
							134.80	1.50	14.17
							141.15	0.20	9.42
							243.30	0.70	6.70
L8-64E-015	614722	913104	-187	95.1	190	-12	50.30	2.10	14.83
L8-64E-016	614723	913102	-187	608.2	181	-11	49.60	1.40	11.30
							209.75	0.25	10.83
							230.05	0.20	45.62
							265.90	0.55	35.59
L8-64E-017	614727	913101	-187	602.0	175	-10	49.10	0.45	17.40
							102.95	0.20	7.40
							271.15	0.90	6.37
							312.05	0.50	12.65
							317.10	0.20	7.71

REVIEW OF OPERATIONS

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width (metres)	Gold Grade (g/t gold)
UNDERGROUND RESOURCE DRILLING - LEVEL 8									
L8-64E-018	614723	913102	-187	627.5	181	-19	43.20	1.90	26.43
							90.20	0.40	8.09
							124.70	3.05	14.49
L8-64E-019	614727	913101	-187	647.2	176	-20	51.10	0.45	10.15
							73.00	0.30	12.76
							125.10	0.30	8.32
L8-64E-020	614727	913101	-187	596.0	175	-15	50.00	0.50	14.02
							89.90	1.00	14.67
							168.65	0.35	15.92
							170.70	1.00	9.81
							272.20	0.35	7.71
L8-64E-021	614726	913101	-187	585.6	166	-13	55.15	1.50	14.52
							58.25	0.25	10.60
							186.15	0.30	7.30
							284.75	0.20	12.95
L8-64E-022	614726	913102	-188	601.8	169	-55	536.25	0.30	14.22
L8-64E-023	614727	913102	-187	555.5	164	-13	174.35	0.70	29.30
							177.00	1.45	19.10
							209.75	0.20	21.73
L8-64E-025	614727	913102	-187	533.4	167	-20	54.10	0.75	8.84
							113.55	0.35	29.96
							163.45	1.25	125.66
							206.35	0.20	11.37
L8-64E-026	614728	913102	-187	554.5	155	-12	62.35	0.50	11.95
							95.85	0.60	6.99
L8-64E-027	614728	913102	-187	515.5	158	-11	61.20	0.80	6.13
							94.25	1.95	7.38
L8-64E-028	614727	913102	-187	601.8	170	-11	54.70	1.80	13.86
							232.80	0.30	31.78
L8-64E-029	614727	913101	-188	550.7	164	-22	80.90	0.40	22.37
							104.50	0.20	6.09
							119.40	1.00	33.59
							138.60	0.40	14.93
							141.70	0.20	19.82
L8-64E-030	614724	913103	-188	500.5	187	-52	172.70	1.40	290.50
							186.15	0.60	7.57
L8-64E-031	614726	913102	-188	536.3	178	-49	47.15	0.40	6.07
							84.45	0.25	89.63
							337.30	0.40	23.97
							503.70	0.95	35.03
L8-64E-032	614726	913102	-188	560.3	176	-37	45.20	0.40	11.53
							108.75	0.85	6.67
							277.80	1.30	17.18
							313.95	1.00	215.73
L8-64E-034	614725	913101	-188	585.3	185	-26	42.40	0.35	7.57
							111.65	0.25	10.73
							127.50	0.25	6.13
							243.95	0.20	11.02
L8-64E-037	614727	913102	-188	608.3	165	-34	3.10	0.50	7.77
							49.40	0.60	13.30
							112.85	0.35	37.43
							125.30	1.20	11.29
							562.20	0.45	7.43

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	Width (metres)	Gold Grade (g/t gold)
UNDERGROUND RESOURCE DRILLING - LEVEL 8									
L8-64E-038	614724	913102	-188	550.5	196	-33	46.95	0.40	24.43
L8-64E-039	614725	913103	-188	554.3	184	-43	41.00	0.90	52.10
							46.60	0.50	11.17
							245.00	0.20	9.60
							271.40	0.20	6.83
							448.45	0.25	311.26
							548.25	1.00	14.87
L8-82E-001	614899	913103	-185	545.0	192	0	98.85	0.45	6.39
L8-82E-004	614904	913105	-186	608.1	118	-29	40.65	0.20	8.93
							44.35	0.35	8.57
							197.10	0.20	14.56
L8-82E-005	614903	913106	-187	610.3	103	-71	6.10	0.20	10.26
							83.80	0.50	44.27
							429.10	0.80	13.90
							443.70	2.60	19.33
L8-82E-006	614904	913105	-186	534.6	118	-25	46.85	0.65	15.40
							291.75	0.45	10.07
L8-82E-007	614903	913105	-186	552.3	132	-40	40.30	0.25	16.60
							47.80	0.20	7.93
							104.30	1.80	67.14
							156.90	0.70	11.03
							220.40	0.60	41.10
							224.25	0.65	7.07
							235.90	0.20	11.60
L8-82E-008	614901	913103	-187	610.7	185	-45	114.90	0.45	52.07
							121.50	0.20	11.33
L8-82E-009	614902	913103	-186	602.5	171	-43	83.70	1.00	13.53
							126.15	0.25	16.35
							154.05	0.20	6.50
							161.15	0.50	16.63
							549.30	0.65	11.27
L8-82E-010	614902	913103	-186	602.5	164	-43	67.90	0.25	60.93
							148.40	0.20	32.53
							200.30	0.50	20.27
L8-82E-011	614901	913102	-186	600.0	186	-36	67.60	0.30	13.40
							126.10	0.90	25.43
L8-82E-012	614901	913103	-186	600.2	174	-39	42.10	0.20	13.77
							83.45	2.25	25.19
							126.80	2.20	34.94
							173.50	2.80	14.67
UNDERGROUND RESOURCE DRILLING - LEVEL 9									
L9-42E-001	614447	913091	-242	111.1	215	1	51.40	0.20	10.76
L9-42E-002	614450	913092	-242	81.0	188	0	60.75	1.50	10.57
L9-42E-004	614451	913093	-242	150.3	137	0	81.80	0.60	7.00
							96.15	0.60	11.70
							99.85	2.45	9.36
L9-42E-005	614452	913094	-242	150.6	121	2	61.90	0.45	24.91

Notes:

1. Composited intercepts' 'weighted average grades' calculated by using the following parameters:
   (i) no upper gold grade cut-off applied;
   (ii) ≥ 3 gram*metres, and
   (iii) a maximum of 1.0 metre of down-hole internal dilution at ≤ 3 g/t gold.
   Only down-hole intercepts with composited grades ≥ 6 gram*metres are reported in the above table.
2. Intersection widths are down-hole drill widths not true widths.
3. Analysis by Classical Fire Assay technique and AAS finish, and carried out by Philsaga Mining Corporation's on site laboratory.
4. Some results reported above may differ slightly from those previously reported, as a result of the inclusion of subsequent additional check analyses, which forms part of the Company's ongoing QAQC protocols,
5. Grid coordinates and elevation in metres relative to the Mine Datum.

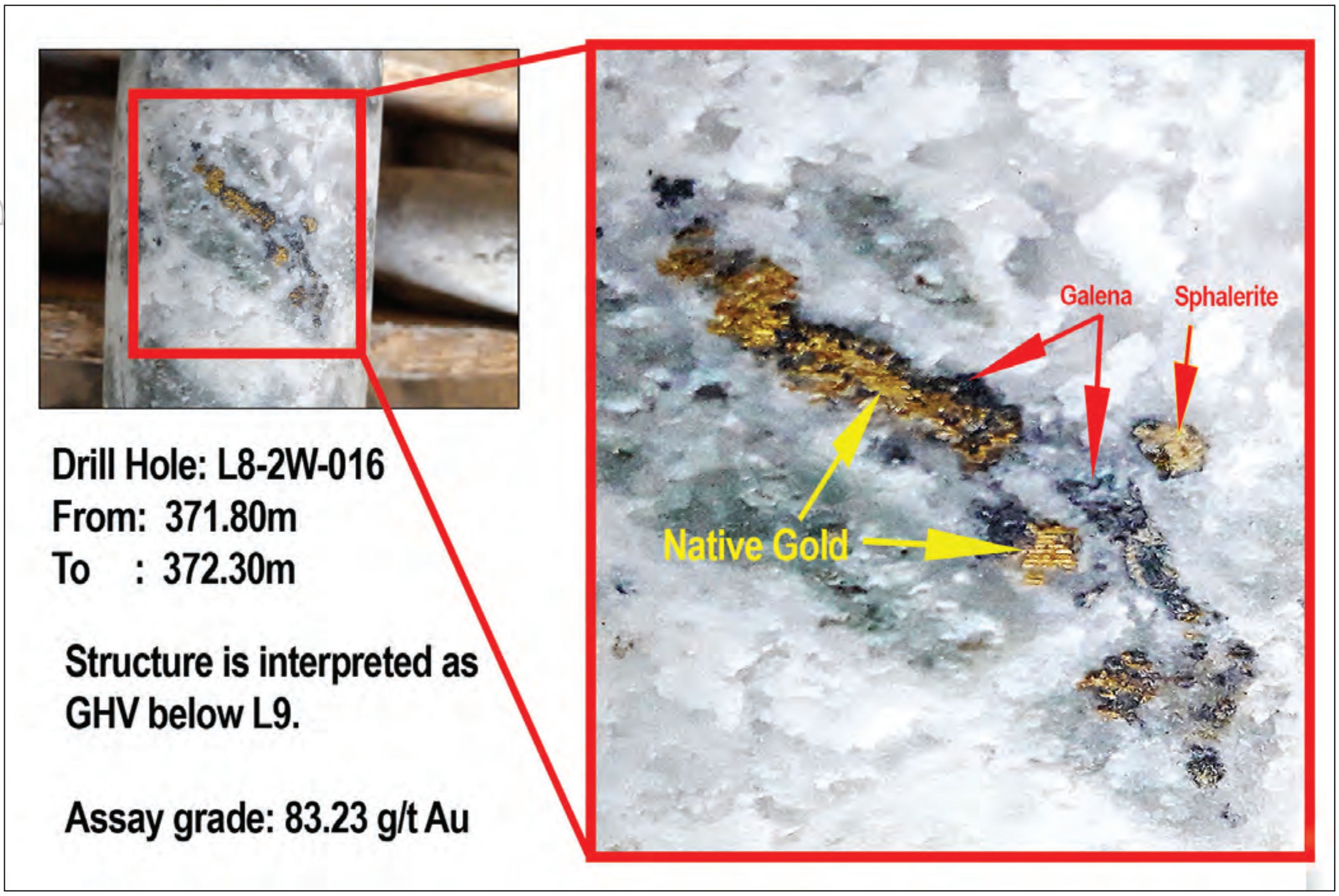


Figure 8: Core photograph showing visible native gold.

Co-O Mine Exploration (Minex)

Within the Co-o Mine area, implemented and completed the Don Pedro Vein East (“DPVE”) Drilling Program. The area is located within a sparsely drilled and developed portion north of the DPVE to be reviewed and evaluate the potential to generate additional resource for Co-O Mine.

A two-staged drilling program was proposed with Phase 1 drilling comprising of 11 holes and 4,210 metres. Subsequent review and evaluation identified 2 to 3 narrow high-grade veins that are texturally similar to the vein ore material being mined with assay grades above 30 g/t gold and peak assay at 176.3 g/t gold @ 0.45 metres.

A total of 6 holes were drilled out of the 11 holes originally proposed with total metreage of 2,516 metres (Figure 9). The targeted vein and mineralised structures were validated during drilling, but overall gold tenor was low. Out of the 448 core samples with assay results, only six (6) returned gold grade values above 1.0 g/t gold with the peak grade at 0.25 metres @ 6.91 g/t gold in hole EXP 238 (Figure 10).

In view of the disappointing assay returns from the first five (5) holes, a recommendation and decision was made to pre-terminate the drilling program to six (6) holes - the last hole being EXP 243 intended as a “deep” hole with the objective of exploring for potential mineralized structures between Level 8 to Level 12. Overall, the DPVE drilling program was a technical success - intersecting the target mineralised structures. However, intercepted structures returned below than expected assay grades.

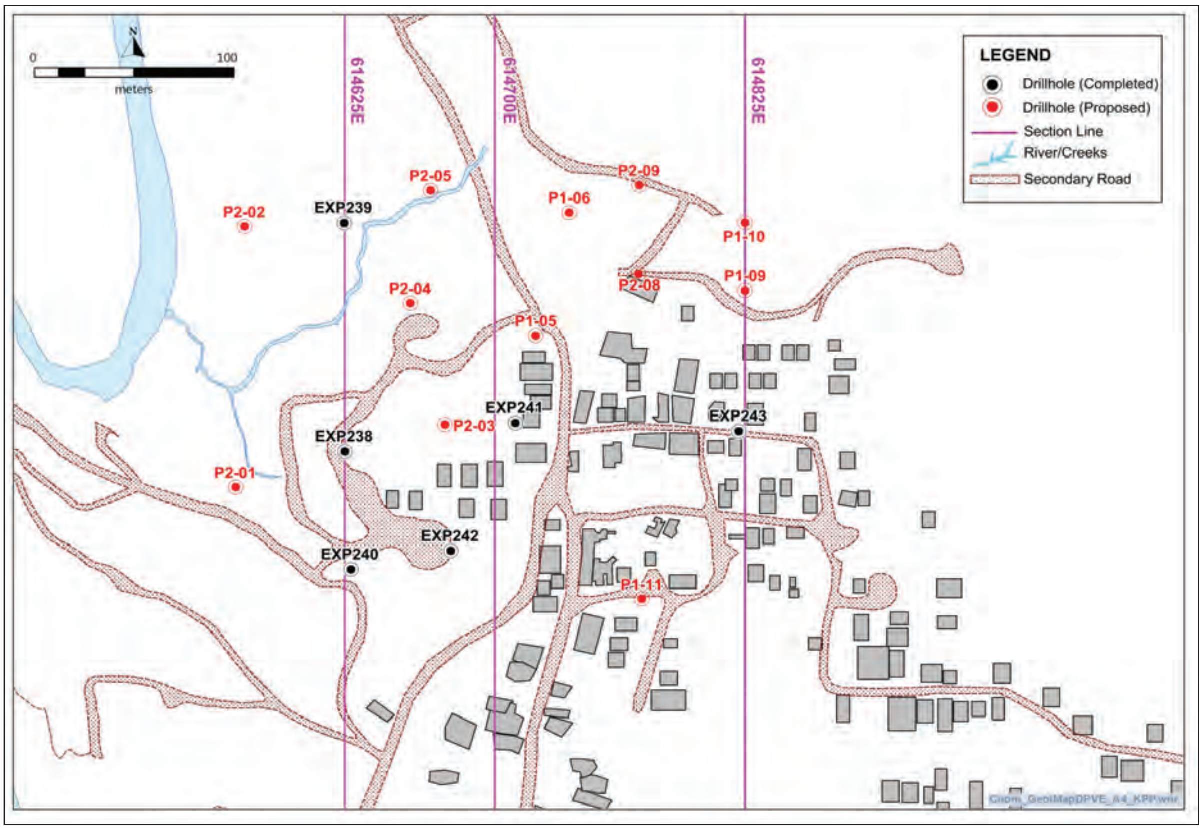


Figure 9: Location map of proposed and completed drill holes of the Don Pedro Vein East Drilling Program

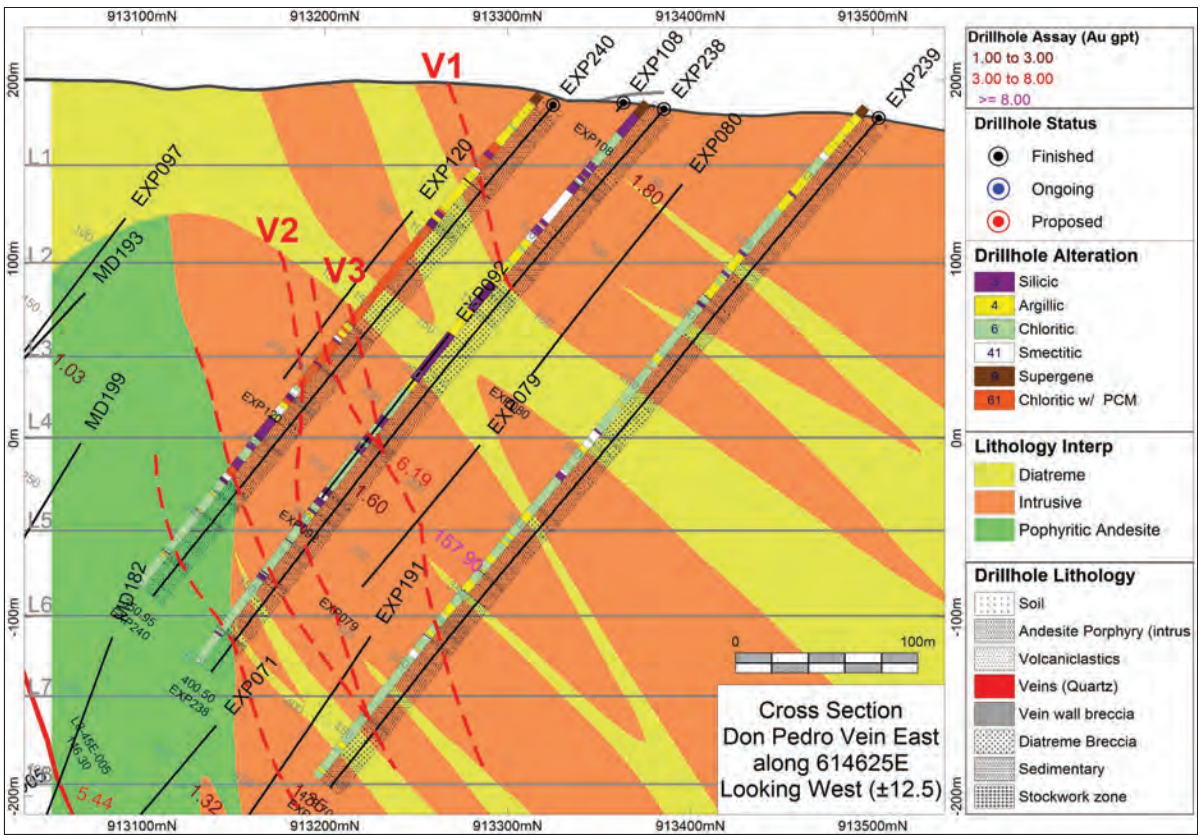


Figure 10: Section along L-614625E showing best intercept at EXP 238 at 6.91 g/t gold @ 0.25 metres

REVIEW OF OPERATIONS

TSF#1 Drilling Program

Implemented and completed the **TSF#1 Drilling Program**. The drilling program was an offshoot of an earlier tailings study, which noted potential gold remaining in the tailings material stored in TSF 1. A 25 metres x 25 metres grid-based 63 hole drilling program was subsequently designed for TSF#1, that was later expanded to include scout drill testing of TSF 4A and TSF 4B (Figure 11).

Figure 11: Location of drill holes completed during the TSF Drilling Program.

A total of 73 holes were drilled by Bangka-drilling techniques for a total meterage of 616 metres. Originally planned to cover mainly TSF#1 (i.e. 64 holes/516 metres), the drilling was subsequently expanded to test portions of TSF 4A and 4B (i.e. 9 holes/100 metres).

Drilling results show that most of the elevated gold grades (i.e. >1.0g/t Au) occur at the upper portion of drill sections (Figure 12). This is quite fortunate as future extraction can selectively mine the upper portion, and leave the basal half relatively undisturbed, hence, minimize grade dilution. Completed preliminary resource estimation for TSF#1 arrived at a JORC 2012 indicated resource of 510,169 DMT @ 1.72 g/t gold equivalent to 28,000 oz Au at the 0.85 g/t gold cut-off.

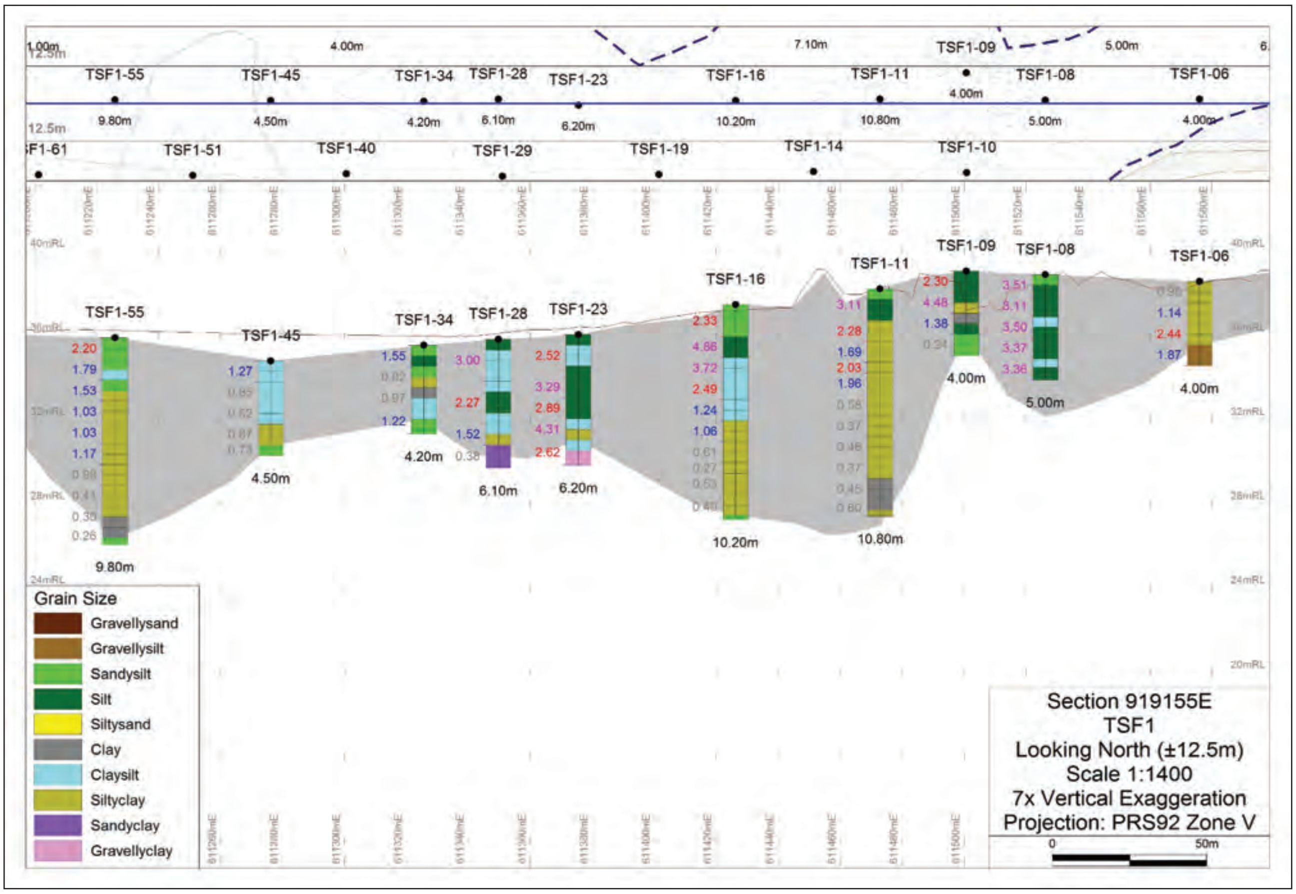


Figure 12: Representative longitudinal section along TSF 1 showing downhole gold grade distribution

Co-O Regional Prospects

Co-O regional exploration focused on prospects within a 2 kilometres radius from the Co-O Mine and Mill facilities. Selected prospects include West Road 17, Calavera, Tandawan and Gamuton (Figure 13) with the primary aim of identifying potential drillable gold targets.

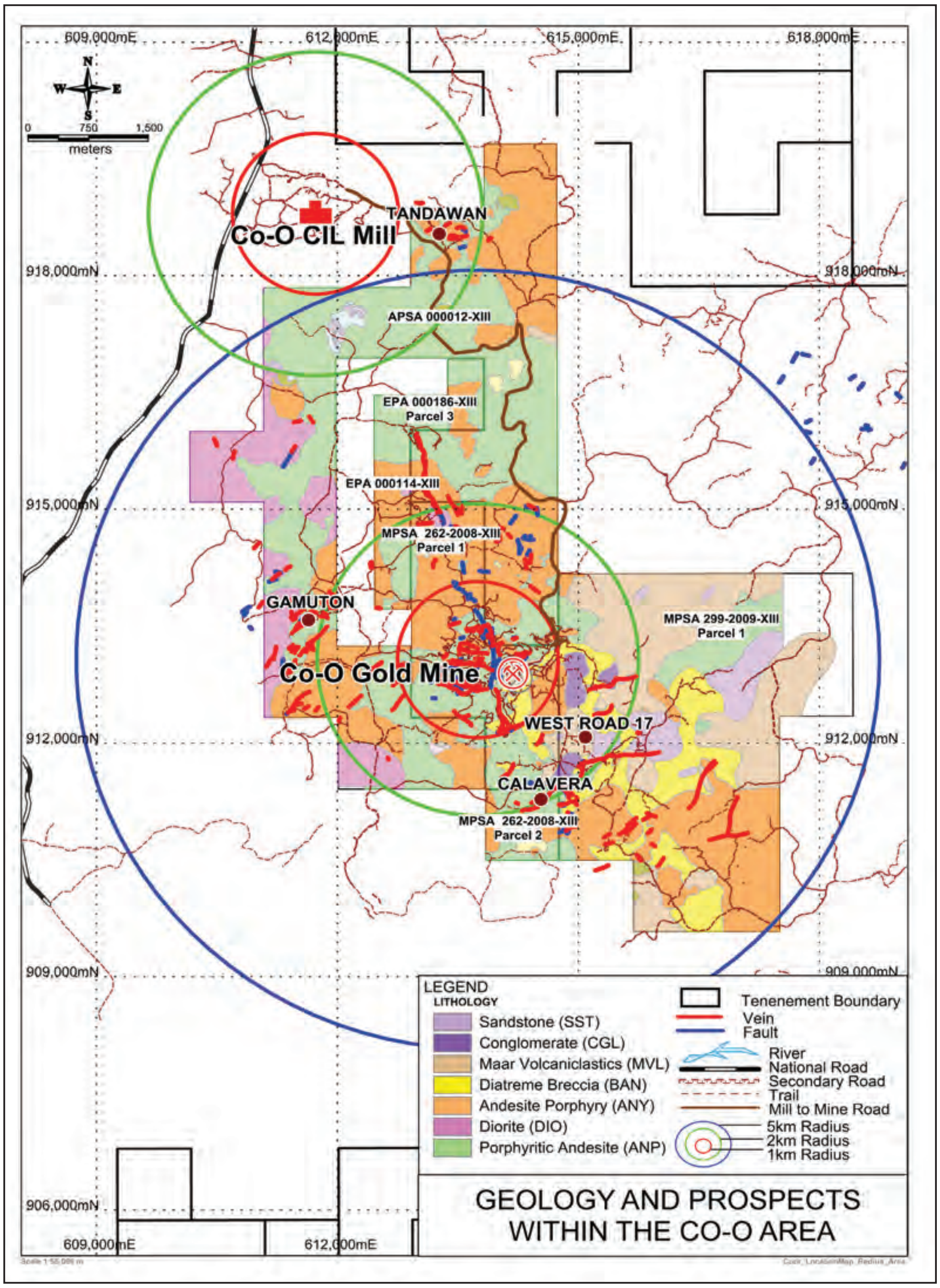


Figure 13: Location map showing Co-O Regional prospects explored during the fiscal year.

Exploration activities identified drillable targets in the West Road 17 and Calavera Prospects, of which the latter is the more prospective. Calavera vein system is located roughly 2 kilometres south of Co-o Mine, and comprises of multiple-vein sets trending mainly E-W with minor NE-SW vein structures. The more than 150 metres E-W vein structures are quartz-sulphide (i.e. galena and sphalerite) veins with peak grade of 4.46 ppm gold.

Implementation of proposed drilling programs in these two prospects was initially scheduled on the 3rd Quarter of this fiscal year, but did not push through due to unresolved community concerns. These drilling programs were subsequently postponed for possible consideration in the next fiscal year contingent on resolving previous community concerns and budget priorities.

Exploration activities in two (2) other Co-O near mine prospects - Tandawan and Gamuton, was unable to identify potential drillable targets. Exploration activities have since been suspended in these two prospects by the end of June 2017.

TAMBIS PROJECT

Bananghilig Gold Deposit

The JORC 2012 resource update for the Bananghilig 1 (B1) gold deposit was released in late September 2016 after an exhaustive two-year (2015-2016) review. The total Indicated and Inferred Mineral Resources for the B1 gold deposit at a block cut-off grade of 0.75 g/t gold for Indicated (open-pit material), and 3.0 g/t gold for Inferred (underground material), is estimated at 7.78 million tonnes at a grade of 1.73 g/t gold (i.e. 435,000 ounces contained gold). The reduction in the Mineral Resource of the B1 gold deposit is primarily due to the application of the JORC 2012 criteria. Details of study have reported by the Company in September 2016.

The project currently operates under the conditions of an MPSA. The government has made statements of re-assessing the regulations in regards to open pit mining, mining within a watershed, etc. Until there is a clear understanding of what the government position is on open pit mining, the Company has, in the interim, made the decision to re-focus exploration dollars on near-mine underground exploration targets.

Tambis Regional

In addition to this, exploration and evaluation was carried out at the Lansang, Tagabaca and Malinao prospects (Figure 14) – that are all proximal to the B1 deposit, with the aim of identifying potential target for scout drilling. However, exploration results yielded insignificant target potential. Consequent with these developments, a recommendation and decision was made to suspend further exploration activities in the Tambis tenement, demobilize Ebu Camp, and place Das-agan Camp under care-and-maintenance.

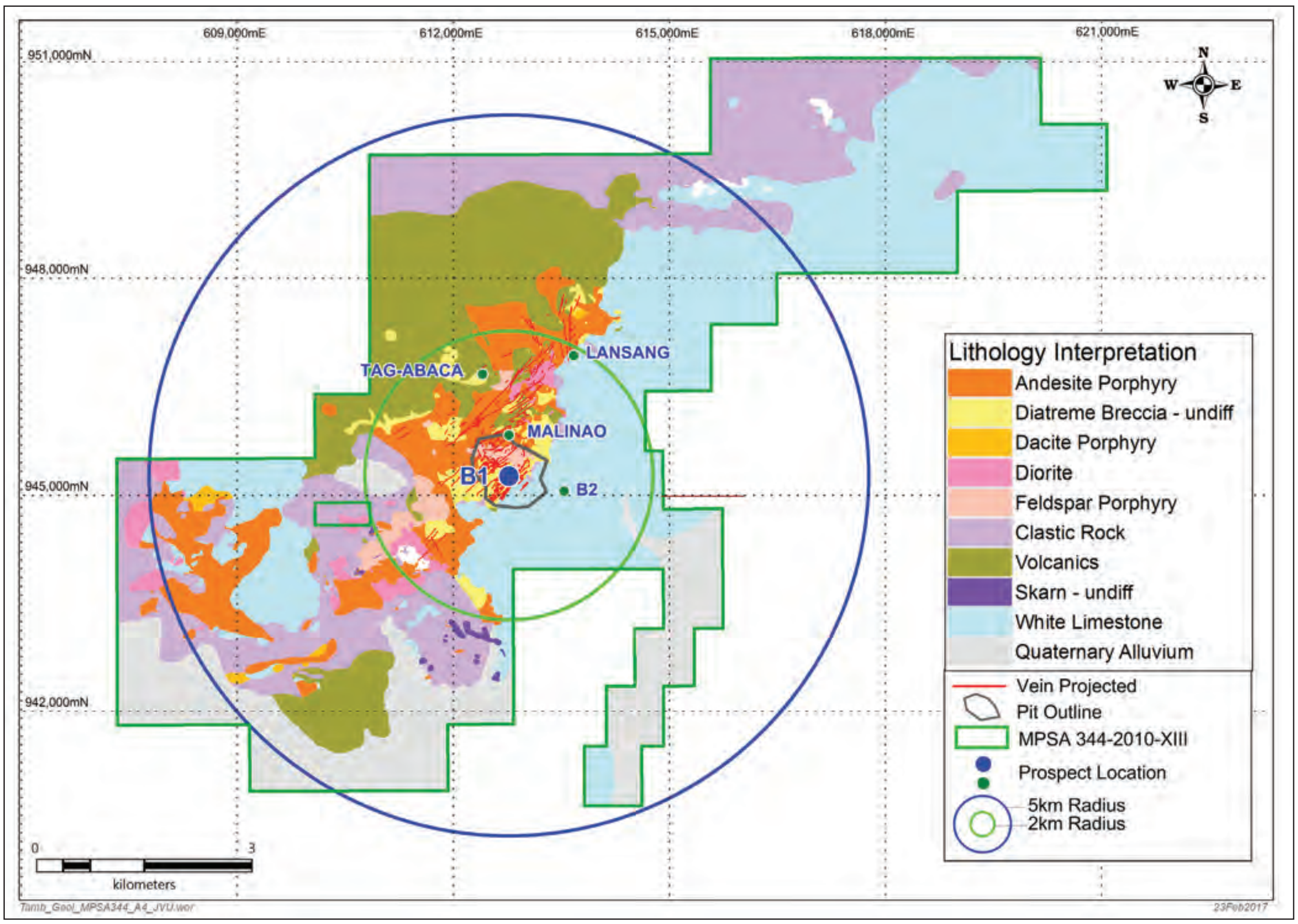


Figure 14: Location map of Tambis Regional prospects evaluated during the fiscal year.

REVIEW OF OPERATIONS

GUINHALINAN GOLD PROJECT

The Guinhalinan Gold Project is included within MPSA 343-2010-XIII Parcel 2 covering an area of 1,100 hectares. The Company's involvement in the Project is covered by a Mine Operation Agreement ("MOA") with Das-Agan Mining Corporation ("DMC"), which is the registered tenement holder.

Following review of exploration results after the poorer than expected drilling results from the last scout drilling campaign in FY 2015-2016, the Company decided to relinquish the project back to the tenement owner. The Company has already advised DMC of its decision, and concurrently informed the Mines and Geosciences Bureau of the termination of its MOA with DMC. All technical data and reports have already been compiled and ready to be forwarded to DMC upon its request.

LINGIG COPPER PROJECT

The Lingig Copper Project is included within MPSA 343-2010-XIII Parcel 1 covering an area of 2,710 hectares. The Company's involvement in the Project is covered by a Mine Operation Agreement ("MOA") with Das-Agan Mining Corporation ("DMC"), which is the registered tenement holder.

Following review of exploration results after the poorer than expected drilling results from the last scout drilling campaign in FY 2015-2016, the Company decided to relinquish the project back to the tenement owner. The Company has already advised DMC of its decision, and concurrently informed the Mines and Geosciences Bureau ("MGB") of the termination of its MOA with DMC. All technical data and reports have already been compiled and ready to be forwarded to DMC upon its request.

SAUGON GOLD PROJECT

The Saugon Gold Project comprises of three granted exploration permits (EP 017-XIII, EP 031-XIII and EP 032-XIII) with a combined tenement area of 8,636 hectares. The Project has a JORC 2004 resource estimate for First Hit Vein ("FHV") is located within EP 017-XIII (3,132 hectares) completed by Cube Consulting Pty Ltd in March 2013.

The resource estimate was based on a cut-off of 2.0 g/t gold resulting in an Indicated Resource of 47,000 tonnes at 6.99 g/t gold (i.e. equivalent to 10,700 ounces gold), and an inferred Resource of 34,000 tonnes at 4.55 g/t gold (i.e. equivalent to 5,000 ounces gold). There has been no updated figure compliant to JORC 2012 standards as the information has not changed materially since it was last reported in 2013.

Following review of exploration results of EP 031-XIII AND EP 032-XIII, the Company decided to forego renewing the exploration permits of these two tenements (i.e. 5,504 hectares), which expired on December 2016. Notice of relinquishment and submission of exploration results have been formally submitted to MGB on April 2017. MGB still has to undertake compliance validation of the exploration results, and related tenement commitments and obligations.

The Company had filed for an extension of the Exploration Permit ("EP") and is awaiting clearance from the Mines and Geoscience Bureau ("MGB").

OTHER PROJECTS

Coal Project

All field activities relevant to the coal resource estimation were completed by end September 2016. A total coal resource of 7.5 million tons was blocked in both COC 196 and COC 197 based on the Department of Energy ("DOE") coal resource guidelines and category.

The entry of new power providers stabilised the local power grid, and upgrade of the power generators in support of mine and mill operations has diminished the need for the Company to define a coal resource for a third party to establish a coal fired power plant. With these developments, the Company decided to terminate and relinquish its coal tenement holdings.

A notice for the relinquishment of the coal tenements was submitted by the Company to DOE on December 2016. The DOE provided formal notification of receipt of the coal tenement relinquishment of the Company, and provided a checklist of technical, legal and financial obligations to be forwarded to the Department. All obligations have been submitted to DOE, and the Company now awaits final notification of full compliance to the coal tenement relinquishments.

RATIONALIZATION OF TENEMENT

As part of the Company's tenement review of granted and applied tenements, the following were implemented:

- Return MPSA 343-2010-XIII comprising of two parcel blocks (i.e. total area of 3,810 ha) to its previous owner (i.e. Das-agan Mining Corporation). This recaps more than 8 years of exploration activities in the Guinhalinan and Lingig prospects – inclusive of two (2) drilling campaigns, both yielding negative results. All relevant exploration data and reports has been compiled for turnover to the tenement owner;
- Non-renewal and subsequent relinquishment of EP 31-XIII and EP 32-XIII (i.e. total area of 5,504 ha) back to the Mines and Geoscience Bureau ("MGB") as exploration results after two exploration renewals (i.e. covering 4 years) noted the lack of significant economic gold deposits in the area. The requisite exploration reports have been completed and submitted to the MGB last April 4, 2017;
- Discontinue with the tenement application process covering APSA 56-XIII, EPA 87-XIII and two other unnamed tenement application blocks, as the rationale for pursuing these areas were premised in providing a buffer zone around MPSA 343-2010-XIII Parcel 2 (i.e. Guinhalinan Prospect), which has since been recommended to be returned to its previous owner;
- All exploration activities with respect to the Coal Project has been completed with all compliance reports duly submitted to DOE, and the Company's decision to return the coal-operating-concession ("COC") grounds has since been relayed to DOE. Attendant geologic work program and monument survey compliance and field-based validations has since been completed and results turned over to DOE for validation and acceptance; and
- With these tenement rationalizations, PMC's tenement grounds at present covers an area of about 410km². See Figure 15.

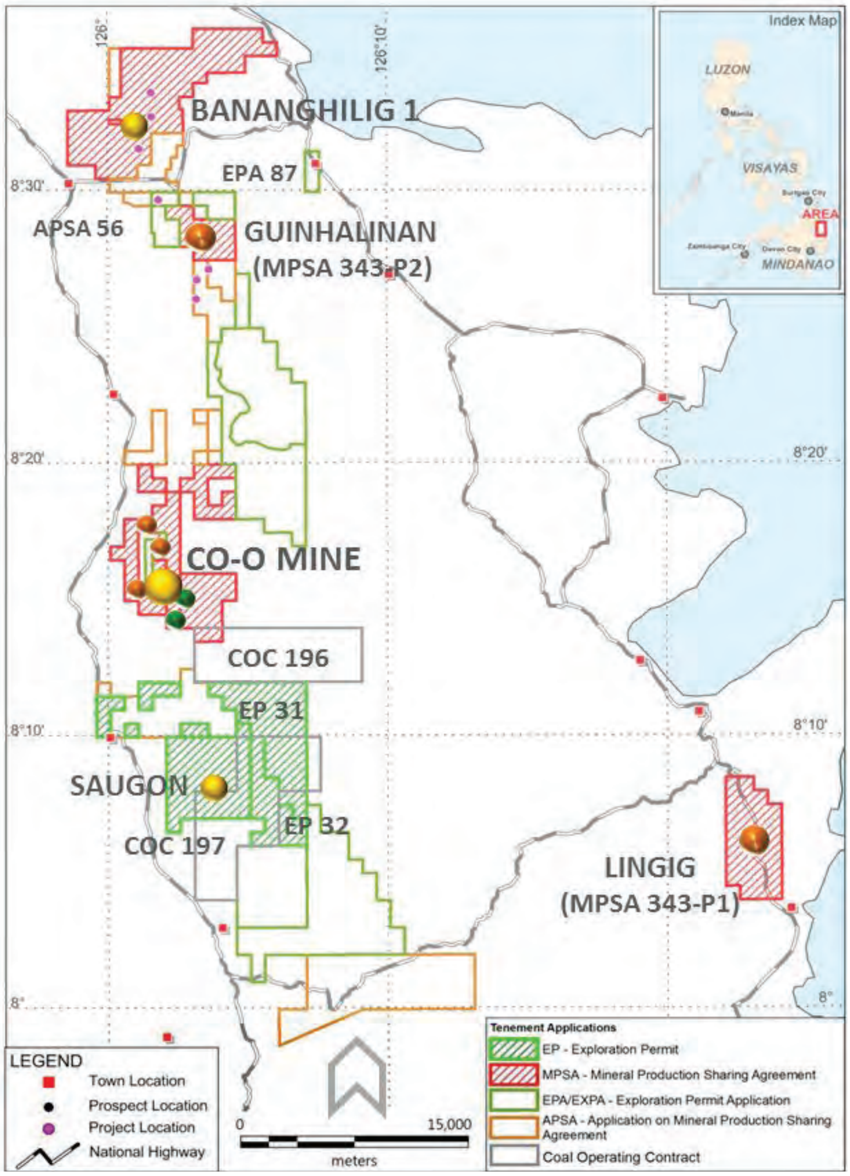


Figure 15: Status of tenement holdings at end June 2017.

REVIEW OF OPERATIONS

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 Programmes and Benefits

HEALTH AND SAFETY

During the year the following practices were undertaken:

- Comprehensive and continued safety awareness at the mine and mill sites, including traffic regulation;
- Comprehensive emergency preparedness plans and programs at mine and mill sites, including fire and earthquake responsiveness drills;
- Regular comprehensive health checks for all employees;
- Expanded mining and safety training activities for all underground personnel;
- Conducted 5 Basic Life Support and Standard First Aid Training seminars for all mine, mill and exploration employees for use at work and in the home;
- Continued regular training for the Emergency Response Team (ERT) like chemical spill, mine rescue and fire fighting, with the teams participating in annual national competitions; and
- Regular safety meetings that emphasise workforce participation in ensuring safety and hazard minimisation.

The 12 month Lost Time Accident Frequency Rate from July 1, 2014 to June 30, 2015 was 0.247 and from July 1, 2015 to June 30, 2016 was 0.53, which is better than industry standards for manually intensive, narrow vein, underground mines and shows the continuing progress achieved in Safety during the year. As for July 1, 2016 to June 30, 2017, the rate is 0.48.

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 1: First aid training

Photo 2: Safety Tool Box Training

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 are 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.

Photo 3: Fire Drill, ERT applying first aid to the victim

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 given clearance a clean bill of health on its environmental and social development programs.

REVIEW OF OPERATIONS

Photo 4A: Chemical Spill Training

Photo 4B: Chemical Spill Training

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 68.24 hectares reforestation program within the areas of the 2 host communities, which also consequently benefitted the settlers therein as it gave them income for the 34,799 seedlings planted. To date, the Company has planted a total of 1,203.93 hectares, comprising of 734,288 seedlings.

Photo 5A: National Greening Program

Photo 5B: National Greening Program

The Company has its own two (2) 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 160,000 seedlings.

Photo 6A: Seedlings Nursery

Photo 6B: Seedlings Nursery

The Co-O Gold Project operates under the terms of an Environmental Compliance Certificate ("ECC") which was amended by the Philippines Environmental Management Bureau ("EMB") on October 9, 2012. The conditions of the ECC require the Company to:

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

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

Ambient Air Quality Monitoring and Stack Emission Testing are regularly conducted. An EMB accredited third party environmental consultant is commissioned to conduct the monitoring and analyses

Photo 7A: Water Sampling

Photo 7B: Water Sampling

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 occurred during the financial year.

REVIEW OF OPERATIONS

Photo 8A: Revegetation on Slopes

Photo 8B: Revegetation on Slopes

Coconet and Geonet (water hyacinth) are the medium used as covering materials installed in landslip prone area as erosion control for 8,000 square meter. Planting of vetiver, kakawate and brazilian peanut were employed as cover crop. The Company has likewise established Hazardous Waste Storage Facility and Materials Recovery Facility to ensure proper handling storage and disposal of hazardous and domestic wastes generated by the operations. It maintains a “Reduce, Re-Use and Recycle” policy for all solid wastes.

Photo 9: Hazardous Waste Storage Facility

Climate Change

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

The Company’s carbon sink programme produces annually 96,000 tonnes, versus its annual carbon footprint of only 5,600 tonnes. 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.

ISO 14001

On June 23, 2016, the operating companies, Philsaga Mining Corporation and Mindanao Mineral Processing and Refining Corporation, were both issued by TUV Rheinland with Certificates of compliance with the standards of ISO 14001. Corresponding certificates have been issued to show the compliance with proper environmental management systems as well as proper environmental controls and protection.

COMMUNITY PARTICIPATION, PROGRAMMES AND BENEFITS

COMMITMENT

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

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

EDUCATION

"Through all our education initiatives, it is pleasing to report that about 9,840 students are enrolled at the schools supported by the Company."

Scholarships

The Company has provided scholarship programmes, 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 52 students;
- Half scholarships support to 6 students;
- Educational assistance 19 students.

Several of the scholars that graduated have already began working in Philsaga Mining Corporation, or teaching at Philsaga High School Foundation. Most have sought employment elsewhere, either in the Philippines and abroad.

Company schools and Adopt-a- School programme

As in the past years, the Company supported the Philsaga High School Foundation at the mill and the Upper Co-O Elementary School at the Co-O Mine. In addition, it continued its "adopt–a-school" programme in which 23 schools participated. Corporate sponsorship also assisted in achieving its aims.

The following were achieved:

- Continuous support for the salaries and wages, and meals of all teachers and workers of Philsaga High School Foundation, including the masters degree courses undertaken by some of the teachers and guidance counsellor. The Company also provided for school chairs, books and other necessities for the additional three Levels imposed by the new educational program of the national government;
- Continuous support for funds for the school preparation of 23 schools prior to opening of classes, as well as school materials to the school children;
- Continuous support for 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;
- Continuous support for daily return bus services for high school students from remote areas to attend high school; and
- Continuous support for monthly honoraria to 22 daycare 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 history), the Company had undertaken the repair of buildings and will provide for school materials to 2 schools, located at Municipality of Palo, Leyte, and Municipality of Loon, Bohol. The Company committed spent 1 pesos million each, more or less, for the 2 schools. The rehabilitated school buildings at Palo, Leyte as well as Loon, Bohol were successfully turned over.

Just recently, another 3-classroom building at Loon Bohol was turned over, bringing a total of 5 buildings with 11 classrooms have been rehabilitated at the same school. Learning for the students there have become conducive.

REVIEW OF OPERATIONS

Photo 10: Support to Education

LIVELIHOOD PROJECTS

Rice production financing

This project has continued through the year aimed at progressively developing debt free farming communities through the provision of financing arrangements to qualified farmers. The programme is in its twelfth 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 are 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.

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.

Photo11: Planting Rubber Tree Seedlings

Photo12: Rubber Tree Seedlings

COMMUNITY DEVELOPMENT AND ASSISTANCE PROGRAMMES

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

Teacher training

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

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 programmes

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 them 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 the 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. The Company has standby relief goods to address any exigency that may arise, and distributed to flood victims.

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 annual local government budgets of the Municipality of Bunawan, Municipaity of Rosario and the Province of Agusan del Sur are covered by the annual taxes and fees paid by the operating companies.

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.

JORC 2012 COMPLIANCE - CONSENTS OF COMPETENT PERSONS

Medusa Mining Limited

Information in this report relating to **Exploration Results** and all geological work on **Co-O Mineral Resources and Bananghilig Mineral Resources, Saugon and TSF#1 Tailings Project** has been reviewed by Mr James Llorca, and is based on information compiled by Philsaga Mining Corporation's Co-O mine-site and exploration technical personnel. Mr Llorca is a Fellow of The Australian Institute of Geoscientists (AIG), a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), and a Chartered Professional in Geology with the AusIMM. Mr Llorca is Manager - Geology and Resources, and is a full-time employee of Medusa Mining Ltd, and has more than 30 years of sufficient experience which is relevant to the styles of mineralisation and type of deposit under consideration and to the activities for which he is undertaking to qualify as a "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Llorca 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 Co-O Mineral Resources, Co-O Ore Reserves and Bananghilig Mineral Resources is based on information compiled by Dr Spero Carras of Carras Mining Pty Ltd, who worked at the Co-O mine-site with Philsaga geologists and engineers. Philsaga's mine planning engineers also worked at Carras' Perth office. Dr Carras is a Fellow of the Australasian Institute of Mining & Metallurgy and has more than 30 years of experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Carras consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

During 2016, Dr Carras was retained by Medusa Mining Ltd to assist in defining the requirements of Co-O underground infrastructure and its implementation.

FORWARD LOOKING STATEMENTS

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

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

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

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

CORPORATE GOVERNANCE

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

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

The Company's practices are largely consistent with the recommendations set out in 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 2017 and to the date of this statement. Details of the Company's compliance with the ASX Principles are set out below, including details of specific disclosures required by the ASX Principles.

This statement is current as at 29 August 2017 and has been approved by the Board. 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, among other things, its specific powers, duties and responsibilities, as well as matters delegated to the Chief Executive Officer or Managing Director (as applicable) and those specifically reserved for the Board.

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

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

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

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

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

Agreements with Directors and Senior Executives

The Board Charter provides that:

- a new Director will receive a formal letter of appointment setting out the key terms and conditions relative to their appointment; and
- the Chief Executive Officer must have a formal employment agreement describing their term of office, duties, rights and responsibilities, among other things.

CORPORATE GOVERNANCE

COMPOSITION OF THE BOARD

ASX Principles, Recommendations 2.2 and 2.5

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

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

For the time being, the Board has determined that the number of Directors on the Board should be four, comprised of three Non-Executive Directors (being Andrew Teo, Roy Daniel and Ciceron Angeles) and two Executive Directors (being Boyd Timler and Raul Villanueva). 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.

The Board will comprise Directors having the appropriate mix of skills, qualifications, expertise and experience to operate effectively and efficiently, and so that it can adequately discharge its responsibilities and duties. The Board considers that this is achieved by the Directors having substantial skills and experience in the following:

- **industry knowledge** – mineral exploration and marketing, mine development and geology;
- **accounting, finance and investments** – financial reporting, tax and governance;
- **legal** – legal, risk and regulatory knowledge; and
- **business management** – management experience, other relevant board experience and business administration.

Collectively, the Directors have a broad range of skills, qualifications, expertise and experience relevant to the business and operations of the Company, as identified above – details relevant to the position of each Director who is in office at the date of this statement, and the period of office held by each Director, is included in the Directors' Report on pages 61 to 62. 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.

BOARD INDEPENDENCE AND LENGTH OF SERVICE

ASX Principles, Recommendations 2.3, 2.4 and 2.5

The Board has determined that Andrew Teo, Roy Daniel, and Ciceron Angeles are independent Non-Executive Directors. [The Board has made this determination having regard to the criteria set out below, and confirms that none of its independent Directors has any interest, position, association or relationship of the type described below. In addition, the length of service of each Director is set out in pages [insert] to [insert] of the Company's Directors' Report, which forms part of the Annual Report.]

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 or any of its child entities;
- has not, within the last three years, been a partner, director or senior employee of a provider of material professional services to the Company or any of its child entities or a material consultant to the Company, or an employee materially associated with the service provided;

- is not, and has not within the last three years been, in a material business relationship (eg as a supplier or customer) with the Company or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- has no material contractual relationship with the Company or its child entities, other than as a Director;
- does not have close family ties with any person who falls into a category listed directly above;
- has not been a Director of the Company for such a period that his or her independence may have been compromised; 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 neither Boyd Timler nor Raul Villanueva as independent Directors because they are currently employed in executive capacities by Medusa as Managing Director and Executive Director respectively.

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, MANAGING DIRECTOR AND COMPANY SECRETARY

ASX Principles, Recommendations 1.4 and 2.5

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

The Chairperson, Andrew Teo, is responsible for, among 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, Boyd Timler (appointed Managing Director on 9 January 2017) is responsible for the day-to-day management of the Company.

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

The Company Secretary, Peter Alphonso, is responsible for the corporate secretarial functions of the Company, financial and statutory reporting and also directing and monitoring all financial aspects of the Company's overseas operations. The decision to appoint or remove the Company Secretary is to be made by the Board, as set out in the Board Charter, and the Company Secretary reports and is accountable to the Board (through the Chairperson).

TRAINING AND PERFORMANCE EVALUATION

ASX Principles, Recommendations 1.6, 1.7 and 2.6

Under the terms of the Company's Nomination Committee Charter, the Nomination Committee reviews potential Board candidates' skills, knowledge, and expertise so that they can add value to the Board. 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 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 [insert] to [insert.

Details of Directors' attendance at Board meetings are set out in the Directors' Report on page 63.

BOARD ACCESS TO INDEPENDENT ADVICE

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.

CORPORATE GOVERNANCE

2. BOARD COMMITTEES

NOMINATION COMMITTEE

ASX Principles, Recommendations 1.2 and 2.1

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, among other things, the role and responsibilities, composition and structure of the Nomination Committee.

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

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

In selecting individuals for nomination as a Director, the Nomination Committee Charter provides that the potential candidate will, among other things, have the required skills, knowledge, and expertise to add value to the Board. In performing its duties prescribed under its Charter, the Nomination Committee conducts appropriate checks prior to selecting individuals for nomination, which will include checks such as the person's character, experience, education, criminal record and bankruptcy history. The Nomination Committee is empowered to engage external consultants in their search for a new Director.

The Nomination Committee Charter provides that any notice of general meeting where the election or re-election of a Director (as the case may be) is to be put to Medusa's shareholders should include the following information, so as to enable shareholders to make an informed decision about their election or re-election (as the case may be):

- biographical details, including competencies and qualifications and information sufficient to enable an assessment of the independence of the candidate;
- details of relationship between the candidate and Medusa, as well as Directors of Medusa;
- other Directorships held;
- particulars of other positions which involve significant time commitments;
- the term of office currently served by any Directors subject to re-election; and
- any other particulars required by law.
- Such information is also provided by way of ASX announcement when any appointment is made by the Board.

The Nomination Committee consists of Ciceron Angeles (as Chairperson of the Nomination Committee), Andrew Teo and Raul Villanueva. 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 63.

REMUNERATION COMMITTEE

ASX Principles, Recommendations 8.1, 8.2, and 8.3

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, among 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 Roy Daniel (as Chairperson of the Remuneration Committee), Andrew Teo and Ciceron Angeles. The Remuneration Committee, therefore, comprises a majority of independent Directors and is chaired by an independent chair as recommended by ASXCGC Recommendation 8.1. 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 63.

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 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 72. 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, Recommendation 4.1

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, among 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.

The members of the Audit Committee, who are all Non-Executive Directors, are Roy Daniel (Chairperson of the Audit Committee), Andrew Teo, and Ciceron Angeles. The composition of the Audit Committee is entirely made up of independent Directors and is chaired by an independent chair, who is not the chair of the Board, as recommended by ASXCGC Recommendation 4.1.

Details of the qualifications of each member of the Audit Committee are included in the Directors' Report on page 61 Two meetings of the Audit Committee were held during the reporting period and details of the members' attendance at these meetings are included in the Directors' Report on page 63.

CORPORATE GOVERNANCE

SAFETY, HEALTH AND ENVIRONMENTAL COMMITTEE

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

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

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

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

The Safety, Health and Environmental Committee consisted of Raul Villanueva (as Chairperson of the Safety, Health and Environmental Committee), Andrew Teo, Roy Daniel (appointed 21 March 2016) and Boyd Timler (appointed 21 March 2016). Four 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 63.

3. PROMOTING ETHICAL AND RESPONSIBLE DECISION MAKING

CODE OF CONDUCT

ASX Principles, 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 1.5 and 2.2

Recommendation 1.5 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 1.5 of the ASX Principles as it believes its current processes and policies for recruitment and appointment are appropriate and adequately take into account diversity among a number of factors considered by the Company in ensuring its Directors and workforce have an appropriate mix of qualifications, experience and expertise. The Board does, however, recognise that diversity makes an important contribution to corporate success and the Company considers diversity as one of a number of factors when seeking to appoint Directors, filling Senior Management roles and positions and reviewing recruitment, retention and management practices, notwithstanding the absence of a formal diversity policy.

Recommendation 1.5 of the ASX Principles provides that a company should disclose in its annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and its progress towards achieving them. The Board has not at this stage adopted a formal diversity policy for the reasons set out above and, consequently, has not set measurable objectives under such a policy. The Board considers that it is not necessary to set measurable objectives for achieving gender diversity as recommended by the ASX Principles.

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

In accordance with Recommendation 1.5 of the ASX Principles, the Medusa workforce gender profile is set out in the following table:

Role type	Female	Female (%)	Male	Male (%)
Technical	23	30%	53	70%
Supervisory / professional	35	19%	149	81%
Middle management	7	37%	12	63%
Senior Management	5	13%	35	88%
Total	70	22%	249	78%
Board members	-	-	4	100%

For the purposes of the above table, "Senior Management" includes executives as well as senior personnel that play a significant role in management of the operations.

CORPORATE GOVERNANCE

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.

A Director or employee wishing to deal in the Company's shares must first notify the Chief Executive Officer or Managing Director (as applicable) and confirm that the employee is not aware of any non-public price sensitive information. The Share Trading Policy is subject to the overriding application of the insider trading laws

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, 7.3 and 7.4

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

Having regard to the size of the operations of the Company, the nature of its activities and the composition of the Board, a "Risk Committee" has not been established. However, in order to comply with the spirit of Recommendation 7.1 (and Recommendation 7.1(b) in particular), the full Board has the responsibility to perform the functions of the Risk Committee.

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, as contemplated by the Board Charter. However, the design and implementation of the risk management policy and the day to day management of risk is the responsibility of the Chief Executive Officer or Managing Director (as the case may be), with the assistance of Senior Management. The Board reviews the effectiveness of the Company's system of internal control, including a review of financial, operational, compliance and risk controls on a continual basis. In addition, the Chief Executive Officer also undertakes the monitoring of business activities to periodically reassess risks and the effectiveness of controls to manage such risks.

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

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

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

As required by Recommendation 7.4 the Board has identified the following risk factors that could influence the risk profile of the Company:

- **Economic risks:** The Company may be exposed to general economy wide risks, which include the state or health of the industry sector, foreign exchange and interest rates, equity and commodity prices and a nation's economic well-being. These risks are specifically contemplated by, and set out in, the Company's Risk Management Policy.
- **Environmental risks:** The Company's activities are expected to have an impact on the environment, and the Company may be responsible for environmental liabilities associated with its mining activities. The Company aims to monitor environmental risks and obligations so as to remain compliant with applicable environmental laws. The Company also has a Safety, Health and Environmental Committee that aims to assist with monitoring and reporting on environmental-related risks and issues.

- **Social sustainability risks:** The Company does not believe that it has material exposure to social sustainability risks. The Company has a Code of Conduct for employees dealing with stakeholders and ensures integrity and fair dealing in business affairs.

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

MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER ASSURANCE

ASX Principles, Recommendations 4.2, 7.2, and 7.3

Before the adoption by the Board of the Company's financial statements for the year ended 30 June 2016, 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.

5. CONTINUOUS DISCLOSURE

ASX Principles, Recommendation 5.1

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 4.3, 6.1, 6.2, 6.3 and 6.4

The Board recognises the important rights of its Shareholders and strives to effectively communicate with Shareholders clearly and effectively.

The Board has approved a Shareholder Communications Policy to promote effective communications with its shareholders and encourage effective participation at general meetings. As contemplated by the Shareholder Communications Policy, the Company Secretary is charged with ensuring that materials detailed in the policy (including announcements in accordance with the Company's continuous disclosure and periodic disclosure obligations) are made available on the Company's website, and that relevant communications are distributed to shareholders in accordance with the Listing Rules and Corporations Act.

In accordance with the Shareholder Communications Policy the Company maintains a website at www.medusamining.com.au on which the Company provides, among other things, the following information:

- information about its Directors;
- a copy of its constitution, Board and other applicable Charters, and other corporate governance documentation referred to in this Corporate Governance Statement;
- 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;
- annual reports, which include a review of the Company's operations and financial results for the year; and

CORPORATE GOVERNANCE

- general information about the history of the Company, an overview of its projects and a high level summaries of some concepts fundamental to its business.

Shareholders may also elect to receive information from, and make contact with, the Company and its share registry by email. Contact email addresses for the Company and the share registry are set out on the Company's website.

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 attendance and participation of shareholders at general meetings of the Company and Company allows for reasonable opportunity for communication and questions at general meetings. In addition, 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

DIRECTORS' REPORT

1. DIRECTORS

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

Name of Director	Period of Directorship
Non-Executive Directors:	
Mr. Andrew Boon San Teo (Chairperson)	since 15 February 2010 (appointed Chairperson on 22 Nov 2013)
Mr. Ciceron A Angeles*	since 28 June 2011
Mr. Roy Philip Daniel	appointed 25 November 2015
Executive Directors:	
Mr Boyd Walter Timler (Managing Director)	appointed 09 January 2017
Mr Raul Conde Villanueva	since 24 January 2013

* On 22 August 2017, Mr Angeles tendered his resignation as a Non-Executive Director effective 31 October 2017

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

Mr Teo is an accountant with 38 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).

During the past three years, Mr Teo has not served as a Director of any other ASX listed entities.

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

MR CICERON. A. ANGELES

B.Sc (Geology), MAppSc (Mineral Exploration), FAusIMM (CP), FSEG.
Independent Non-Executive Director

Philippines based, Mr Angeles is a geologist with over 36 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.

During the past three years, Mr Angeles has not served as a Director of any other ASX listed entities.

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

MR ROY PHILIP DANIEL

B.Com, UWA
Independent Non-Executive Director

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

Mr Daniel has been associated with the resource and mining industry for over 36 years and has held various senior management and accounting positions at corporate level with overseas and Australian companies. His association with the Company since its formative years has proven invaluable, and his financial business acumen and corporate experience has complemented and strengthened the Board.

During the past three years, Mr Daniel has not served as a Director of any other ASX listed entities.

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

DIRECTORS' REPORT

MR BOYD WALTER TIMLER

B.Sc (Geology), U of A, GAICD.
Managing Director

Mr Boyd Timler joined Medusa as CEO on 21 March 2016 and was appointed Managing Director of Medusa on 09 January 2017.

Mr Timler brings extensive operational experience to Medusa, having spent the first 15 years of his career working in underground narrow high-grade gold projects culminating at Kinross Gold's Hoyle Pond Mine in Canada, and subsequently at Placer Dome following a joint venture between the two. He has held senior level positions at operations in Canada, USA, Australia, Tanzania, Zambia and Brazil, and has taken expansion projects from pre-feasibility through board approval to operations.

Previously, Mr Timler also held the positions of Chief Operating Officer of Beadell Resources Limited, Managing Director at Lumwana Mining Company, in Zambia, and has also served as General Manager at various mine sites owned in Australia and Africa. Mr Timler holds a B.Sc. Specialization in Geology from the University of Alberta, and is a GAICD with over 30 years of progressive international experience in exploration, technical services, operations, project evaluations and senior/executive management.

During the past three years, Mr Timler has not served as a Director of any other ASX listed entities.

Mr Timler is a member of the Safety, Health and Environment Committee.

ATTORNEY 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.

During the past three years, Mr Villanueva has not served as a Director of any other ASX listed entities

Attorney Villanueva is Chairperson of the Safety, Health and Environment Committee and is a member of the Nomination Committee.

3. COMPANY SECRETARY

MR PETER STANLEY ALPHONSO

B.Com, UWA, (CPA)

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

Mr Alphonso has over 36 years of experience with the auditing, engineering and communications industries, with the majority of his experience centred on the gold and nickel sectors of the mining industry. Mr Alphonso's experience has included associations with Coopers and Lybrand, Western Mining Corporation, Great Central Mines and Tiwest Joint Venture.

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

4. MEETINGS OF DIRECTORS

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

Name of Director	Board Meetings		Audit Committee		Remuneration Committee		SHE Committee		Nomination Committee	
	Number [(1)]	Attended	Number [(1)]	Attended	Number [(1)]	Attended	Number [(1)]	Attended	Number [(1)]	Attended
Andrew Teo	5	5	2	2	1	1	4	4	1	1
Ciceron Angeles	5	4	2	1	1	1	-	-	1	1
Roy Daniel	5	5	2	2	1	1	4	4	-	-
Boyd Timler [(2)]	2	2	-	-	-	-	4	4	-	-
Raul Villanueva	5	5	-	-	-	-	4	4	1	-

Notes

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

(2) Boyd Timler was appointed Managing Director on 09 January 2017.

5. PRINCIPAL ACTIVITIES

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

6. OPERATING RESULTS

The net consolidated loss for the financial year attributable to members of Medusa Mining Limited after provision of income tax was (US$62.1) million [2016: Consolidated profit of US$44.3 million].

Key financial results:

Description	Unit	30 June 2017	30 June 2016 [(2)]	Variance	(%)
Revenues	US$	US$100.1M	US$128.1M	(US$28.0M)	(22%)
EBITDA [(1)]	US$	(US$35.2M)	US$69.6M	(US$104.7M)	(151%)
NPAT [(1)]	US$	(US$62.1M)	US$44.3M	(US$106.4M)	(240%)
EPS (basic)	US$	(US$0.299)	US$0.213	(US$0.512)	(240%)
Dividends per share	A$	-	-	-	N/A

Notes

(1) includes asset impairment losses of US$70.8M and exploration write-offs of US$7.1M for year ended 30 June 2017; and

(2) Restated accounts relating to prior year adjustments. EBITDA and NPAT previously reported were US$69.6M and US$43.8M respectively

Medusa recorded losses before interest, tax depreciation and amortisation ("EBITDA") of (US$62.1) million for the year to 30 June 2017 (and includes asset impairment losses of US$70.8 million and exploration write-offs of US$7.1 million). EBITA for the previous year was US$69.5 million.

Revenues decreased by approximately 22% from US$128.1 million in the previous year to US$100.1 million.

Medusa is an un-hedged gold producer and received an average price of US$1,256 per ounce from the sale of 79,194 ounces of gold for the year (previous year: 108,529 ounces at US$1,173 per ounce).

At year end, the Company had total cash and cash equivalent in gold on metal account of US$11.5 million (2016: US$22.0 million).

During the year,

- the Company produced 80,743 ounces of gold for the year, compared to 108,578 ounces from the previous corresponding period, at an average recovered grade of 5.33 g/t gold (June 2016: 6.40 g/t gold).
- the average cash costs of US$595 per ounce, inclusive of royalties and local business taxes was higher than the previous year's average cash costs of US$466 per ounce, primarily due to function of reduced production ounces.
- All in Sustaining Costs ("AISC") for the year was US$1,374 per ounce of gold and includes discretionary exploration expenditure of US$3.3 million (2016: US$999 per ounce)
- depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US$18.0 million (2016: US$21.6 million);

6. OPERATING RESULTS (continued)

- US$16.2 million was expended on capital works associated with the new mill construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2016: US$16.8 million);
- exploration expenditure, inclusive of underground diamond drilling was US12.3 million (2016: US$9.3 million);
- capitalised mine development costs totalled US$27.6 million for the year (2016: US$26.3 million); and
- corporate overheads of US$6.7 million (2016: US$5.9 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 Managing Directors' Review which will be available in the Full Annual Report.

8. DIVIDENDS

No dividends were declared during the financial year.

9. SIGNIFICANT CHANGE IN STATE OF AFFAIRS

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

- Mr Boyd Timler was appointed Managing Director on 09 January 2017;

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

The Company advised the market on 22 August 2017, that Mr Ciceron "Jun" A Angeles had tendered his resignation as a Non-Executive Director of Medusa, effective 31 October 2017.

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

11. FUTURE DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

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

12. DIRECTORS' INTEREST

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

Name of Director	No. of fully paid ordinary shares	No. of options over ordinary shares	No. of performance rights over ordinary shares
Andrew Teo	120,000	-	-
Ciceron Angeles	-	-	-
Roy Daniel	815,875	-	-
Boyd Timler	50,000	1,200,000	-
Raul Villanueva	50,000	500,000	-

13. REMUNERATION REPORT (AUDITED)

(a) Details of Key Management Personnel

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

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

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

Directors

Non-Executive Directors:

Andrew Teo, Chairperson;

Ciceron Angeles;

Roy Daniel.

Executive Directors:

Boyd Timler, Managing Director
(commenced employment as CEO on 21 March 2016 and appointed to the Board on 09 January 2017);

Raul Villanueva.

Executives

Peter Alphonso (Company Secretary).

13. REMUNERATION REPORT (AUDITED) (continued)

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

The following tables provides the details of the remuneration of all Directors and Executives of the Group and the nature and amount of the elements of their remuneration (in US$'s) for the year ended 30 June 2017 and the previous financial year.

Name	Year	Short term benefits					Post-employment benefits	Long-term benefits		Equity-settled share-based payments		Cash-settled share-based payments	Termination benefits	TOTAL	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary/ fees	Directors' fees	Non-monetary	Bonus (1)	Other(2)	Super-annuation	Incentive plans	LSL(3)	Shares/ units	Options/ rights (4)					
DIRECTORS:																
Non-Executive																
Andrew Teo (5)	2017	-	76,820	-	-	-	-	-	-	-	-	-	-	76,820	-	-
	2016	44,688	62,799	-	-	-	-	-	-	-	-	-	-	107,487	-	-
Ciceron Angeles (11)	2017	22,308	57,615	-	-	-	-	-	-	-	-	-	-	79,923	-	-
	2016	22,903	47,099	-	-	-	-	-	-	-	-	-	-	70,002	-	-
Roy Daniel (6)	2017	46,092	57,615	-	-	-	-	-	-	-	-	-	-	103,707	-	-
	2016	-	27,385	-	-	-	-	-	-	-	-	-	-	27,385	-	-
Robert Weinberg (7)	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2016	-	20,098	-	-	-	-	-	-	-	-	-	-	20,098	-	-
Executive																
Boyd Timler (8)	2017	395,623	-	-	-	7,623	26,887	-	-	-	193,500	-	-	623,633	-	31.0%
	2016	116,590	-	-	-	9,087	-	-	-	-	-	-	-	125,677	-	-
Raul Villanueva	2017	425,000	-	-	-	-	-	-	-	-	-	-	-	425,000	-	-
	2016	370,592	-	-	-	-	-	-	-	-	-	-	-	370,592	-	-
EXECUTIVES:																
Peter Alphonso	2017	266,268	-	-	-	-	26,781	-	6,760	-	-	-	-	299,809	-	-
	2016	229,631	-	-	-	17,216	22,886	-	5,595	-	-	-	-	275,328	-	-
Geoffrey Davis (9)	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2016	197,164	-	-	-	-	26,068	-	-	-	-	-	-	223,232	-	-
Robert Gregory (10)	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2016	290,990	-	-	-	-	18,090	-	-	-	-	-	-	309,080	-	-
Total	**2017**	**1,155,291**	**192,050**	**-**	**-**	**7,623**	**53,668**	**-**	**6,760**	**-**	**193,500**	**-**	**-**	**1,608,892**	**-**	**12%**
	2016	**1,272,558**	**157,381**	**-**	**-**	**26,303**	**67,044**	**-**	**5,595**	**-**	**-**	**-**	**-**	**1,528,881**	**-**	**-**

Notes
(1) Bonuses are generally paid in October and relate to the previous year's financial results. No bonuses will be paid to any Senior Executives during 2017/18 relating to the financial year ended 30 June 2017;
(2) Comprises Annual Leave accrued during the year but not paid;
(3) Comprises Long Service Leave accrued during the year but not paid;
(4) Comprises value of Options granted but not yet vested;
(5) Mr Andrew Teo assumed the role of interim CEO from 13 November 2015 to 20 March 2016;
(6) Mr Roy Daniel was appointed Director on 25 November 2015;
(7) Dr Robert Weinberg resigned from the Board on 01 December 2015;
(8) Mr Boyd Timler was appointed CEO on 21 March 2016 and became Managing Director on 09 January 2017;
(9) Mr Geoffrey Davis was interim CEO from 19 August 2014 to 12 November 2015;
(10) Mr Robert Gregory ceased employment with the Company on 16 March 2016; and
(11) The Company advised the market on 22nd of August 2017, that Ciceron Angeles had tendered his resignation as a non-executive Director of Medusa Mining Ltd, effective 31 of October 2017.

The relative proportions of Remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration	At Risk: Short Term Incentives (STI)	At Risk: Options
DIRECTORS:			
Non-Executive			
Andrew Teo	100%	-	-
Ciceron Angeles	100%	-	-
Roy Daniel	100%	-	-
Executive			
Boyd Timler (3)	69%	-	31%
Raul Villanueva	100%	-	-
EXECUTIVES:			
Peter Alphonso	100%	-	-

(c) Remuneration options and equity based instruments

The following 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;

Name	Tranche	Number granted	Grant Date	Value Per Option at Grant Date	Value of Options at Grant Date	Exercise Price A$	Expiry Date
EXECUTIVE:							
Boyd Timler	Tranche A	300,000	24 November 2016	A$0.20	A$60,000	A$1.00	24 November 2020
	Tranche B	300,000	24 November 2016	A$0.17	A$51,000	A$1.25	24 November 2020
	Tranche C	300,000	24 November 2016	A$0.15	A$44,100	A$1.50	24 November 2020
	Tranche D	300,000	24 November 2016	A$0.13	A$38,400	A$1.75	24 November 2020
		1,200,000			A$193,500		

Name	Tranche	Year 1 Vesting at 30% and Vesting date 24 November 2017	Year 1 Vesting at 30% and Vesting date 24 November 2018	Year 1 Vesting at 30% and Vesting date 24 November 2019	Total	Expiry Date
EXECUTIVE:						
Boyd Timler	Tranche A	90,000	90,000	120,000	300,000	24 November 2020
	Tranche B	90,000	90,000	120,000	300,000	24 November 2020
	Tranche C	90,000	90,000	120,000	300,000	24 November 2020
	Tranche D	90,000	90,000	120,000	300,000	24 November 2020
		360,000	360,000	480,000	1,200,000	

(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.

DIRECTORS' REPORT

13. REMUNERATION REPORT (AUDITED) (continued)

(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 2016/2017

Name	Balance 01/07/16	Options/rights granted as remuneration	Options/ rights exercised	Options/ Rights not exercised and lapsed	Balance held 30/06/17	Vested & exercisable 30/06/17 [1]	Total not exercisable 30/06/17 [2]
DIRECTORS:							
Non-Executive							
Andrew Teo	-	-	-	-	-	-	-
Ciceron Angeles	-	-	-	-	-	-	-
Roy Daniel	-	-	-	-	-	-	-
Executive							
Boyd Timler [3]	-	1,200,000	-	-	1,200,000	-	1,200,000
Raul Villanueva	500,000	-	-	-	500,000	300,000	200,000
EXECUTIVES:							
Peter Alphonso	165,000	-	-	-	165,000	99,000	66,000
Robert Gregory [4]	150,000	-	-	-	150,000	150,000	-

Notes
(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 Boyd Timler was appointed Managing Director on 09 January 2017; and
(4) Mr Robert Gregory ceased employment on 16 March 2016.

Financial year 2015/2016

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

Notes
(1) Options vested and exercisable are all the options vested at the reporting date
(2) Options that are not exercisable have not vested at the reporting date
(3) Mr Roy Daniel was appointed Director on 25 November 2015
(4) Mr Robert Weinberg resigned from the Board on 01 December 2015
(5) Mr Boyd Timler was appointed CEO on 21 March 2016
(6) Mr Geoffrey Davis resigned as Interim CEO on 12 November 2015
(7) Mr Robert Gregory ceased employment on 16 March 2016

(f) Share holdings

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

Financial year 2016/17

Name	Balance 30/06/16	Shares held at appointment	Bonus Issue of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/17
DIRECTORS:							
Non-Executive							
Andrew Teo	95,000	-	-	25,000	-	-	120,000
Ciceron Angeles	-	-	-		-	-	-
Roy Daniel	815,875	-	-	-	-	-	815,875
Executive							
Boyd Timler (1)	-	-	-	50,000	-	-	50,000
Raul Villanueva	50,000	-	-	-	-	-	50,000
EXECUTIVES:							
Peter Alphonso	127,500	-	-	-	-	-	127,500

Notes

(1) Mr Boyd Timler was appointed Managing Director on 09 January 2017.

Financial year 2015/16

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

Notes

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

(g) Remuneration policies

Remuneration Committee

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

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

DIRECTORS' REPORT

13. REMUNERATION REPORT (AUDITED) (continued)

Remuneration Philosophy

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

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

Non-Executive Directors remuneration:

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

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

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

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

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

- Andrew Boon San Teo (Chairman): A$100,000 per annum;
- Roy Daniel: A$75,000 per annum;
- Ciceron Angeles: A$75,000 per annum.

Executive Remuneration:

Objective

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

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

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

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

Fixed Remuneration

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

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

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

Variable Remuneration

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

- *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 2017.

- *Long-term Incentives ("LTI")*

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

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

13. REMUNERATION REPORT (AUDITED) (continued)

(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.

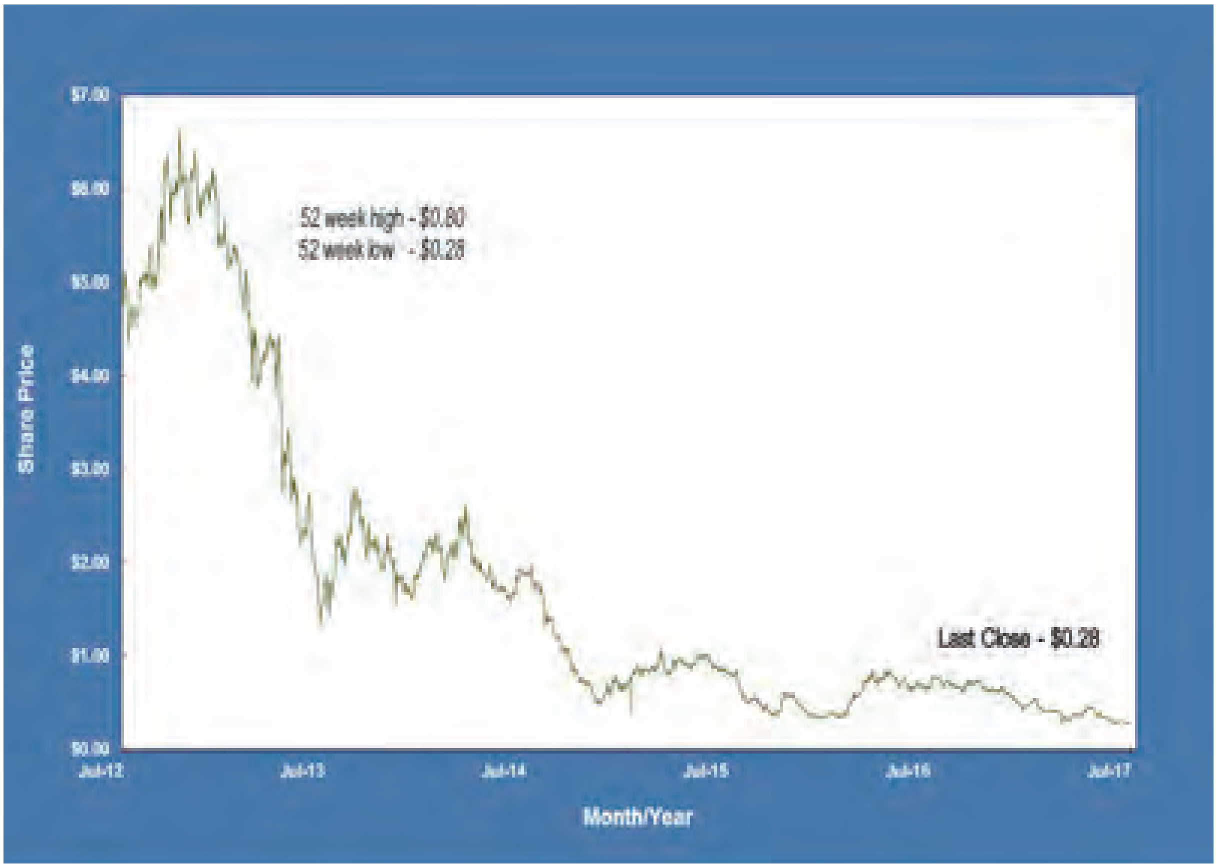
Year ended 30 June	Note	2013	2014	2015	2016	2017
Basic earnings per share (EPS)	(1)	US$0.266	US$0.154	(US$1.050)	US$ 0.211	(US$ 0.212)
Share price at 30 June		A$1.55	A$1.85	A$0.84	A$0.64	A$0.28
Share price increase	(2)	(A$3.28)	A$0.30	(A$1.01)	(A$0.20)	(A$0.36)
Total shareholder returns (TSR)	(3)	(67.5%)	19.4%	(54.6%)	(23.8%)	(56.3%)

Notes

(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; and

(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, 2016, 2015, 2014 or 2013 financial years. (Dividend totalling A$0.10 was paid in the 2012 financial year and A$0.02 was paid for the financial year ending 2013. No dividends were paid or capital returned in the previous respective years from 2008 to 2011).



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

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

(j) Employment contracts

EXECUTIVES

BOYD TIMLER (Managing Director)

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

DIRECTORS' REPORT

13. REMUNERATION REPORT (AUDITED) (continued)

(j). Employment contracts (continued)

PETER ALPHONSO (Company Secretary/Chief Financial Officer)

Contract description:	Employment contract between the Company and Peter Alphonso ("Employee").
Term:	An initial term ending on 30 September 2015 (subject to earlier termination) ("Initial Term"). If not terminated on or prior to 30 September 2015, the agreement will continue until terminated.
Role:	The Employee is initially employed in the role of Company Secretary/Chief Financial Officer and may subsequently be employed in other comparable roles as determined by the Employer. The Employee will be responsible for the day to day management of all financial, administrative and corporate functions of the Company.
Remuneration:	Fixed remuneration: 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. Variable remuneration - Short term incentive: 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 Company Secretary/Chief Financial Officer of the Company, including a material change in his authority in respect of the business of the Company or any member of the Company's group; or a change in his reporting relationship with the Board. If a Material Diminution occurs, within 3 months of this occurring, the Employee may give the Company 2 weeks' written notice of termination of this agreement. Subject to the Corporations Act, the Company must make a payment in lieu of a notice period equal to: (a) the number of months remaining in the Initial Term; or (b) 12 months, if the number of months remaining in the Initial Term is less than 12. After expiration of the Initial Term, the Company must make a payment to the Employee in lieu of a notice period equal to 12 months.
Protection of the Company's interests:	The Employee's contract also contains provisions for the protection of the Company's interest in such areas as confidentiality, conflict of interests and business dealings.

RAUL VILLANUEVA

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

On 10 December 2012, Philsaga executed an employment contract with Raul Conde Villanueva.

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

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

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

(k) Related Parties

Related parties:	Andrew Teo, Ciceron Angeles, Raul Villanueva, Roy Daniel, Boyd Timler, Peter Alphonso, James Llorca and David McGowan.
Type of Transaction	Director and Officers 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

Un-issued shares under options/rights

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

Expiry date	Exercise price	No. of options/rights	No. of shares issued if options/rights exercised
EMPLOYEE OPTIONS:			
16 December 2018	A$1.00	2,515,000	2,515,000
9 February 2019	A$1.00	650,000	650,000
24 November 2020	A$1.00	300,000	300,000
24 November 2020	A$1.25	300,000	300,000
24 November 2020	A$1.50	300,000	300,000
24 November 2020	A$1.75	300,000	300,000
TOTAL		4,365,500	4,365,500

(l) Shares issued on exercise of options/rights

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

End of Remuneration Report

14. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

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

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

Insurance premiums

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

15. INDEMNIFICATION OF AUDITORS

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

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

16. ENVIRONMENTAL REGULATIONS

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

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

17. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

18. NON-AUDIT SERVICES

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

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

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

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

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

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

The following fees were paid or payable to Grant Thornton for non-audit services provided during the year ended 30 June 2017.

	2017 (US$)	2016 (US$)
Taxation services	15,000	12,000
Total non-audit services	15,000	12,000

19. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2017 has been received and can be found on page 78 of the Financial Report.

20. ROUNDING OFF AMOUNTS (ASIC CLASS ORDER 2016/191)

The Company is an Entity to which ASIC Class Order 2016 /191 applies and accordingly, amounts in the Financial Statements and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors

Andrew Teo
Chairman

Dated at Perth this 29th day of September 2017

AUDITORS INDEPENDENCE DECLARATION

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Medusa Mining Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Petricevic
Partner - Audit & Assurance

Perth, 29th of September 2017

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

CONTENTS OF FINANCIAL STATEMENTS

for the year ended 30 June 2017

FINAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

		Consolidated	
		2017	**2016**
			(Restated)
	Note	US$000	US$000
Revenue	2	100,091	128,090
Cost of sales		(67,152)	(73,281)
Exploration & evaluation expenses written off	3	(7,098)	-
Administration expenses		(7,992)	(6,610)
Impairment expense	3,14	(70,800)	-
Other expenses		(1,557)	(1,714)
Profit/(Loss) before income tax expense		(54,508)	46,485
Income tax (expense)/ benefit	5	(7,621)	(2,156)
Profit/(Loss) attributable to members of the Group		(62,129)	44,329
Other comprehensive income/(loss), net of income tax:			
Add: Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations and other comprehensive income/(loss) for the year		(1,895)	(1,896)
Total comprehensive income/(loss) for the year		(64,024)	42,433
Overall operations:			
Basic earnings/(loss) per share (US$ per share)	6	(0.299)	0.213
Diluted earnings/(loss) per share (US$ per share)	6	(0.299)	0.209

The accompanying notes form part of these financial statements

FINAL STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

		Consolidated		
		2017	2016	2015
			(Restated)	(Restated)
	Note	US$000	US$000	US$000
CURRENT ASSETS				
Cash & cash equivalents	25	11,214	9,517	9,987
Trade & other receivables	7	11,963	25,977	22,585
Inventories	8	16,993	24,304	19,837
Other current assets	9	571	636	615
Total Current Assets		40,741	60,434	53,024
NON-CURRENT ASSETS				
Trade & other receivables	10	24,050	22,915	16,311
Property, plant & equipment	11	41,745	53,064	45,022
Intangible Assets		720	552	632
Exploration & evaluation expenditure	12	56,553	62,006	58,257
Development expenditure	13	66,349	83,446	65,380
Deferred tax assets	18	1,662	2,208	3,755
Total Non-Current Assets		191,169	224,191	189,357
TOTAL ASSETS		231,910	284,625	242,381
CURRENT LIABILITIES				
Trade & other payables	15	19,570	13,438	16,282
Borrowings	16	6,979	6,064	3,822
Provisions	17	364	346	504
Total Current Liabilities		26,913	19,848	20,608
NON-CURRENT LIABILITIES				
Borrowings	16	3,521	1,503	2,151
Deferred tax liability	18	245	245	290
Provisions	17	4,231	2,591	1,762
Total Non-Current Liabilities		7,997	4,339	4,203
TOTAL LIABILITIES		34,910	24,187	24,811
NET ASSETS		197,000	260,438	217,570
EQUITY				
Issued capital	20	102,902	102,902	102,902
Reserves	21	3,548	5,152	6,613
Retained profits	24	90,550	152,384	108,055
TOTAL EQUITY		197,000	260,438	217,570

The accompanying notes form part of these financial statements.

FINAL STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Note	Share Capital Ordinary US$000	Retained Profits US$000	Option and Performance Rights Reserve US$000	Foreign Currency Translation Reserve US$000	Total US$000
CONSOLIDATED						
Balance at 30 June 2015 (Restated)		**102,902**	**108,055**	**304**	**6,309**	**217,570**
Comprehensive Income						
Net (loss) after tax		-	44,329	-	-	44,329
Other comprehensive (loss)/income		-	-	-	(1,896)	(1,896)
Total comprehensive (loss)/income for the year		-	44,329	-	(1,896)	42,433
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	22	-	-	435	-	435
Balance at 30 June 2016 (Restated)		**102,902**	**152,384**	**739**	**4,413**	**260,438**
Comprehensive Income						
Net profit/(loss) after tax		-	(62,129)	-	-	(62,129)
Other comprehensive income /(loss)		-	-	-	(1,895)	(1,895)
Total comprehensive income /(loss) for the year		-	(62,129)	-	(1,895)	(64,024)
Transfer from option reserve		-	295	(295)	-	-
Share options issued during the period in accordance with AASB 2 - share based payment	22	-	-	586	-	586
Balance at 30 June 2017		**102,902**	**90,550**	**1,030**	**2,518**	**197,000**

The accompanying notes form part of these financial statements.

FINAL STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	Note	Consolidated 2017 US$000	Consolidated 2016 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		111,981	120,004
Payments to suppliers & employees		(56,234)	(64,831)
Interest received		74	74
Net cash provided by operating activities	25	55,821	55,247
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant & equipment		(17,374)	(17,203)
Payments for intangible assets		-	-
Payments for exploration & evaluation activities		(4,454)	(4,492)
Payment for development activities		(33,370)	(32,940)
Net cash from (used in) investing activities		(55,198)	(54,635)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		2,933	1,594
Net cash provided by (used in) financing activities		2,933	1,594
Net increase in cash and cash equivalents held		3,556	2,206
Cash & cash equivalents at the beginning of the financial year		9,517	9,987
Exchange rate adjustment		(1,859)	(2,676)
Cash & cash equivalents at the end of the financial year	25	11,214	9,517

The accompanying notes form part of these financial statements.

CONTENTS TO THE FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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. A summary of Financial information for the parent is included in note 30.

The financial statements were authorised by the Directors on 26 September 2017.

Basis of preparation

Reporting Basis and Conventions

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

(a) Principles of consolidation

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2017. 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 2017 is presented in note 23.

(b) Comparative figures

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

(c) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2017, 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:

FINAL NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB 9 Financial Instruments

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

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

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

AASB 15 Revenue from Contracts with Customers

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

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

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

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 16 Leases

The new AASB 16:

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

The effective date is for annual reporting periods beginning on or after 1 January 2019.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The effective date annual reporting periods beginning on or after 1 January 2017.

When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

(d) Revenue recognition

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

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

Gold and silver sales

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

Bill and hold sales,

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

a. It is probable that delivery will be made

b. The item on hand, identified and ready for delivery to the buyer at the time the sale is recognised

c. The buyer specifically acknowledges the deferred delivery instructions and

d. The usual payment terms apply.

Interest Revenue

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

(e) Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantively enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

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

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

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

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

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

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

FINAL NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax (continued)

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

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

(f) Property, Plant and Equipment

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

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

Depreciation

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

Plant and equipment (excluding the Co-O mine) 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'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)	Straight line	20% to 33%
Office furniture and fittings	Straight line	7.5% to 20%
Land and building	Straight line	5%

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

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

(g) Impairment of non-financial assets

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

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

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

(h) Operating leases

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

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

(i) Payables

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

(j) Trade and other receivables

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

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

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

(k) Exploration and evaluation expenditure

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

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

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

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

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

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

(l) Development expenditure

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

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

FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Development expenditure (continued)

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource at a rate of 12.25% (2016:13.31%). 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 is 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

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

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

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

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

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

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

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

(o) Goods and services tax

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

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

(p) Operating Segments

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

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

(q) Earnings per share

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

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

(r) Foreign currency transactions and balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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

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

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

(x) Critical accounting estimates and judgments

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

Key estimates - Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets (refer note 1(g)). Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer to details of key elements and carrying values of non-financial assets at note 14.

Key estimates - Recoverability of long lived assets

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

FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Critical accounting estimates and judgments (continued)

Key estimates - Recoverability of long lived assets

The Group has used the Reserve Statement released in September 2015 taking into account ore utilised throughout the period and replenished to estimate the recoverable amount of long lived assets. The updated Reserve Statement is not available at the date of these financial statements. Estimates of ore reserves in themselves are dependent on various assumptions, in addition to those described above, including cut-off grades. Changes in these estimates could impact on ore reserves, and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

Key estimates - Determination of ore reserves and remaining mine life

The Group estimates its ore reserves and mineral resources based on information compiled on the 25th of September 2015 by Competent Persons (as defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised June 2012 code (the JORC code)). Reserves determined in this way are taken into account in the calculation of depreciation of mining plant and equipment (refer to note 11), amortisation of capitalised development expenditure (refer to note 13), and impairment relating to these assets (refer to note 14).

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

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

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

Key estimates - Exploration and evaluation expenditure

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

Key estimates - Development expenditure

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

Key estimates - Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. (Refer to note 22).

Key estimates - GST/VAT

The Group has net GST/VAT of US$33 million that comprises tax credit certificates ("TCC") and GST/VAT claimable for cash. The current asset portion of GST/VAT US$10 million comprises amounts that are estimated to be utilised by TCC to offset various indirect taxes within the current period. The non-current amount of GST/VAT receivable of US$23 million represents the estimated amount utilised in future periods against tax liabilities of US$33 million.

(y) Prior Period Error

A detailed review of tenements revealed expenditure relating to some tenements in prior years were incorrectly classified as Development Expenditure instead of Exploration Expenditure.

The correction of the error and its effects on the statement of financial position and statement of profit and loss and other comprehensive has been disclosed in the tables below

Statement of financial position	2016			2015		
	Previous amount US$000	Adjustment US$000	Restated amount US$000	Previous amount US$000	Adjustment US$000	Restated amount US$000
Exploration	10,743	51,263	62,006	11,027	47,229	58,256
Development	108,610	(25,164)	83,446	87,048	(21,667)	65,381
Exploration, evaluation & development expenditure	119,353	26,099	145,452	98,075	25,562	123,637
Inventories	24,304	-	24,304	19,837	-	19,837
Property, plant & equipment	53,064	-	53,064	45,022	-	45,022
Total Assets	258,526	26,101	284,627	217,173	25,208	242,381
Net Assets	234,339	26,099	260,438	192,008	25,562	217,570
Retained Earnings	126,285	26,099	152,384	82,493	25,562	108,055
Total Equity	**234,339**	**26,099**	**260,438**	**192,008**	**25,562**	**217,570**

Statement of profit or loss and other comprehensive income	2016			2015		
	Previous amount US$000	Adjustment US$000	Restated amount US$000	Previous amount US$000	Adjustment US$000	Restated amount US$000
Cost of Sales	(73,818)	537	(73,281)	(71,976)	2,767	(69,209)
Impairment	0	0	0	(259,595)	22,795	(236,800)
Profit/loss after tax	**43,792**	**537**	**44,329**	**(218,109)**	**25,562**	**(192,547)**
Basic earnings/loss per share (US$ per share)	0.211	0.002	0.213	(1.050)	0.123	(0.927)
Diluted earnings/loss per share (US$ per share)	0.207	0.002	0.209	(1.050)	0.123	(0.927)

Due to the reclassification between exploration and development assets the Groups' impairment assessment in relation to recoverable assets of the Co-O segment was overstated. This resulted in a larger than required adjustment of US$22.8 million. In addition, amortisation was impacted which resulted in a US$2.8 million reduction to cost of sales.

(z) Rounding of amounts

The Group has applied the relief available to it under Class Order 2016 /191 and accordingly, amounts in the Financial Report and Directors' Report have been rounded to the nearest $1,000 or in certain cases, to the nearest dollar to reflect where rounding in '000 is not permitted

FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	Note	Consolidated 2017 US$000	Consolidated 2016 (Restated) US$000
2. REVENUE			
Operating activities:			
Gold and silver sales		99,783	127,755
Non-operating activities:			
Interest revenue		74	75
Other		234	260
Total revenue		100,091	128,090
3. EXPENSES			
Profit/(loss) before income tax expense/(income) has been determined after charging/(crediting) the following items:			
Depreciation & amortisation:			
- Depreciation expense		2,303	8,707
- Amortisation expense		15,738	12,889
Total depreciation & amortisation		18,041	21,596
Employee benefits expense		11,811	12,662
Defined Contribution plans		115	240
Defined Benefit plans		498	476
Exploration expenditure written off		7,098	-
Foreign exchange gain		-	(150)
- assets written off		472	1,241
- impairment expense	14	70,800	-
Operating lease rental:			
- minimum lease payments		62	36
4. DIVIDENDS			
No final dividend was declared (2016: Nil)		-	-
No Interim or final dividend was declared or paid during the current or previous financial years.		-	-

5. TAXATION

	Consolidated 2017 US$000	Consolidated 2016 (Restated) US$000
(a) The components of tax expense comprise:		
Current tax	7,120	654
Deferred tax	501	1,502
	7,621	2,156
(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
operating profit before income tax	(54,508)	46,485
prima facie income tax expense/(credit) at 30% (2016: 30%) on operating profit	(16,352)	13,945
less - tax effect of:		
- other non-deductible/(non-assessable) expenses	-	-
- difference of effective foreign income tax rates	-	(12,764)
- deferred tax adjustment	(39)	-
- impairment of assets	23,347	-
- Amortisation and Depreciation Adjustment	-	2,634
- share based payments expense	176	131
- non-deductible foreign expenditure	-	1,006
- foreign exchange	-	(2,993)
- charitable contribution	157	(2)
- under / over	-	-
- inventory written off	-	243
- deferred tax assets not brought to account	332	(44)
- income tax expense/(benefit)	7,621	2,156
(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	23,817	103
- Australian tax losses	4,074	4,135
	27,891	4,238

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 / (LOSS) PER SHARE

	2017	2016
Earnings / (Loss) used to calculate basic and diluted EPS	(62,129)	44,329
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	207,794,301	207,794,301
Weighted average unlisted options outstanding	-	4,125,725
Weighted average of ordinary shares diluted as at 30 June 2017	207,794,301	211,920,026

3,988,123 weighted average unlisted options outstanding for 2017 have not been included in calculating the diluted EPS because the effect is antidilutive.

FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

		Note	Consolidated 2017 US$000	Consolidated 2016 US$000
7.	**CURRENT RECEIVABLES**			
	Gold awaiting settlement		312	12,511
	GST/VAT receivables	1(x)	9,944	13,441
	Other receivables		1,707	25
	Total current receivables		11,963	25,977
	Refer ageing analysis in Financial Instruments Note 25(b).			
8.	**INVENTORIES**			
	Consumables - at cost		10,775	18,854
	Ore stockpile - at cost		3,402	3,520
	Gold Inventory - at cost		2,816	1,930
	Total inventories		16,993	24,304
9.	**OTHER CURRENT ASSETS**			
	Prepayments		571	636
10.	**NON CURRENT RECEIVABLES**			
	GST/VAT receivables	1(x)	24,050	22,915
	Total non-current receivables		24,050	22,915
11.	**PROPERTY, PLANT & EQUIPMENT**			
	Plant & equipment:			
	At cost		177,866	174,456
	less - provision for impairment		(92,814)	(67,873)
	less - assets disposal		-	(460)
	less - accumulated depreciation		(43,539)	(53,135)
	Total plant and equipment at net book value		41,513	52,988
	Furniture & fittings:			
	At cost		1,030	996
	less - provision for impairment		(254)	(253)
	less - accumulated depreciation		(544)	(667)
	Total furniture & fittings at net book value		232	76
	Total carrying amount at end of year		41,745	53,064
	Reconciliations:			
	Plant and equipment:			
	Carrying amount at beginning of year		52,988	45,022
	plus - additions		16,044	16,657
	less - forex differences on translation		(286)	825
	less - disposal		-	(460)
	less - impairment	14	(24,941)	-
	less - depreciation		(2,292)	(9,056)
	Carrying amount at end of year		41,513	52,988

	Note	Consolidated 2017 US$000	2016 (Restated) US$000
11. PROPERTY, PLANT & EQUIPMENT (CONTINUED)			
Furniture & fittings:			
Carrying amount at beginning of year		76	-
plus - additions		133	88
plus - forex differences on translation		33	-
less - depreciation		(10)	(12)
Carrying amount at end of year		232	76
Total carrying amount at end of year		41,745	53,064

12. EXPLORATION & EVALUATION EXPENDITURE

	Note	2017 US$000	2016 US$000
Exploration and evaluation expenditure:			
At cost		59,358	64,811
less – expenditure written off		-	-
less – provisions for impairment	14	(2,805)	(2,805)
Total carrying amount at end of year		56,553	62,006
Reconciliations:			
Exploration and evaluation expenditure:			
Carrying amount at beginning of year		62,006	58,257
plus - costs incurred		12,307	9,317
plus / less - prior period error		-	3,278
less - transferred to development		(9,966)	(8,846)
less - expenditure written off		(7,098)	-
less - forex differences upon translation		(696)	-
Carrying amount at end of year		56,553	62,006

13. DEVELOPMENT EXPENDITURE

	Note	2017 US$000	2016 US$000
Development expenditure:			
At cost		349,445	311,486
less - provisions for impairment		(205,291)	(165,869)
less - accumulated amortisation		(77,715)	(62,171)
Net development expenditure		66,439	83,446
Development expenditure:			
Carrying amount at beginning of year		83,446	65,380
plus - costs incurred		27,537	26,262
plus - transferred from exploration		9,966	8,845
plus / less - prior period error		-	(4,033)
less - amortisation expense		(15,738)	(12,788)
less - impairment	14	(39,422)	-
plus - forex differences upon translation		650	(220)
Carrying amount at end of year		66,439	83,446

14. IMPAIRMENT OF NON-CURRENT ASSETS

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 30 June 2017. Non-financial assets are reviewed at each reporting period to determine whether there is an indication of impairment.

When indicators of impairment exist, a formal estimate of the recoverable amount is made. External and internal indicators of impairment as at 30 June 2017 included;

- long range planning and scheduling meeting the JORC 12 Compliances:
- increased expected future costs of production; and
- reduction in the group's market capitalisation relative to the carrying values of non-current assets.

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

a) Impairment testing

i) Methodology

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

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

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

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group planning and budgeting process, mill capacity levels and mining plans for the following year. The 2018 budget and mine plan were developed in the context of the current gold price environment.

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

ii) Key Assumptions

The table below summarises the key assumptions used in the 30 June 2017 carrying value assessments. Comparison to the prior period has been provided.

Assumptions	Unit	2017 (2018- 2022)	2016 (2017-2021)
Gold price	US$/ounce	1,250	1,350
Average AISC	US$/ounce	895	820
Post-Tax Discount rate (%)	%	11.6	11.1
Probable reserves	ounces	345,000	427,000
Production capacity per annum	ounces	86,000 -127,000	105,000-130,000

Average All In Sustaining Cost ("AISC") comprises all operating, capital and overheads expenditure averaged over the period mentioned.

Commodity prices

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

Discount rate

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

Production activity and operating and capital costs

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

Resources and reserves

Resource and Reserve ounces were based on the Group's JORC 2012 compliant Annual Resource and Reserve Update Statement announced to the Australian Stock Exchange on 7 August 2017.

iii) Impacts

Due to the estimated carrying amount being less than the recoverable amount of the Group's Co-O mining operations CGU a non-current assets impairment charge of US$ 70.6 million required for the year ending 2017 (2016: Nil):

Description	Note	2017			2016		
		Carrying amount $'000	Impairment $'000	Balance $'000	Carrying amount $'000	Impairment $'000	Balance $'000
Development	13	105,861	(39,422)	66,439	83,446	-	83,446
Plant & equipment	11	66,686	(24,941)	41,745	53,066	-	53,066
Consumables	8	17,212	(6,437)	10,775	18,854	-	18,854
Total	3	187,759	(70,800)	116,959	102,300	-	102,300

b) Sensitivity Analysis

Variation movements in any key assumptions may result in a change to the estimated recoverable amount which may indicate an additional impairment to non-current assets.

The changes to estimated key assumptions would have the following approximate impact on the recoverable amount of the CGU in its functional currency that has been subject to impairment in the 30 June 2017 statutory accounts:

Assumption changes	2017	2016
	Effect on recoverable amount $'000	Effect on recoverable amount $'000
US $100 per ounce increase/decrease in gold price	33,076	31,235
1% increase/decrease in the discount rate	2,778	4,649
5% increase in operating costs	(14,221)	17,239

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

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

FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	Consolidated	
	2017	2016
	US$000	US$000
15. TRADE & OTHER PAYABLES		
Creditors		
Trade Creditors	17,254	11,444
Accruals	1,321	1,157
Income Tax payable	7	-
Withholding Tax	859	830
Other Creditors	129	7
Total Creditors	19,570	13,438
16. BORROWINGS		
Current borrowings		
Unsecured liability - Interest bearing loan	6,979	6,064
Total Current borrowings	6,979	6,064
Non-Current borrowings		
Secured liability - Interest bearing loan	986	1,423
Unsecured liability - Interest bearing loan	2,535	80
Total Non-Current borrowings	3,521	1,503
Total borrowings	10,500	7,567

Secured Borrowing, are bank loans secured by transportation equipment of the Group. Interest rates on the loans range between 2.75% to 4% (2016: 2.75% to 7.12%)

17. PROVISIONS		
Current provisions:		
Employee benefits	364	346
Total current provisions	364	346
Non-Current provisions:		
Retirement Benefit	2,184	2,235
Mine Rehabilitation	2,047	356
Total non-current provision	4,231	2,591

Retirement Benefit

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 2017. The present value of the defined benefit obligation and the related current service cost and past service cost was measured using the Projected Unit Credit Method.

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

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

	Consolidated	
	2017	**2016**
	US$000	US$000
Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
Current service cost	401	384
Interest on obligation	90	75
Total	491	459
The amount included in the statements of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:		
Present Value of defined benefit obligation	2,184	2,062
Unrecognised actuarial loss	-	-
Unamortised past service cost-non vested	-	-
Total	2,184	2,062
Movements in the present value of the defined benefit obligation in the current period were as follows:		
Opening balance	2,062	2,172
Current service cost	401	383
Interest costs	90	75
Benefits Paid	(390)	-
Actuarial loss	(152)	-
Foreign exchange gain/(loss)	-	(568)
Closing balance	2,011	2,062

The Company has no plan assets held by trustees but an employee retirement fund amounting to US$986,040 (2016: US$1,312,035) was held as at June 30, 2017. The employee retirement fund is presented as part of cash at bank.

Mine Rehabilitation		
Carrying amount at beginning of the year	362	354
plus - increase in provision	1,685	8
Carrying amount at end of year	2,047	362

FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

18. DEFERRED TAX

	Consolidated			
	Opening Balance	Forex on translation	Credit/ (charged) to Income	Closing Balance
	US$000	US$000	US$000	US$000
Consolidated Group				
30 June 2017				
Deferred tax liability				
Capitalised exploration & evaluation expenditure	290	-	(45)	245
Deferred tax assets				
Carried forward tax losses	274	-	(274)	-
Other	1,934	-	(272)	1,662
Total carried forward tax losses	2,208	-	(546)	1,662
30 June 2016				
Deferred tax liability				
Capitalised exploration & evaluation expenditure	290	-	(45)	245
Deferred tax assets				
Carried forward tax losses	2,008	-	(1,734)	274
Other	1,747	-	187	1,934
Total carried forward tax losses	3,755	-	(1,547)	2,208

19. AUDITOR'S REMUNERATION

	Consolidated	
	2017	2016
	US$	US$
Remuneration received or due and receivable by the Company's auditors, Grant Thornton Audit Pty Ltd for:		
□ auditing or reviewing the financial reports	111,593	112,433
□ other services provided by related practice of auditor - taxation & compliance	15,500	11,955
Total remuneration of the Company's auditor's	127,093	124,388
Remuneration of other auditors of the Company's Philippines subsidiaries for:		
□ auditing or reviewing the financial reports	65,212	56,845
□ other services provided by related practice of auditor - taxation & compliance	41,144	17,142
Total remunereation of other auditors of the Company's Philippine subsidiaries	106,356	73,987

	Consolidated	
	2017	**2016**
	US$000	US$000

20. ISSUED CAPITAL

207,794,301 ordinary shares (30 June 2016: 207,794,301)	102,902	102,902
Total issued capital	102,902	102,902
Ordinary shares		
Balance at beginning of year	102,902	102,902
Ordinary shares issued during the year:	-	-
Balance at end of year	102,902	102,902

Ordinary shares

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

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

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

Capital Management

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

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

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

	Consolidated	
	2017	**2016** (Restated)
	US$000	US$000
Capital for the reporting period under review is summarised as follows:		
Total Equity	197,000	260,310
Cash and cash equivalents	(11,214)	(9,517)
Capital	185,786	250,793
Total equity	197,000	260,310
Borrowings	10,500	7,567
Overall financing	207,500	267,877
Capital-to-overall financing ratio	90%	94%

FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	Consolidated	
	2017	**2016**
		(Restated)
	US$000	US$000
21. RESERVES		
Option and performance rights reserve	1,030	739
Foreign currency translation reserve	2,518	4,413
Total reserves	3,548	5,152

(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 2017
(unless otherwise stated, all unlisted options and performance rights have full vesting rights)

- 3,200,000 options expiring 16 December 2018 and exercisable at A$1.00 each. During the year 2016, 459,500 were forfeited resulting in 2,740,500 options remaining at reporting date
(945,000 options were vested at reporting date (2015: nil)).
- 1,000,000 options expiring 9 February 2019 and exercisable at A$1.00 each
(300,000 options were vested at reporting date (2015: nil)).
- 1,200,000 options expiring 24 November 2020 and are exercisable at various prices as disclosed in note 22 (iii).

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

(b) Foreign Currency Translation Reserve

The foreign currency translation reserve for the group records exchange differences arising on translation of foreign controlled subsidiaries.

22. SHARE BASED PAYMENTS

The following share based payment arrangements existed during 30 June 2017:

(i) (i) On 16 December 2014, 3,200,000 options were issued to Australian and Philippine based employees. The options, which hold no voting or dividend rights have an expiry date of 16 December 2018 and are exercisable at A$1.00 per option. Under the terms of the Issue the employees would be required to remain in the employment of the Company at 16 December 2015 to achieve 30% vesting of the options, at 16 December 2016 to achieve 30% vesting of the options, with full vesting if they remain employees of the Company a year later on 16 December 2017. At reporting date, all options remain unexercised.

(ii) On 9 February 2015, 1,000,000 options were issued to Australian and Philippine based employees. The options which hold no voting or dividend rights have an expiry date of 9 February 2019 and are exercisable at A$1.00 per option. Under the terms of the Issue the employees would be required to remain in the employment of the Company at 9 February 2016 to achieve 30% vesting of the options, at 9 February 2017 to achieve 30% vesting of the options, with full vesting if they remain employees of the Company a year later on 9 February 2018. At reporting date all options remain unexercised.

(iii)On 24 November 2016, 1,200,000 options were issued to Boyd Timler, the company's current Managing Director, subject to the rules of Medusa Mining Limited Share Option Plan The options which hold no voting or dividend rights have an expiry date of 24 November 2020 and are exercisable as follows:

Tranche	Options	Exercise price	Valuation Per Option
A	300,000	A$1.00	A$0.200
B	300,000	A$1.25	A$0.170
C	300,000	A$1.50	A$0.147
D	300,000	A$1.75	A$0.128

Under the terms of the issue, the employee would be required to remain in the employment of the company at 24 November 2017 to achieve 30% vesting of options, at 24 November 2018 to achieve 30% vesting of options with full vesting if Mr Timler remains an employee of the company a year later on 24 November 2019. At reporting date, all options remain unexercised.

The Options were valued using a Black Scholes pricing model. The valuation per tranche was calculated under this valuation model (using historical share price volatility measures) and applying the following inputs:

Weighted average life of option - 48 months
Share price volatility - 65%
Risk free rate - 2.07%
Dividend Yield - Nil

(Medusa is currently unlikely to pay a Dividend during the life of the Options).

Share based options	2017		2016	
	Number of options & performance rights	Weighted average exercise price (A$)	Number of options and performance rights	Weighted average exercise price (A$)
Outstanding at start of year	3,740,500	1.0000	4,200,000	1.0000
Granted	1,200,000	1.3750	-	-
Forfeited	(575,500)	1.0000	(459,500)	1.0000
Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding at year end	4,365,000	1.1031	3,740,500	1.0000
Exercisable at year end	2,091,000	1.0000	1,245,000	1.0000

During the year 2017, 575,000 options were forfeited (2016: 459,500) and no options expired (2016: nil).

The options outstanding at 30 June 2017 (all of which are unlisted) had a weighted average exercise price of A$1.1031 and a weighted average remaining contractual life of 24.57 months.

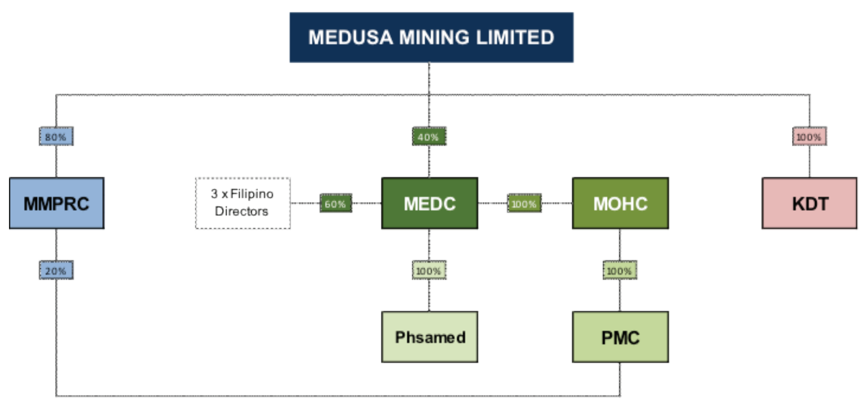
Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is US$586,148 (2016: US$435,286) and relates, in full, to equity-settled share based payment transactions relating to employees.

23. INVESTMENT IN SUBSIDIARIES

The following companies are controlled entities of Medusa Mining Limited as at 30 June 2017:

Controlled Entities	Date of incorporation	Country of incorporation	% interest held	
			2017	2016
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%
Komo Diti Traders Limited	23 Jan 2017	Hong Kong	100%	-

ORGANISATION CHART



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

Hong Kong entity:
- Komo Diti Traders Limited ("KDTL") - Trading Company

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

FINAL NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	Consolidated 2017 US$000	Consolidated 2016 (Restated) US$000

24. RETAINED PROFITS

	2017 US$000	2016 (Restated) US$000
Retained profit at start of year	152,384	108,055
Net profit/(loss) attributable to members of Company	(62,129)	44,329
Transfer from share option reserve	295	-
Retained profits at end of year	90,550	152,384

25. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of cash:

FFor 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:

	2017 US$000	2016 (Restated) US$000
Cash at bank	11,213	9,516
Cash on hand	1	1
Total cash assets	11,214	9,517

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

	2017 US$000	2016 (Restated) US$000
Profit/(Loss) after income tax	(62,129)	44,329
add/(less) -		
Non-cash items:		
- depreciation/amortisation	18,041	22,880
- retirement Benefit	498	-
- exploration expenses written off	7,098	149
- recognition of share based expenses	586	436
- impairment expense	70,800	-
- other write off	346	809
- foreign exchange (gain) / loss	(234)	439
- bad debts written off	126	(7)
- withholding tax for Dividend	-	30
- income tax credit	16,635	1,248
- income tax credit/(expense)	(24,256)	908
	27,511	71,221
add/(less) -		
Changes in assets and liabilities		
- (increase)/decrease in trade & other receivables	14,289	(10,459)
- (increase)/decrease in prepayments	64	(21)
- (increase)/decrease in inventories	7,312	(4,468)
- (decrease)/increase in trade & other payables	6,099	(2,528)
- increase/(decrease) in deferred taxes payable	546	1,502
Net cash provided by operating activities	55,821	55,247

(c) Restricted Funds

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

(i) A rehabilitation fund of US$1,113,763 (2016: US$338,383) to be used at the end of life of mine for environmental rehabilitation;

(ii) An employee retirement fund of US$986,040 (2016: US$1,312,035) established to meet employee entitlements on retirement.

(iii) The Company has a provident fund of US$1,210,707 (2016: US$746,353) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

26. 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.

26. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial Risk Management Policies (continued)

(ii) Financial risk exposures and management (continued)

Credit risk (continued)

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.

Consolidated Group	Weighted Average Effective interest		Floating Interest Rate		Within 1 Year		Within 1 to 5 Years		Non-Interest Bearing		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%		(US$000)									
Financial Assets												
Cash & cash equivalent	0.32	0.36	4,098	8,015	-	-	-	-	7,116	1,502	11,214	9,517
Loans and receivables	-	-	-	-	-	-	-	-	1,970	12,536	1,970	12,536
			4,098	8,015	-	-	-	-	9,086	14,038	13,184	22,053
Financial Liabilities												
Financial liabilities at amortised cost												
Bank Loan - Current	3.50	3.50	-	-	7,172	6,276	-	-	-	-	7,172	6,276
Bank Loan – Non Current	3.73	3.56	-	-	-	-	3,740	1,571	-	-	3,740	1,571
Trade & sundry payables	-	-	-	-	-	-	-	-	19,570	13,438	19,570	13,438
	-	-	-	-	7,172	6,276	3,740	1,571	19,570	13,438	30,482	21,285

	Consolidated	
	2017	**2016**
	US$000	US$000
Receivables are expected to be collected as follows:		
Less than 6 months	1,970	12,536
6 months to 1 year	-	-
	1,970	12,536

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

Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	19,570	13,438

(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 2017, 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	
	2017	2016
	US$000	US$000
Change in profit/(loss) before income tax/equity		
- increase in interest rate by 100 basis points	55	80
- decrease in interest rate by 100 basis points	(55)	(80)

Foreign currency risk sensitivity analysis

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the consolidated entity's functional currency. The consolidated entity operates internationally and is exposed to foreign exchange risk arising from the United States dollar. No programs for hedging foreign exchange risk were implemented by the consolidated entity in the 2015 and 2016 financial years.

The following table shows the foreign currency risk on the financial assets and liabilities of the Groups operations denominated in currencies other than the functional currency of the operations.

Consolidated	Net Financial Assets/(Liabilities) in US$000			
	AUD	US$	PHP	TOTAL US$
2017				
Functional currency of Group Entity				
Australian Dollar	-	457	-	457
US Dollar	-	-	175	175
Philippine Peso	-	204	-	204
Total	-	661	175	836
2016				
Functional currency of Group Entity				
Australian Dollar	-	1,053	-	1,053
US Dollar	-	-	588	588
Philippine Peso	-	1,009	-	1,009
Total	-	2,062	588	2,650

	Consolidated	
	2017	2016
	US$000	US$000
Change in profit /(loss) before income tax/equity		
- strengthening of A$ to US$ by 15%	(60)	(137)
- strengthening of Philippine Peso to US$ by 15%	6	(75)
Total	(54)	(212)
- weakening of A$ to US$ by 15%	60	137
- weakening of Philippine Peso to by 15%	(6)	75
Total	54	212

FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

26. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial Instruments (continued)

(iii) Sensitivity Analysis (continued)

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$1,256 (2016: US$1,352) 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$9.947 million (2016: US$13.965 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.

27. COMMITMENTS

	Consolidated	
	2017	2016
	US$000	US$000
(a) Exploration commitments:		
The Group has certain obligations to perform minimum exploration work to maintain rights of tenure to its exploration tenements. These obligations may vary from time to time in accordance with tenements held and are expected to be fulfilled in the normal course of operations of the Group so as to avoid forfeiture of any tenement.		
These obligations are not provided in the financial report and are payable:		
- no later than 1 year	206	666
- 1 year or later and no later than 5 years	1,079	2,313
Total exploration commitments	1,285	2,979
(b) Operating lease expense commitments:		
Non-cancellable operating lease contracted for but not capitalised in the financial statements.		
The Group leases office premises an operating lease expiring in July 2019. Under the terms of the operating leases, the Group is provided with a right of renewal and the lessor has the right to increments in lease payments on an annual basis based on movements in the Consumer Price Index.		
These obligations are not provided in the financial report and are payable:		
- no later than 1 year	65	63
- 1 year or later and no later than 5 years	67	121
Total operating lease expense commitments	132	184
(c) Other contractual commitments:		
(i) On 26 March 2008, Philsaga was granted Mineral Production Sharing Agreement ("MPSA") number 262-2008-XIII over the Co-O mine. Under the terms of the Agreement Philsaga is committed to mine related expenditure in the Philippines as follows:		
These commitments are not provided in the financial report and are payable:		
- no later than 1 year	160	178
- 1 year or later and no later than 5 years	216	239
Total other commitments	376	417

	Consolidated	
	2017	2016
	US$000	US$000
(ii) On 24 November 2009 Philsaga was granted Mineral Production Sharing Agreement ("MPSA") number 299-2009-XIII over the Co-O mine. Under the terms of the Agreement Philsaga is committed to mine related expenditure in the Philippines as follows:		
These commitments are not provided in the financial report and are payable:		
- no later than 1 year	80	89
- 1 year or later and no later than 5 years	353	392
Total other commitments	433	481

28. EVENTS SUBSEQUENT TO REPORTING DATE

The Company advised the market on 22 August 2017, that Mr Ciceron "Jun" A Angeles had tendered his resignation as a Non-Executive Director of Medusa, effective 31 October 2017.

There has not arisen in the interval between the end of the financial year and the date of this report any other 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.

29. SEGMENT INFORMATION

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

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

Segment Result, Segment Assets and Segment Liabilities

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

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

Segment Revenues represent gold and silver sales at spot prices.

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

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

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

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

FINAL NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

29. SEGMENT INFORMATION (continued)

	Mining	Exploration	Gold Trading	Other	Total
	US$000	US$000	US$000	US$000	US$000
12 months to June 2017:					
Segment revenue	80,322	-	19,461	-	99,783
Reconciliation of segment revenue to Group revenue					
add:					
Interest revenue					74
Other					234
Group Revenue					100,091
Segment result	(166,909)	(25)	19,252	4,025	(143,657)
Reconciliation of segment result to group result:					
add back:					
Gain on disposal of asset					-
Other revenue					234
Interest revenue					74
less:					
Depreciation					2,303
Amortisation					15,738
Impairment					70,800
Income tax expense					(7,621)
Group profit					(62,129)
Segment assets	222,675	1,048	5,581	944	230,248
Reconciliation of segment asset to group assets:					
plus: Deferred tax assets					1,662
Total Group assets					231,910
Segment liabilities	33,901	7	30	727	34,665
Reconciliation of segment liabilities to group liabilities					
plus: Deferred liabilities					245
Total Group liabilities					245
					34,910
12 months to June 2016:					
Segment revenue	127,755	-	-	-	127,755
Reconciliation of segment revenue to Group revenue					
add:					
Interest income					75
Other					260
Group Revenue					128,090
Segment result	25,915	(63)	-	(1,198)	24,654
Reconciliation of segment result to group result:					
add back:					
Gain on disposal of asset					111
Other revenue					149
Interest revenue					76
less:					
Depreciation					8,707
Amortisation					12,788
Income tax expense					(2,156)
Group profit					44,329
Segment assets	279,041	1,038	-	2,338	282,417
Reconciliation of segment asset to group assets:					
plus: Deferred tax assets					2,208
Total Group assets					284,627
Segment liabilities	23,117	9	-	816	23,942
Reconciliation of segment liabilities to group liabilities					
plus: Deferred liabilities					245
Total Group liabilities					24,187

Revenue and non-current assets by geographical region	Australia US$000	Philippines US$000	Hong Kong US$000	Total US$000
12 months to June 2017:				
Segment Revenue	-	80,322	19,461	99,783
Non-Current Assets	110	167,033	-	167,143
12 months to June 2016:				
Segment Revenue		-	-	127,755
Non-Current Assets	100	199,244	-	199,344

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 2017, all of the Group's revenues depended on a single customer (2016:100%).

30. PARENT COMPANY INFORMATION

	2017 US$000	2016 US$000
Parent Entity:		
Current Assets	767	2,140
Total Assets	30,829	31,123
Current Liabilities	727	817
Total Liabilities	727	817
Net Assets:	30,102	30,306
Issued Capital	102,902	102,902
Option Premium Reserve	1,030	739
Foreign Exchange Reserve	11,894	11,304
Accumulated Losses	(43,455)	(42,370)
Dividends paid	(42,269)	(42,269)
Total Equity	30,102	30,306
(Loss)/profit for the year	(1,381)	(2,740)
Total Comprehensive Loss/(Profit)	(791)	(3,330)

FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

31. FRANKING ACCOUNT

The Company has no franking credits available.

32. COMPANY DETAILS

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

Suite 10
100 Mill Point Road
South Perth
Western Australia 6151

DIRECTOR'S DECLARATION

for the year ended 30 June 2017

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

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

      i. Giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

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

   b. There are reasonable grounds to believe that Medusa Mining Limited will be able to pay its debts as and when they become due and payable.

   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 2017.

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

Signed in accordance with a resolution of the Board of Directors

Andrew Teo

Chairman

Dated the 29th day of September 2017

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

Report on the audit of the financial report

Disclaimer of Opinion

We were engaged to audit the consolidated financial report of Medusa Mining Limited (the Company), and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

We do not express an opinion on the accompanying consolidated financial statements of Medusa Mining Limited and its subsidiaries (the Group). Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

As noted in Note 1(y), the Directors have assessed a number of restatements for the years ended 30 June 2015 and 30 June 2016 respectively. We were unable to confirm or verify by alternative means the completeness and accuracy of the restatements and their impacts on the financial statements. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect the carrying values of exploration and evaluation assets, mineral development assets, property, plant and equipment and the elements making up the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows.

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Impairment recognised during the current period

On 30 September 2016 we issued a qualified audit report with respect to the 30 June 2016 financial statements of the Group in relation to the impairment assessment at that date. As at 30 June 2017 the Directors have undertaken an impairment assessment in accordance with AASB 136: Impairment of Assets to assess the carrying value of property, plant and equipment and development expenditure. As a result of the impairment assessment the Group has recognised an impairment charge in the current period's consolidated statement of profit or loss and other comprehensive income of US$70.800 million. Note 14 to the financial report includes the estimates and assumptions used in determining the recoverable amount of these assets. The Group has concluded that it is impracticable to determine any period-specific effects on the recoverable amount of these assets due to the changes in estimates and assumptions and has therefore been unable to determine the extent and quantum of any impairment charge that may relate to 30 June 2016.

Accordingly we are unable to determine the portion of the impairment charge recognised in the current period which could be attributable to the prior financial year.

Carrying value of exploration and evaluation expenditure

The Group has reported exploration and evaluation expenditure totalling $56.553 million (2016: $62.006 million restated) in relation to the Group's activities in the Philippines. Under AASB 6 Exploration for and Evaluation of Mineral Resources Exploration an entity shall assess exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Should an impairment trigger exist, the entity shall perform an impairment test in accordance with AASB 136 Impairment of Assets to determine the assets recoverable amount.

At the date of this report the Directors have not undertaken an impairment assessment in line with AASB 136. As such, we have been unable to obtain sufficient appropriate audit evidence to support the Directors' assessment that the carrying value of the assets is at least equal to their recoverable amount. In the event that the carrying value of the assets exceed their recoverable amount, it would be necessary for the carrying value of the assets to be written down to its recoverable amount.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

AUDITORS INDEPENDENCE REPORT

for the year ended 30 June 2017

Grant Thornton

Responsibilities of the Directors' 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 and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 64 to 74 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Medusa Mining Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Petricevic
Partner - Audit & Assurance

Perth, 29 September 2017

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 September 2017.

1. SHAREHOLDING

(a) Distribution of shareholders and shares

Distribution	Number of Shareholders	Number of Shares
1 - 1,000	1,395	664,058
1,001 - 5,000	1,549	4,191213
5,001 - 10,000	554	4,288,408
10,001 - 100,000	836	25,733,482
100,001 - 1,000,000	111	27,500,483
1,000,000 and over	15	145.416,657
Total	**4,460**	**207,794,301**

The number of shareholdings held in less than marketable parcels is 1,784

(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	52,634,288	25.33
2.	Citicorp Nominees Pty Limited	28,880,293	13.90
3.	Merrill Lynch (Australia) Nominees Pty Limited <MLPRO A/C>	23,708,283	11.41
4.	J P Morgan Nominees Australia Limited	13,238,479	6.37
5.	National Nominees Limited <DB A/C>	3,684,729	1.77
6.	Peter Alfred Ternes <Cloud Thirty Super Fund A/C>	3,500,000	1.68
7.	BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP>	3,413,089	1.64
8.	Amalgamated Dairies Limited	3,296,881	1.59
9.	Miningnut Pty Ltd	2,850,000	1.37
10.	Berne No 132 Nominees Pty Ltd <594138 A/C>	2,591,880	1.25
11.	Mr Samuel Gonzales Afdal	2,260,000	1.09
12.	BNP Paribas Noms Pty Ltd <DRP>	1,710,187	0.82
13.	Mr Carl Eric Holt & Mrs Lorraine Holt <Holt Super Fund A/C>	1,464,435	0.70
14.	HSBC Custody Nominees (Australia) Limited - A/C 2	1,178,370	0.57
15.	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd A/C>	1,005,743	0.48
16.	Mr Peter Alfred Ternes	975,000	0.47
17.	Brian John Greenfield & Virginia Elizabeth Greenfield <Greenfield Super A/C>	932,732	0.45
18.	Mr Michael William Corby	894,750	0.43
19.	Piama Pty Ltd <Fena Superannuation Plan A/C>	850,000	0.41
20.	Henry Berry Corporation Limited	838,000	0.40
Total: Top 20 holders of Ordinary Fully Paid Shares		**149,907,139**	**72.13**
Total: Remaining Holder Balance		**57,887,162**	**27.87**
Total: Ordinary Fully Paid Shares		**207,794,301**	**100.00**

SHAREHOLDER INFORMATION

(d) On market buy back

There is no current on-market buy back.

(e) Substantial shareholders

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

Name	Ordinary shares held	
	Number of shares	Percentage
Ruffer LLP	26,824,183	12.91%
Arbiter Partners	25,640,859	12.34%

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
□ 2,515,000 unquoted options to subscribe for ordinary shares exercisable at $1.00 per share, with an expiry date of 16 December 2018		
Persons holding 20% or more;	-	-
□ 650,000 unquoted options to subscribe for ordinary shares exercisable at $1.00 per share, with an expiry date of 9 February 2019		
Persons holding 20% or more;	-	
- Raul Conde Villanueva	500,000	77%
- Gary Raymond Powell	150,000	23%
□ 1,200,000 unquoted options (comprising of 4 equal tranches of 300,000 options per tranche) to subscribe for ordinary shares exercisable at the following tranche prices of $1.00, $1.25, $1.50 and $1.75 per share respectively, with an expiry date of 24 February 2020		
Persons holding 20% or more;	-	
- Boyd Walter Timler	1,200,000	100%

3. THE NAME OF THE COMPANY SECRETARY IS:

Mr Peter Stanley Alphonso

4. THE PRINCIPAL REGISTERED OFFICE OF THE COMPANY IS:

Suite 10, 100 Mill Point Road
South Perth,
Western Australia 6151

Telephone: +618 9474 1330
Facsimile: +618 9474 1342
Email: admin@medusamining.com.au

5. THE REGISTER OF THE COMPANY'S SECURITIES IS HELD AT THE FOLLOWING ADDRESS:

Computershare Investor Services Pty Limited
Level 11, Reserve Bank Building
172 St George's Terrace, Perth,
Western Australia 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:

□ The Australian Stock Exchange Limited (ASX)
(Trading quote: MML)

TENEMENTS SCHEDULE
for the year ended 30 June 2017

Name	Tenement ID	Registered Holder	Company's Interest [1] at		Royalty [2]	Area (hectares) at	
			30-Jun-15	30-Jun-16		30-Jun-15	30-Jun-16
Co-O Mine	MPSA 262-2008-XIII	PMC	100%	100%	-	2,539	2,539
	MPSA 299-2009-XIII	PMC	100%	100%	-	2,200	2,200
Co-O	APSA 00012-XIII	BMMRC	100%	100%	-	340	340
	APSA 00088-XIII	Phsamed	100%	100%	-	4,742	4,742
	APSA 00098-XIII	Philcord	100%	100%	1% NPI	507	507
	APSA 00099-XIII	Philcord	100%	100%	1% NPI	592	592
Saugon	EP 017-XIII	PMC	100%	100%	-	3,132	3,132
	EP 031-XIII 3	PMC	Relinquished	-	0	2,456	2,456
	EP 032-XIII	PMC	Relinquished	-	0	3,048	3,048
	EPA 00066-XIII	PMC	100%	100%	-	6,769	6,769
	EPA 00069-XIII 3	Phsamed	100%	100%	-	2,519	2,519
	EPA 00087-XIII 3	PMC	100%	100%	-	87	87
Tambis	MPSA 344-2010-XIII	Philex	100%	100%	7% NSR	6,208	6,208
Das-Agan	MPSA 343-2010-XIII	Das-Agan	Relinquished	-	0	3,810	3,810
Apical	APSA 00028-XIII	Apmedoro	Earning 70% (JV)		-	1, 235	1,235
Corplex	APSA 00054-XIII	Corplex	100%	100%	3% NSR	2,118	2,118
	APSA 00056-XIII	Corplex	-	100%	-	0	162
	APSA 00077-XIII	Corplex	100%	100%	4% GSR	810	810
	EPA 00186-XIII	Corplex	100%	100%	3% NSR	7,111	7,111
Sinug-ang	EPA 00114-XIII	Salcedo / PMC	100%	100%	-	190	190
Coal Project	COC No. 196	PMC	Relinquished	-	0	4,000	4,000
	COC No. 197	PMC	Relinquished	-	0	5,000	5,000

Notes:
1. The tenement schedule highlighted have been relinquished.
2. Royalties payable to registered holders, aside from the prescribed royalties' payable to the Philippine government and the Indigenous People.
3. Awaiting for approval and confirmation by MGB of area reduction

ABBREVIATIONS:

Tenement Types:

MPSA	Mineral Production Sharing Agreement
EP	Exploration Permit
APSA	Application for Mineral Production Sharing Agreement
EPA	Application for Exploration Permit

Registered Holders:

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

Royalty:

NPI	Net Profit Interest
NSR	Net Smelter Royalty
GSR	Gross Smelter Royalty

MEDUSA

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