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ANNOUNCEMENT
27 September 2018

2018 ANNUAL REPORT

(ASX: MML)

Please find attached a pdf version of Medusa's 2018 Annual Report which is also viewable on the Company's website at www.medusamining.com.au

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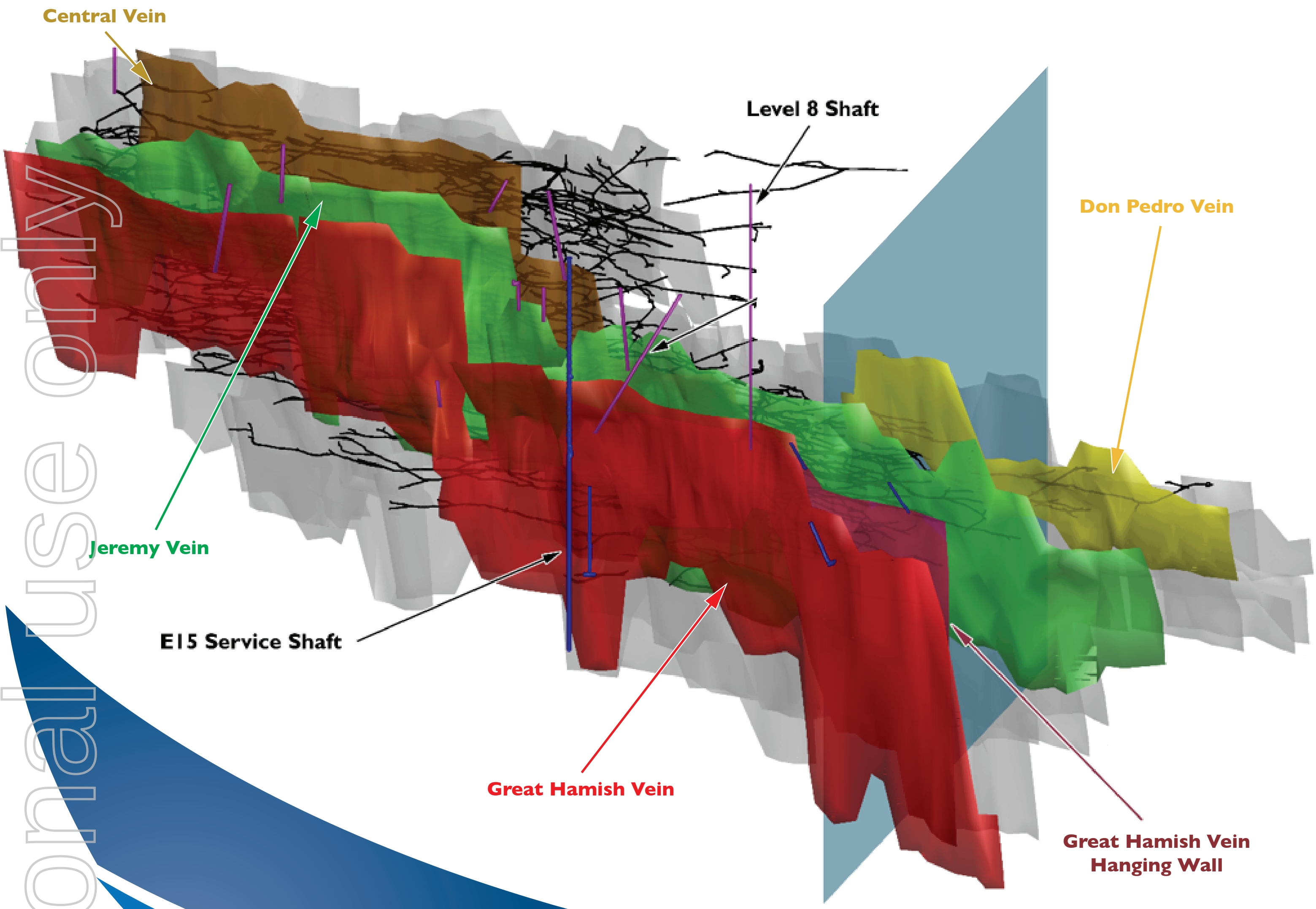

MEDUSA

ANNUAL REPORT 2018

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CORPORATE DIRECTORY

DIRECTORS

Andrew Boon San Teo
Non-Executive Chairperson

Raul Conde Villanueva
Executive Director

Roy Philip Daniel
Non-Executive Director

COMPANY SECRETARY

Peter Stanley Alphonso

EXECUTIVE MANAGEMENT

Raul Conde Villanueva
President Philippines subsidiaries

Peter Stanley Alphonso
Chief Financial Officer

David Angus McGowan
Chief Operating Officer

James Piñgul Llorca
General Manager, Geology & Resources

Patrick Chang
Corporate Development Officer & Investor Relations

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ABN 60 099 377 849

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Philippines:

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Makati City Philippines 1200

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

STOCK EXCHANGE LISTING

Australian Stock Exchange Limited (ASX)
Trading Code: MML

HIGHLIGHTS OF FINANCIAL YEAR 2018

FINANCIALS

Description	Unit	30 June 2018	30 June 2017 (2)	Variance	(%)
Revenues	US$	US$124.6M	US$100.1M	US$24.5M	24%
EBITDA (1)	US$	(US$25.3M)	(US$29.8M)	US$4.5M	15%
NPAT (1)	US$	(US$55.6M)	(US$56.7M)	US$1.1M	2%
EPS (basic)	US$	(US$0.267)	(US$0.273)	US$0.006	2%

Notes:

(1) includes asset impairment losses of US$81.1M for year ended 30 June 2018 and US$70.8M for year ended 30 June 2017;

(2) Restated accounts relating to prior year adjustments due to change in accounting policy. EBITDA, NPAT and EPS (basic) previously reported were (US$35.2M), (US$62.1M) and (0.299) respectively.

- Revenues of US$124.6 million compared to US$100.1 million for the previous year, an increase of 24%.

  Medusa is an un-hedged gold producer and received an average gold price of US$1,293 per ounce from the sale of 96,056 ounces of gold for the year (2017: 79,194 ounces at US$1,256 per ounce);
- Earnings before interest, tax, depreciation and amortisation (“EBITDA”) of (US$25.3 million) which includes asset impairment losses of US$81.1 million (2017: EBITDA of (US$29.8M) which includes asset impairment losses of (US$70.8M));
- Basic earnings per share (“EPS”) of (US$0.267) on a weighted average basis, based on NPAT of (US$55.6 million) (2017: EPS of (US$0.273) based on NPAT of (US$56.7M));
- The Company increased cash and cash equivalent in gold on metal account to US$15.1 million at 30 June 2018 (2017: US$11.5M);
- Depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US$29.2 million (2017: US$18.0M);
- US$14.6 million was expended on capital works associated with the new shaft construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2017: US$16.2M);
- Exploration expenditure, inclusive of underground diamond drilling, was US$5.4 million (2017: US$12.3M);
- Capitalised mine development costs totalled US$24.5 million for the year (2017: US$27.6M); and
- Corporate overheads of US$7.3million (2017: US$6.7M).

HIGHLIGHTS OF FINANCIAL YEAR 2018

OPERATIONS

Description	Unit	June 2018	June 2017	Variance	(%)
Ore mined	WMT	550,400	564,965	(14,565)	(3%)
Ore milled	DMT	494,989	499,733	(4,744)	(1%)
Head grade	g/t	6.33	5.33	1.00	(19%)
Recovery	%	94.7%	94.3%	0.4%	-
Gold produced	ounces	95,705	80,743	14,962	19%
Cash costs [(1)]	US$/oz	$562	$595	($33)	(6%)
Gold sold	ounces	96,056	79,194	16,862	21%
Avg gold price received	US$/oz	$1,293	$1,256	$37	3%

Note:

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

- The Company produced 95,705 ounces of gold for the year at an average recovered grade of 6.33 g/t gold which was above the upgraded production guidance (June 2017: 80,743 oz at an average recovered grade of 5.33 g/t gold);
- The average cash costs of US$562 per ounce, inclusive of royalties and local business taxes, was lower than the previous year's average cash costs of US$595 per ounce; and
- All-In-Sustaining-Costs ("AISC") for the year was US$1,083 per ounce of gold (2017: US$1,374 per ounce).

CORPORATE

Dividend:

No dividends were declared nor paid during the year.

Board appointment/resignations:

- Mr Ciceron Angeles, a Non-Executive Director retired from the Board on 31 October 2017;
- Mr Peter Hepburn-Brown re-joined the Medusa Board as a Non-Executive Director on 15 June 2018; and
- On 15 June 2018, Mr Boyd Timler advised that he would be retiring as Managing Director effective 6 July 2018.

Management changes:

- Mr Andrew Teo assumed the role of Interim Chief Executive Officer following the retirement of Mr Boyd Timler, whilst the search for a replacement CEO is undertaken; and
- Mr David McGowan, previously General Manager - Engineering, was promoted to the role of Chief Operating Office on 15 June 2018.

CHAIRMAN'S REVIEW

Dear Shareholder,

I am delighted to present the Annual Report for the 2018 Financial Year ("FY") following a strong year at Medusa Mining Limited ("Medusa" or the "Company"). In FY18 we maintained our position as a high-grade, sustainable and self-funding gold producer. We concluded FY18 on a positive note by achieving the following milestones:

- Production of 95.7koz, exceeding both our initial and upgraded guidance, exclusive of the E15 Service Shaft (E15");
- All-In-Sustaining-Costs ("AISC") in-line with our revised guidance of between US$1,000/oz to US$1,150/oz;
- Continued ore reserves and mineral resources delineation to best plan and schedule long-term mining operations;
- Exploration work on our near-mine projects resulted in the identification of promising drill ready targets which we look forward to test in the current FY;
- Development of the Company's culture by ensuring there is ownership at all levels of the organisation in achieving our goals and vision of sustainable, profitable growth with our established licence to operate in the Philippines;
- The Company has maintained its licence to operate by maintaining high community, safety and environmental standards; and
- An early stage but important step towards diversification through an exploration farm-in agreement in Queensland, Australia, which were announced in early July 2018.

Medusa continued to generate free cash from its activities. The year started with a cash position (and equivalents) of US$11.5M and as at 1 July 2018, Medusa was at US$15.1M. This was achieved after all internal capital requirements, including the E15, as well as US$6.9M reduction in creditor/borrowings during the year.

Medusa's key infrastructure project - the E15 Service Shaft, is expected to achieve practical completion in October 2018. It is anticipated that the E15 will increase the Co-O mine's overall skipping capacity by alleviating the burden of manpower and material movements. Completion of this infrastructure will also facilitate the establishment of more ideally located drilling stations for continued expansion of the Co-O resources. In addition, the Company has also commenced the construction of winzes from Level 10 to lower levels. This focus will ensure the deeper high-grade ore reserve blocks are sufficiently developed when the E15 is commissioned.

The exploration push has been channelled into defining the mineral resource limits of the Co-O mine. By year-end we will have a greater understanding of the controls on the vein system with the completion of the resource drilling program from Levels 8 and 9 indicating that the epithermal vein system is still open at depth and to the east.

Results show the main Great Hamish vein on Level 16 extends at depth and to the east on Level 16, but the other main veins between Level 8 and Level 12 have taken up the gold endowment to the north and east that remain open down plunge. This drilling resulted in a resource grade improvement of almost 14% with a slight reduction on tonnes and ounces based on vein width. The reserves now sit at 1.52 million tonnes, grading 6.69 g/t, for 327,000 ounces of gold. This year's drilling program focused on better understanding the orebody characteristics to mitigate risk to gain higher levels of resource confidence. The indicated resource to reserve conversion was 76% for the April 2017 reporting.

Our near mine surface exploration program has identified two promising targets which we plan on drill testing in the current Financial Year. Both prospects are located within a 3km radius of our existing operation and on granted MPSAs, thereby significantly enhancing the potential to contribute to mill feed should exploration be successful.

The Royal Crowne Vein Prospect corresponds to a 200 metres plus projected vein segment along the northern portion of the 1,500 metres long Sinug-ang vein system that has not been fully tested by drilling. The prospect is located within a historic small-scale mining site noted for its high-grade (i.e. >5 g/t gold) narrow intermediate sulphidation gold-sulphide vein deposits.

The Durian Prospect is defined by an oblong-shaped moderate to high IP chargeability anomalous zones with coincident low resistivity anomalous zones. The geometry of the IP chargeability anomaly suggests potential gold epithermal vein mineralisation associated with either a diatreme structure and/or a shallow intrusion.

The tenement rationalisation has resulted in our regional tenement position being refocused from 596km^2 to 410km^2, retaining just the prospective ground. Going forward, regional focus in the short-term will remain in the Co-O mine and near mine vicinity.

We concluded FY18 with above guidance production and an enhanced cash and bullion position. I am confident we are on the right path of continued and sustainable success. On behalf of the Board and all employees, I would like to thank all our valued shareholders for your continued and ongoing investment in Medusa and I look forward to the Company's next phase of growth in FY19.

REVIEW OF OPERATIONS

HIGHLIGHTS

Co-O OPERATIONS:

"For the financial year ending 30 June 2018 the Company achieved production of 95,705 ounces, above the guidance of 85,000 to 95,000 ounces of gold; an 18% increase on the previous year."

- Annual gold production totalled 95,705 ounces, with annual gold sales of 96,056 ounces at cash costs of US$ 562 per ounce;
- The annual AISC was US$1,083 per ounce, an improvement of 21% from the previous year. The ASIC includes continued capital costs portions related to the infrastructure projects progressed and exploration expenditure in FY 2017/18;
- Mill recoveries remained high at 94.7% for the year;
- Diversion and catchment dams and channels were constructed at the Tails Storage Facility ("TSF") to improve water catchment and recycling, and diversion of creeks and rain water away from the TSF infrastructure;
- The E15 Service Shaft ("E15") sinking operations were completed and shaft fit out is in progress with expected completion in the second half of 2018;
- There are now four winzes (internal inclined shafts) operating from Level 8 down to Level 9, Three of these winzes also service level 10. Another winze is in development from Level 8, down to the Level 12, it will also service Levels 9, 10 and 11;
- Level 9 is now operational with development and stoping operation occurring on all major vein structures; and
- Development on Level 10 has advanced with the 12E winze now linked with the E15 Service Shaft and ore development commencing.

GROUP ORE RESERVES AND MINERAL RESOURCES:

"The company has also maintained its ore reserves position at 327,000 ounces compared to FY 2016/17 reserve ounces of 345,000 ounces."

"The Company's ore reserves are currently estimated at 327,000 ounces, after mining depletion, compared to FY 2016/17 reserve ounces of 345,000 ounces. These ore reserve only accounted for 8 months of drilling and development (30 April 2017 to December 2017 data cut-off date) to ensure the annual resources and reserves update was better aligned to the full year financial reporting."

Table I. Total Mineral Resources and Ore Reserves estimates as at 31 December 2017.

Deposit	Category	Tonnes [4]	Grade [4] (g/t gold)	Gold [4] (ounces)
MINERAL RESOURCES [1,2]				
Co-O Resources [1] (JORC 2012)	Indicated	1,389,000	10.93	488,000
	Inferred	1,141,000	10.30	378,000
Total Co-O Resources	**Indicated & Inferred**	**2,530,000**	**10.65**	**865,000**
Bananghilig Resources [2] (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 2004)	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**	**9,526,500**	**3.05**	**932,900**
TOTAL RESOURCES	**Inferred**	**1,375,000**	**9.32**	**412,000**
TOTAL RESOURCES	**Indicated & Inferred**	**10,901,500**	**3.84**	**1,344,900**
ORE RESERVES [2]				
Co-O Reserves [2] (JORC 2012)	Probable	1,520,000	6.69	327,000
TOTAL RESERVES	**Probable**	**1,520,000**	**6.69**	**327,000**

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; and
[4] Rounding to the nearest 1,000 may result in some slight apparent discrepancies in totals used in all tables.

Mineral Resources:

Co-O:
- a minimum lower block cut-off of 3.2 gram*metres/tonne accumulation, which incorporates minimum mining widths of 1.25 metres or 1.5 metres (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:
- Indicted 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; and
- 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; and
- a gold price of US$1,500 per ounce has been applied.

TSF#1 Tailings:
- a lower cut-off of 0.85 g/t gold has been applied;
- a Bangka drilling was undertaken using grid spacing of 25 metres by 25 metres; and
- 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 50% recovery factor was applied to all pillars;
- 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; and
- a gold price of US$1,275 per ounce has been applied.

EXPLORATION ACTIVITIES:

“The Company’s rationalised tenement portfolio has not changed and covers approximately 410 km^2 of the richly endowed and highly prospective Central Pacific Cordillera of Eastern Mindanao.”

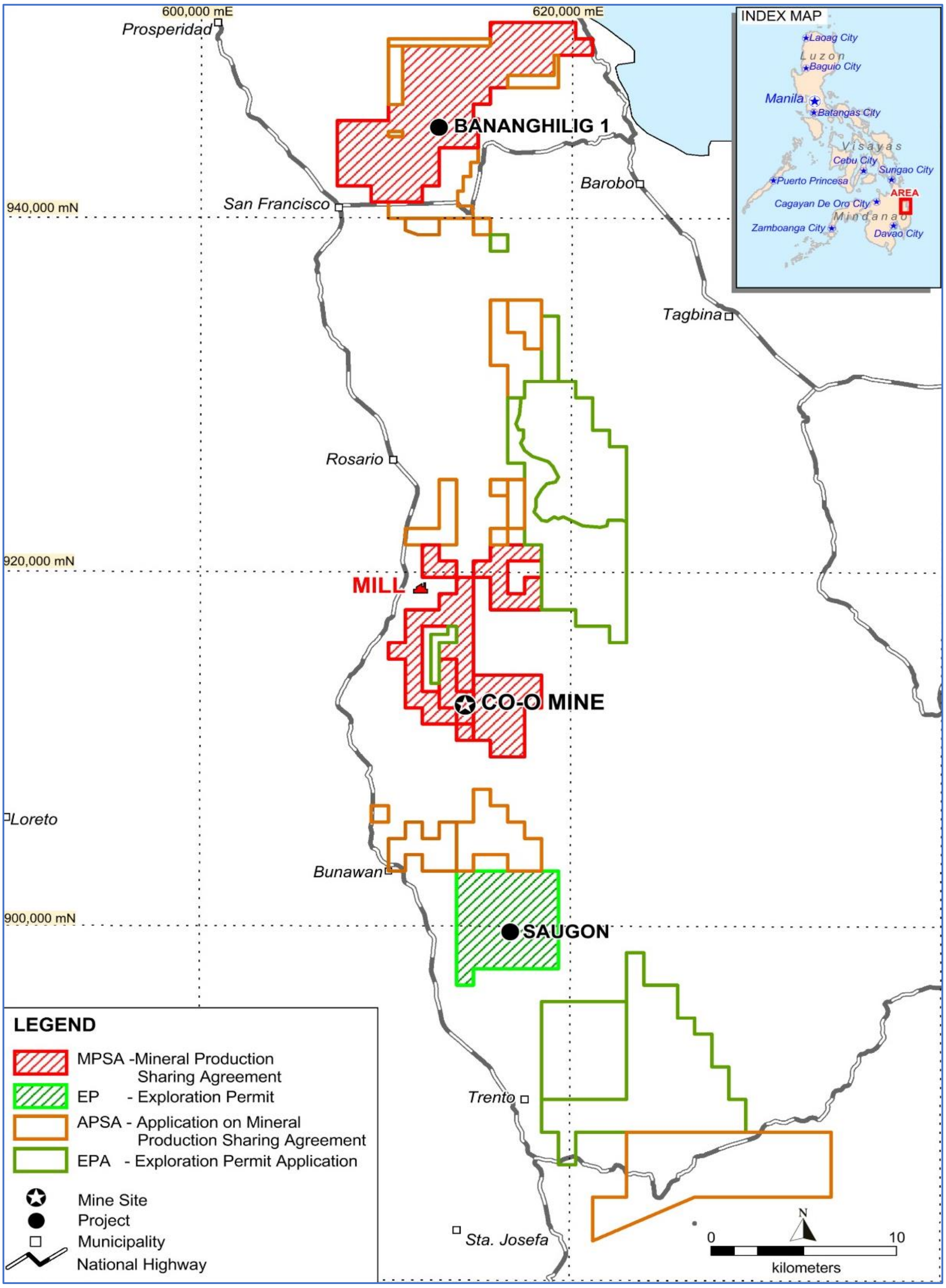


Figure 1: Eastern Mindanao tenement location plan, showing consolidated tenement outlines, mines, deposits and prospects.

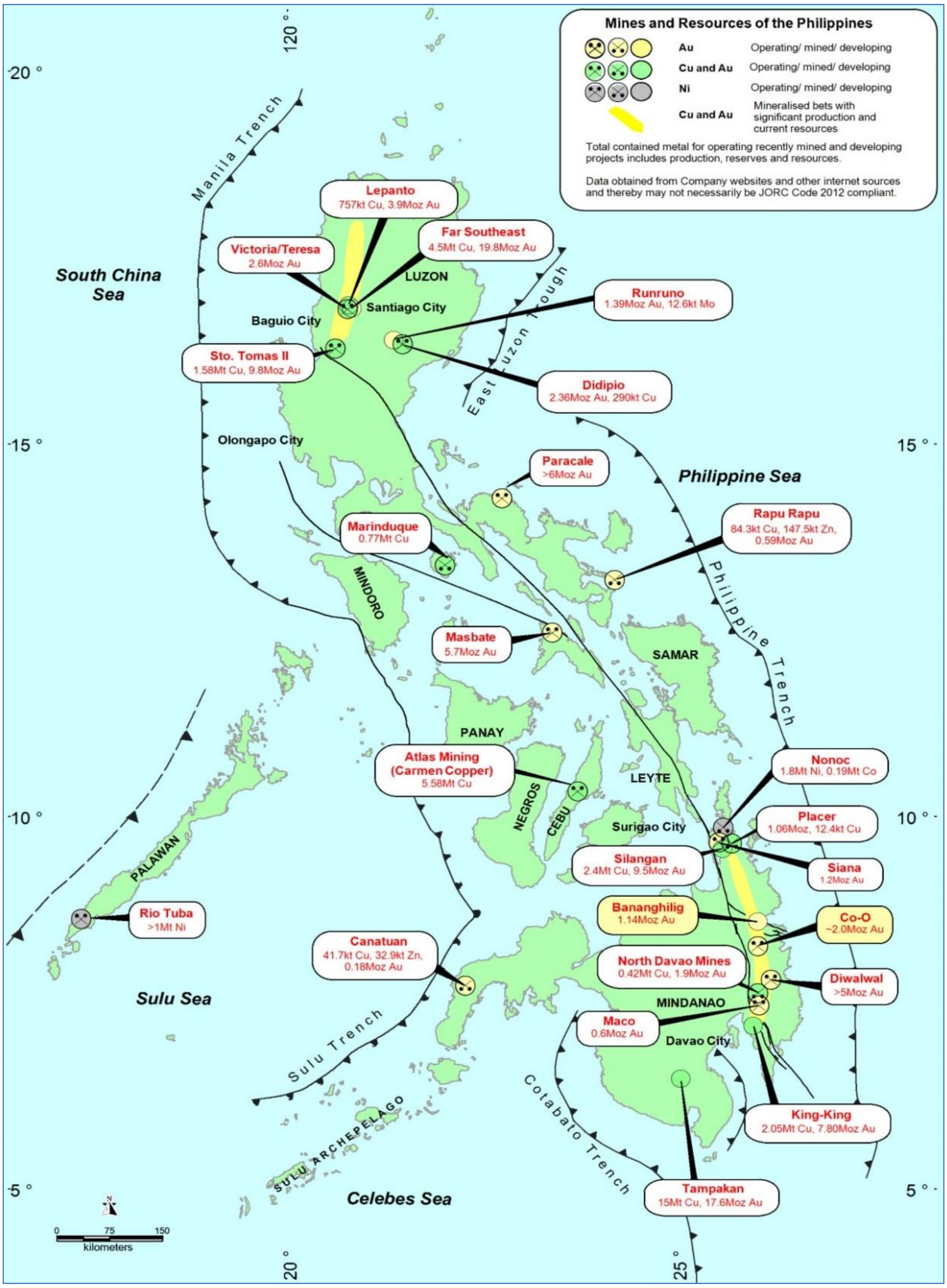


Figure 2: Location diagram of the Company's main project areas in relation to the significantly mineralised belts of the Philippines.

EXPLORATION - PHILIPPINES

Co-O MINE

The drilling program designed to focus on better understanding the geological limits of the main epithermal veins, particularly the eastern and down plunge limits of the Great Hamish Vein ("GHV") has been successful at fulfilling this objective. Importantly it shows the vein is again returning high grade economic intercepts at and below Level 12, and remaining open to the east and down dip.

The drilling has also continued to confirmed the interpretation of the structural controls. This is validated with the results seen on the Jereme ("JV") and Don Pedro ("DPV") veins to the east from Level 8 to Level 11 having yielded 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 fiscal year ("FY") 2017/18 focused on the evaluation of prospects within the Co-O and Tambis tenements, review of Philsaga Minng Corporation ("PMC") granted tenements and applications. 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 GOLD 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 PROJECT

The Tailings Storage Facility ("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 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 in underway into the feasibility of mining and processing this material, including detailed metallurgical testing. The objective of this work is to determine the best option for gaining value from TSF #1 resource.

DURIAN PROJECT

This is a new project within the tenements resulting from a detailed review of exploration geophysical data that showed the presence of a convergent semi-circular shaped moderate to high IP chargeability anomaly within a 1km radius north of Co-O Mine. The Co-O Vein System is emplaced along the peripheral southern portion of this IP anomaly. The geometry and tenor of the IP anomaly coupled with the lithologic distribution suggest the potential presence of a structurally controlled vein-style mineralisation associated with a diatreme and/or shallow intrusion.

The North and Northeast portions of the IP anomaly - which is underlain by argillic altered andesitic volcanics with minor quartz-sulfide stockworks, has not been drill tested. A six hole 2,500 metre scout drilling program is planned for the first half of the next fiscal year, to test the potential presence of a vein-style mineralisation analogous to the Co-O Vein System at the west and east portions of the identified IP anomaly.

OLD SINUG-ANG & ROYAL CROWNE VEIN PROJECTS

Two scout drilling programs were scheduled for implementation in FY 2017/18 targeting the Sinug-ang (i.e. Banbanon Vein segment) and Calavera Vein Systems located within MPSA 262-P2, which is roughly within a 2km radial distance from Co-O Mine. These were later suspended due to unresolved access concerns with local stakeholders. Fortunately by the 4th Quarter of the fiscal year, a successful breakthrough discussions with stakeholders enabled access into the Old Sinug-ang area where the 500 metre long northern segment of the Sinug-ang Vein System - referred to as the North Sinug-ang Vein Segment, traverses.

The Old Sinug-ang area is a historic small scale mining ("SSM") site extracting narrow (i.e. < 1 metre wide), high grade (i.e. > 5.0 g/t gold) veins, that has been actively producing gold since the late 1980's. A 200 metre plus segment named the Royal Crowne Vein, of the 500 metre long North Sinug-ang Vein remains untested by drilling. This prospect is roughly 3km from the PMC Mill site.

EXPLORATION - OVERSEAS

CAMBODIA GOLD PROJECT

On 10 January 2018 the company announced that it had entered into a Memorandum of Understanding ("MOU") with SEA Resources Pty Ltd, Sovann Resources Co., LTD (a related Cambodian entity of SEA Resources Pty Ltd) and the shareholders of Sovann (collectively, referred to as "SEA") regarding an exploration opportunity in the Prek Kampi region of Cambodia.

Under the terms of the MOU, Medusa and SEA had until 1 March 2018 to finalise the Earn-in Agreement. The Earn-in Agreement was not finalised by 1 March 2018. As a result, the MOU expired and Medusa will not pursue this exploration opportunity as mutally agreed by both SEA and the Company. A public disclosure was made on the (ASX) as at 2 March 2018.

Medusa remains committed to expanding its presence in Asia Pacific as part of its longer-term strategic diversification plan.

QUEENSLAND EPITHERMAL GOLD & PROPHYRY COPPER PROJECT

The company announce as at 5 July 2018 that it has entered into an earn-in agreement (EIA) with Ellenkay Gold Pty Limited (Ellenkay) regarding two exploration projects in Central Queensland, Australia.

The Hill 212 (EPM 26217) exploration project is an epithermal gold-silver opportunity approximately 30km east of Mt Coolon. The Mt Clark West (EPM 26008) exploration project is a porphyry copper-gold opportunity approximately 24km northwest of Nebo. Both projects have well defined drill targets generated through previously completed geochemical and geophysical work programs.

Ellenkay currently has a 100% interest in both projects and under the terms of the EIA, Medusa may earn an equity position of up to 90% in either or both projects by managing and funding work programs through to the completion of a Pre-Feasibility Study.

Co-O OPERATIONS

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 2017 and 2018.

Description	Unit	June 2018	June 2017	Variance	(%)
Ore mined	WMT	550,400	564,965	(14,565)	(3%)
Ore milled	DMT	494,989	499,733	(4,744)	(1%)
Head grade	g/t	6.33	5.33	1.00	19%
Recovery	%	94.7%	94.3%	0.3%	-
Gold produced	ounces	95,705	80,743	14,962	19%
Cash costs (1)	US$/oz	$562	$595	$33	6%
Gold sold	ounces	96,056	79,194	16,862	21%
Average gold price received	US$/oz	$1,293	$1,256	$37	3%

Note:

(i) Net of capitalised development costs and includes royalties and local business taxes.

- The Co-O Mine produced 95,705 ounces of gold at an average head grade of 6.33 g/t gold for the year. This is 19% higher than the previous year reflecting the focus on controlling dilution and mining higher quality ore;
- The average cash cost for the year of US$562 per ounce, is 6% lower than the previous year due primarily to higher gold production resulting from better ore grades; and
- All-In-Sustaining-Costs ("AISC") for the year was US$1,083 per ounce of gold and includes cash production costs, royalties, mine development, capital works (including the E15 Service Shaft) and associated sustaining capital, exploration expenditure and corporate overheads.

FY2018-19 Production Guidance

The production guidance for the fiscal year ("FY") 2018/19 at the Co-O mine is expected to be between 90,000 to 100,000 ounces at AISC of between US$1,050 to US$1,150 per ounce.

The guidance is provided on the expectation that the E15 Service Shaft will achieve practical completion in October 2018 and provide a meaningful contribution in the second half of FY 2018/19, following commissioning.

As stated above, the guided AISC includes cash production costs, royalties, mine development, capital works (including the E15 Service Shaft) and associated sustaining capital, exploration expenditure and corporate overheads.

The Company has budgeted significantly increased exploration expenditure associated with:

- Testing potential depth extensions of the Co-O orebody, resulting from better drilling positions available on L10; and
- Testing high grade priority targets near Co-O, including the Royal Crown Vein and Durian, as highlighted in the June 2018 Quarter report.

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.

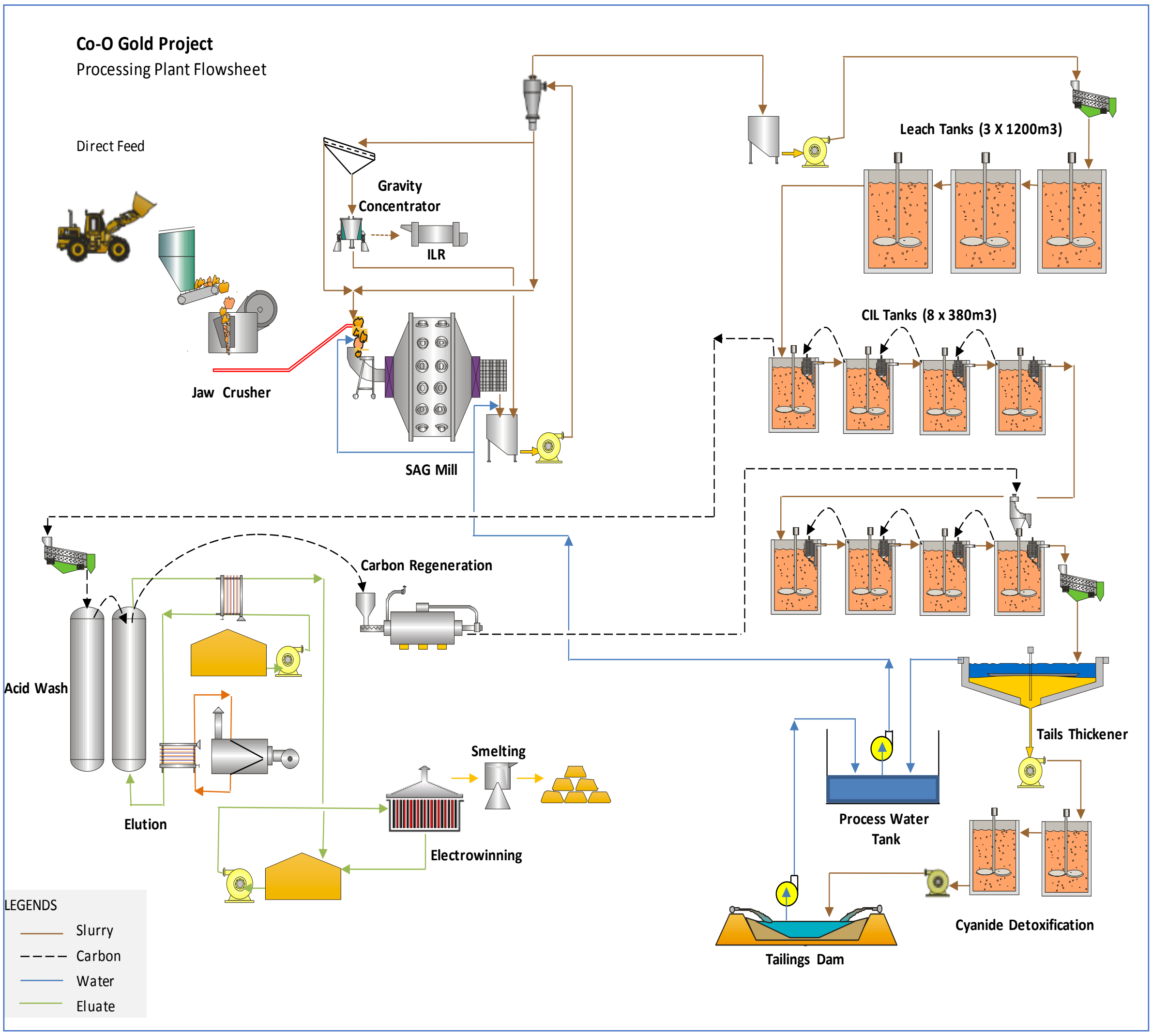


Diagram 1: Co-O Process Plant flow chart.

The Co-O mine is 6km from the process plant, with a 12km 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 of 94.7%, with head grades of 6.33 g/t gold.

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 FY 2018/19 period, improving in the March quarter when the E15 Service Shaft is expected to be fully operational enabling greater hoisting capacity from the L8 Shaft.

The Mill does not require any major works, upgrades or refurbishments for the current Life-Of-Mine-Plan ("LOMP"). Tails Storage Facility ("TSF") #5 was completed last year and expected to provide adequate TSF capacity for next 3 years. Work has already commenced on the planning and design of TSF #6.

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 are 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 9 normally average 1,000 metres from West to East. Levels are developed 50 meters apart vertically, putting Level 8 approximately 450 metres below surface. There are four winzes operating between Level 8 and Level 9 with three of these also servicing Level 10. Another winze is 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.

The E15 Service Shaft, a new man and materials shaft, is being developed from the surface to Level 10. The sinking and excavation portion of the was completed during the year and is now being fitted out, commissioning of the shaft is expected to be completed in late 2018. When operational the E15 Service Shaft will transport the majority men and materials underground enabling the L8 Shaft to be utilised more for hoisting of rock.

As reserves are diminished from the upper levels, the utilisations of the Portals, Agsao and Baguio shafts for hoisting of ore will reduce partially offsetting the increased skipping expected from L8 Shaft.

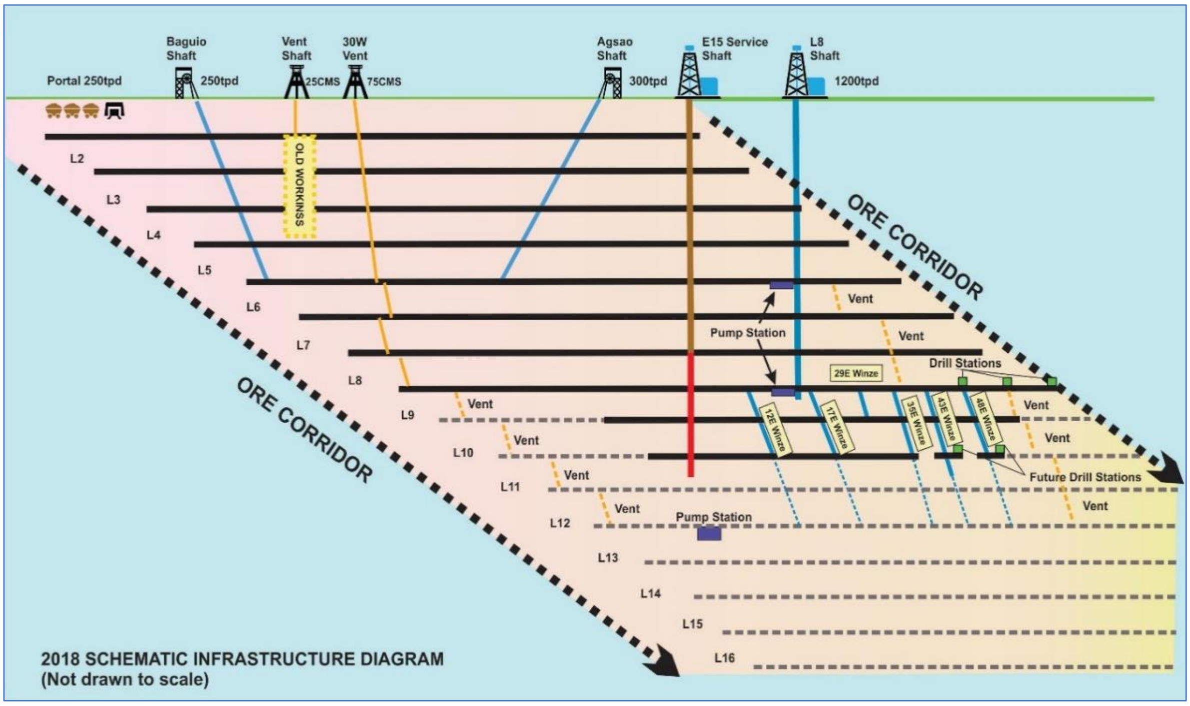


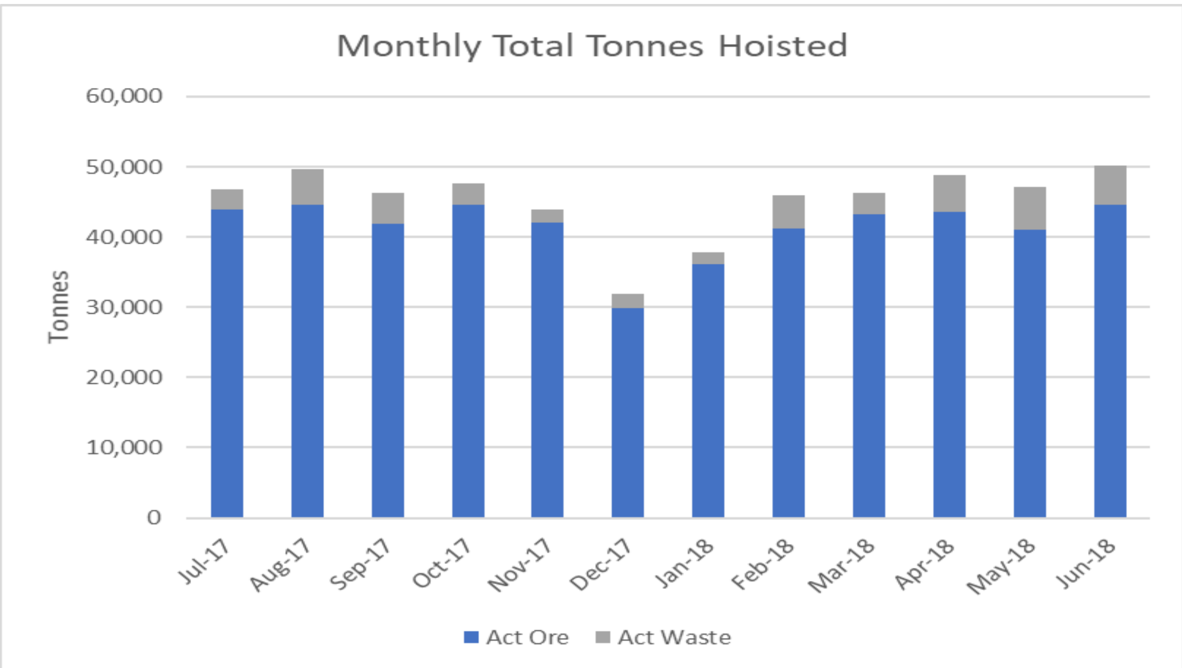
Diagram 2: Shows location of major infrastructure in the Co-O mine.

REVIEW OF OPERATIONS

During the FY2018 the underground mine was limited by hoisting capacity and limited number of high grade stopes in the upper levels of the mine. Access to high grade areas on levels 8 and 9 coupled with the implementation of improvement projects resulted in better than guidance result for the year.

Some the key improvement projects were;

- Commissioning and implementation of the Level 8 pump station. The construction and installation of new pumping station on Level 8 has been completed at end of 2016/17. Commissioning was completed in July 2017 and have operated at design capacity since. Since commission flooding on levels 8 and 9 have almost been eliminated and savings in power and pump maintenance are evident. The pump station is currently operating at high than design capacity and with increase production occurring at level 8 and below, the pump station will be expanded to cater for the increased pumping requirement;
- Refurbishment of Level 5 Pump Station. This involved increasing the size of the pump station excavation to allow good mounting of the pumps and better access for good maintenance practices. This work was completed in November 2017 and has significantly reduced the incidence of flooding on levels 3, 4, 5, and 6. The system is proving to be reliable and effective making the old stage pumping system redundant, and reduced costs through reduced power consumption and reduced pump maintenance;
- Major Shaft maintenance projects were carried out during periods of low productivity such as Christmas-New Year and Easter. This work was planned in advance and executed as planned, minimising disruption to mines planned production;
- Greater utilisation of old empty stopes for backfilling reducing the hoisting of waste to the surface;
- L8 shaft productivity improvement project. Through the findings of investigation into lost time incidents, a new shaft management system was implemented, which gave better availability for hoisting of rock. Further investigations identified traffic congestion on level 8 as a major impairment in improving hoisting productivity of the shaft. Changes have been made to better control traffic on Level 8, allowing more rock to be tipped into the shaft passes;
- 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;
- Improved loading of internal shaft skips, A review of the operations of the internal shafts on 8 level showed the productivity of the shafts could be improved through better ore pass and loading arrangements. A new design has been developed and being implemented in to the shafts as they are developed. Trials on the 43E Winze indicate improved shaft hoisting productivity and less congestion on the level resulting in improved productivity from level haulage;
- Level 9 is now operational with development and stoping operation occurring on all major vein structures and all internal Winzes have been connected with horizontal development; and
- Integration of the long-range planning, short-range planning and mine geology data has improved the planning and scheduling process of the mine. This is being expanded to include project management to improve the design, planning and implementation of future infrastructure projects.



Graph 1: Co-O Mine tonnes hoist for FY17/18 by month.

The mine tonnes hoisted were more consistent this year with each month hoisting between 45,000 to 50,000 tonnes per month. The exceptions were December and January when miner attendance at the mine is low due to the Christmas - New Year holiday. Major Shaft maintenance was carried out during this period. While productivity from L8 shaft improved in the last quarter, it was offset by reduction in hoisting from the Portals and Baguio Shaft.

Production from level 3 was completed in December 2017 the level has now been sealed up.

Stoping methods

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

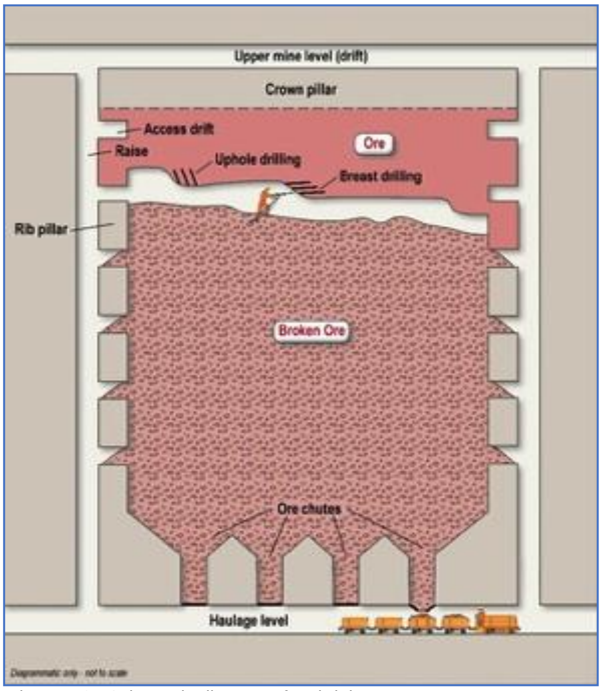


Diagram 3: Schematic diagram of a shrink stope.

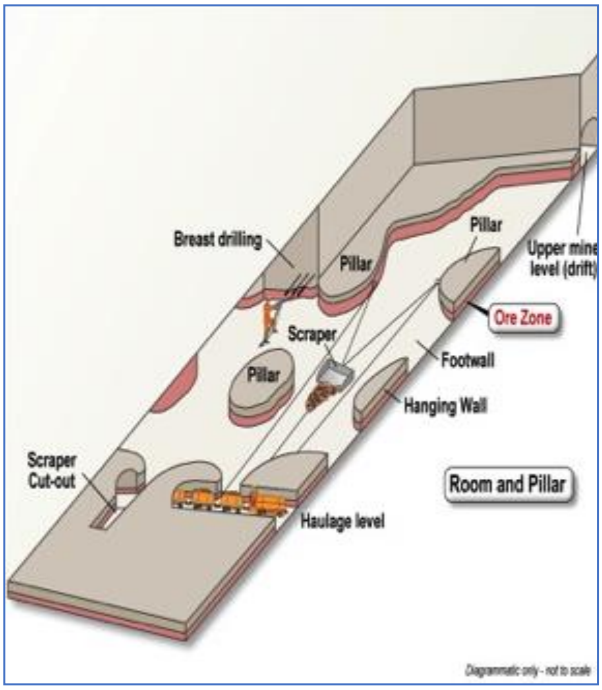


Diagram 4: Schematic diagram of a room and pillar (slot) stope.

(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*

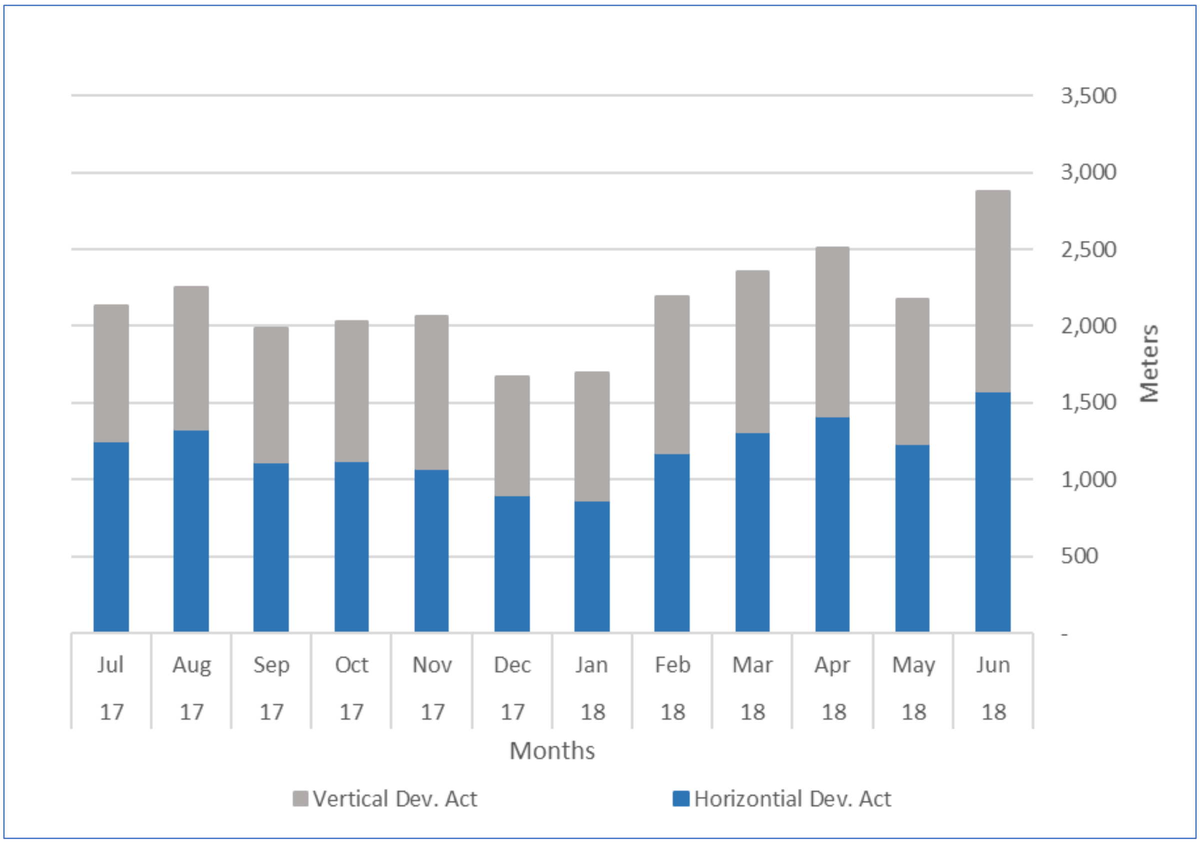
This method is used on the low-angle veins where the ore would not naturally flow to the draw points. (Diagram. 4). The broken ore needs to be scraped to the haulage Level by mechanical slushers, and pillars need to be left behind for ground support. The minimum mining width for low angle veins is 1.5 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.

Development

Development and stoping continued on Levels 2, 4 ,5 ,6 ,7 ,8 ,9 and 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 25,945 metres of horizontal and vertical development was completed in FY 2017/18. This was an increase of 16% 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 2 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 lower levels.



Graph 2: FY17-18 mine development (horizontal and vertical) by month.

L8 Shaft

Major planned maintenance on the shaft and the winder were carried out during scheduled maintenance days (Sundays and over the festive period Christmas - New Year. This work included rope changeout, change out of winder braking components, replacements of worn components in the shaft. The disciplined approach to inspections and planned maintenance has seen maintenance down time for the shaft reduce.

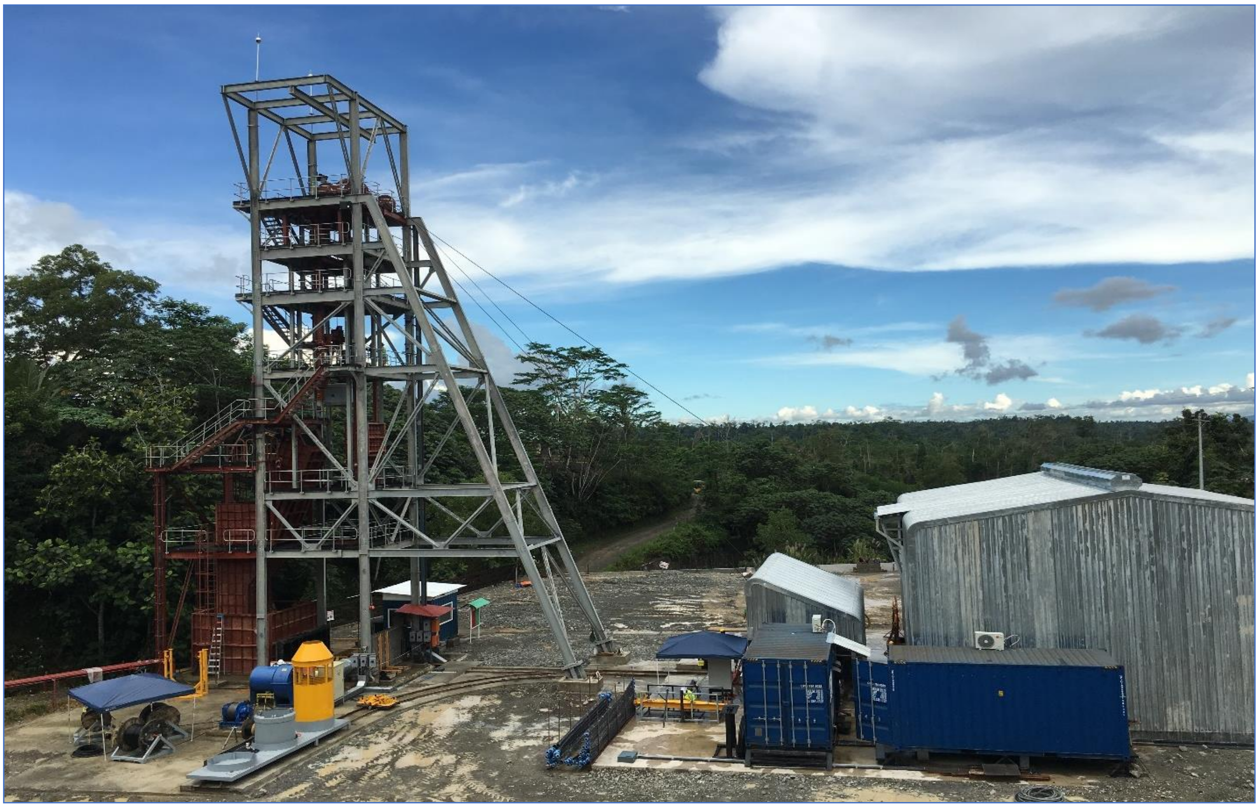
A similar disciplined approach to the planning of hoisting materials and closer management of the man carrying duties of the shaft have resulted in better utilisation of the shaft for rock hoisting duties. Productivity improvement project were also carried out which have seen the daily shaft hoisting tonnes consistently match the technical limits for the shaft.

When the E15 Service Shaft is operational, the L8 Shaft hoisting capacity will improve further as it will become utilised more for hoisting.

E15 Service Shaft

All critical parts, including the lower shaft steel work have arrived on site and final assembly of the E15 Service Shaft is well underway (Figure 1). The Company expects all outstanding construction work to be completed in October for commissioning.

Once fully operational, the E15 Service Shaft is expected to take the burden of manpower and material movements from the L8 Shaft, allowing for a significant increase in L8's skipping capacity and expediting development and production on the lower mine levels. Importantly, completion of this key infrastructure would also facilitate the establishment of more ideally located drilling stations for continued expansion of the Co-O Resources and Reserves in due course.



Picture 2: E15 Service Shaft - Head Frame and winder houses.

Picture 3: Current progress of E15 Service Shaft installation.

Internal Winzes (shafts) from Level 8 to Level 10

By the end of the FY 2017/18, five primary winzes (internal inclined shafts) were in operation hoisting from Levels to Level 8, the 17E, 29E and 48E winzes service Level 9 while the 12E winze and 43E winzes service both Level 9 and 10. The 48E winze has reach the 10 level but not yet fitted out with the loading pocket.

Development on Level 9 is now advanced such that it is now operational with development and stoping operation occurring on all major vein structures.

Development of Level 10 has commenced with the 12E winze now linked to the E15 Service Shaft, work is also progressing on development to link 12E, 35E, 43E and 48E winzes and to establish diamond drill stations.

The 35E is being developed and has reach Level 9 and continuing to be developed to Level 12. Once complete the other winzes will systematically be extended to 12 Level.

Primary Ventilation

The initial primary ventilation upgrade project was completed last year, work has continued to further improve the primary ventilation in the lower levels. Work has commenced to establish a primary ventilation circuit in the eastern area of the mine which will allow better distribution of ventilation around the working areas.

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 to 2017 Annual Reports.

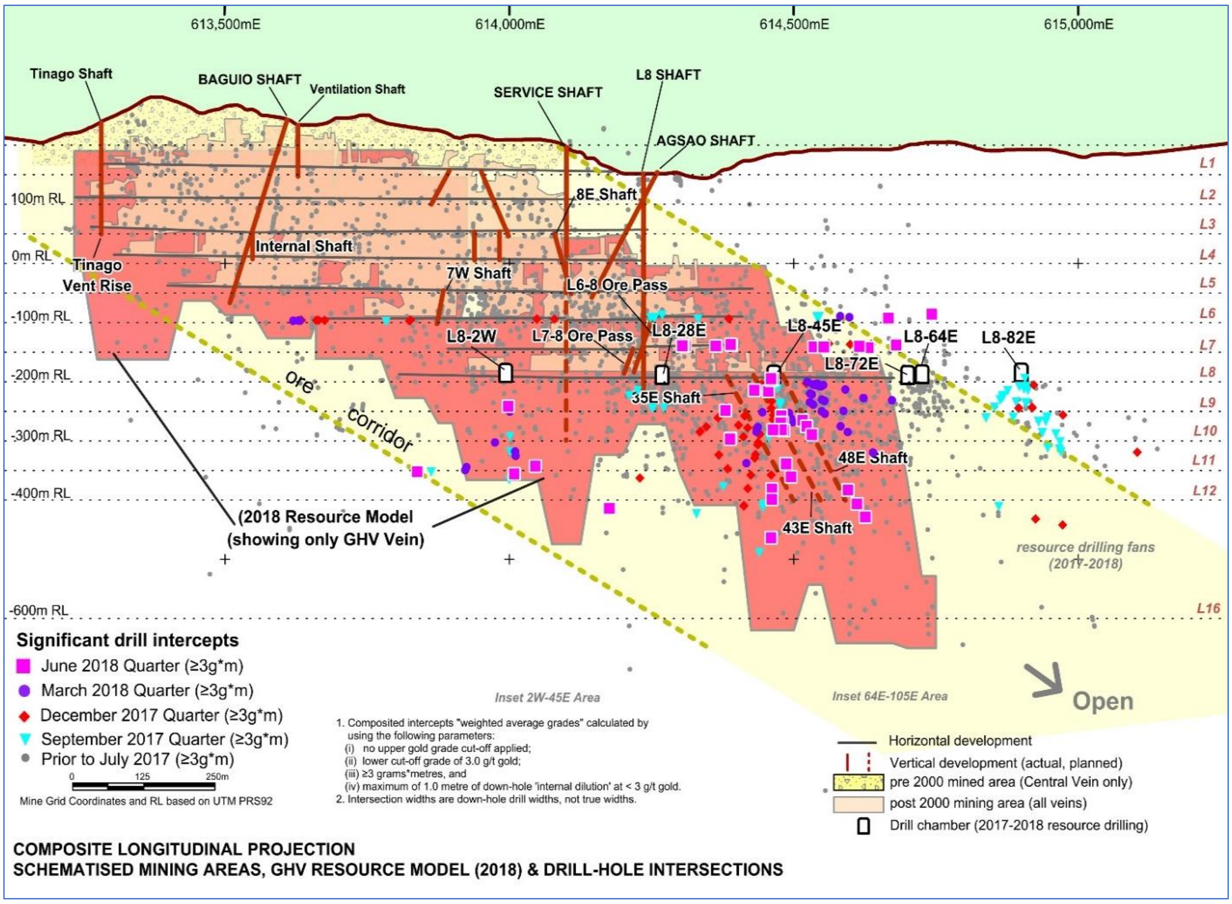


Figure 3: Co-O Mine composite longitudinal projection showing the locations of reported significant drill intercepts (since 2010), underground development, E15 Service Shaft. The 2018 Indicated and Inferred resource model (red) is also shown, demonstrating the potential for down plunge extensions at depth.

During the past 8 months, the Company 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 review, re-interpretations and re-modelling of the Co-O Mine underground geology achieved a number of key objectives:

- Maintained a higher Level of confidence in the Co-O resources as per the high conversion rate to reserves;
- Greater understanding of the structural controls on the epithermal gold system created by the Diatreme Intrusive contact as indicated on Figures 4 & 5; Idealized Long-section and cross-sections of the Co-O deposit; Figure 5 is a representation of Level 10 and how the Diatreme is influencing the pinch out of Great Hamish Vein. Figures 6 & 7 indicate the geological complexity of the Co-O vein system, it’s primary veins and the numerous associated splay veins; and
- Defined and confirmed the eastern geologic limit to the main GHV between Levels 10 and 14.

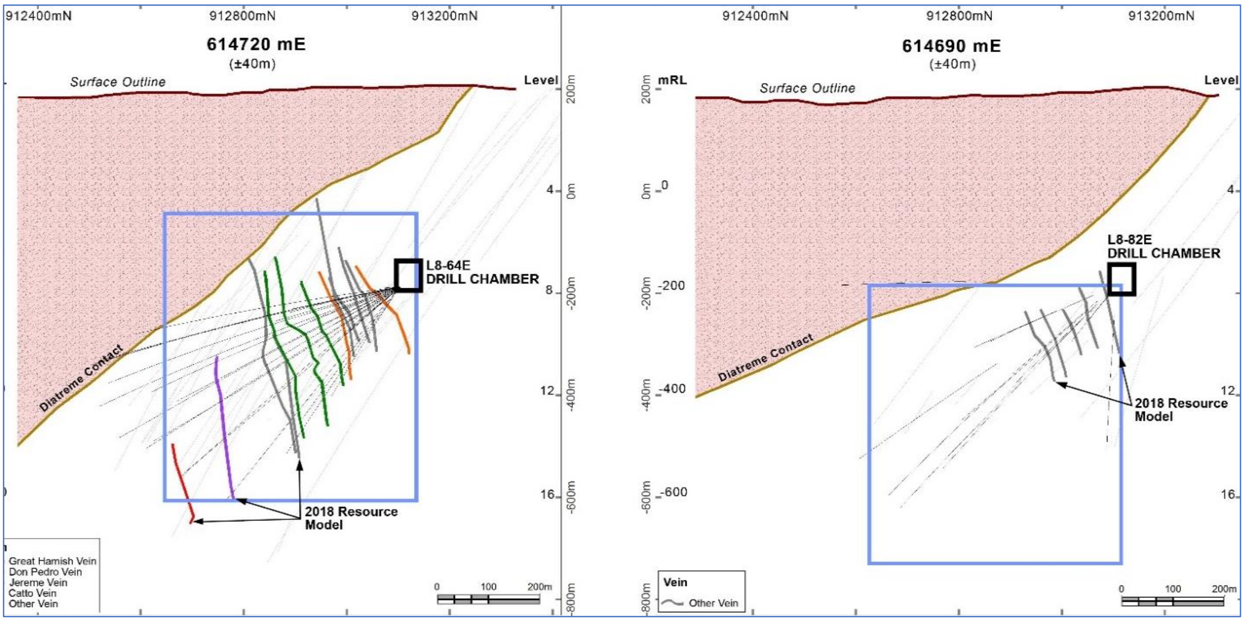


Figure 4: Cross-sections at 614720mE (±40 metres) and 614960mE (±40 metres), through the L8-64E and L8-82E Drill Chamber positions respectively, showing the ore corridor (green rectangle), its proximity to the diatreme, and the existing drilling (grey hole traces). The drilling revealed other veins that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

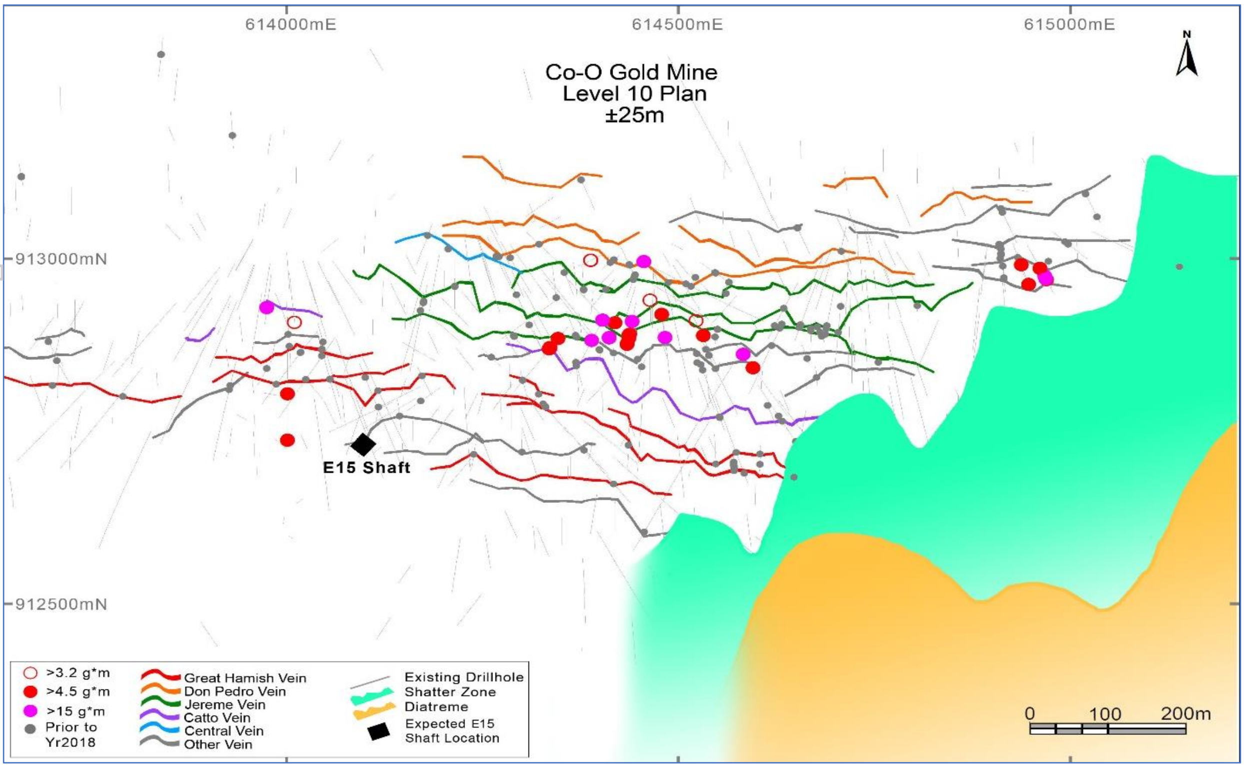


Figure 5: Level 10 plan showing the Co-O major vein systems and its relation to the “Shatter Zone” and the Diatreme to the East.

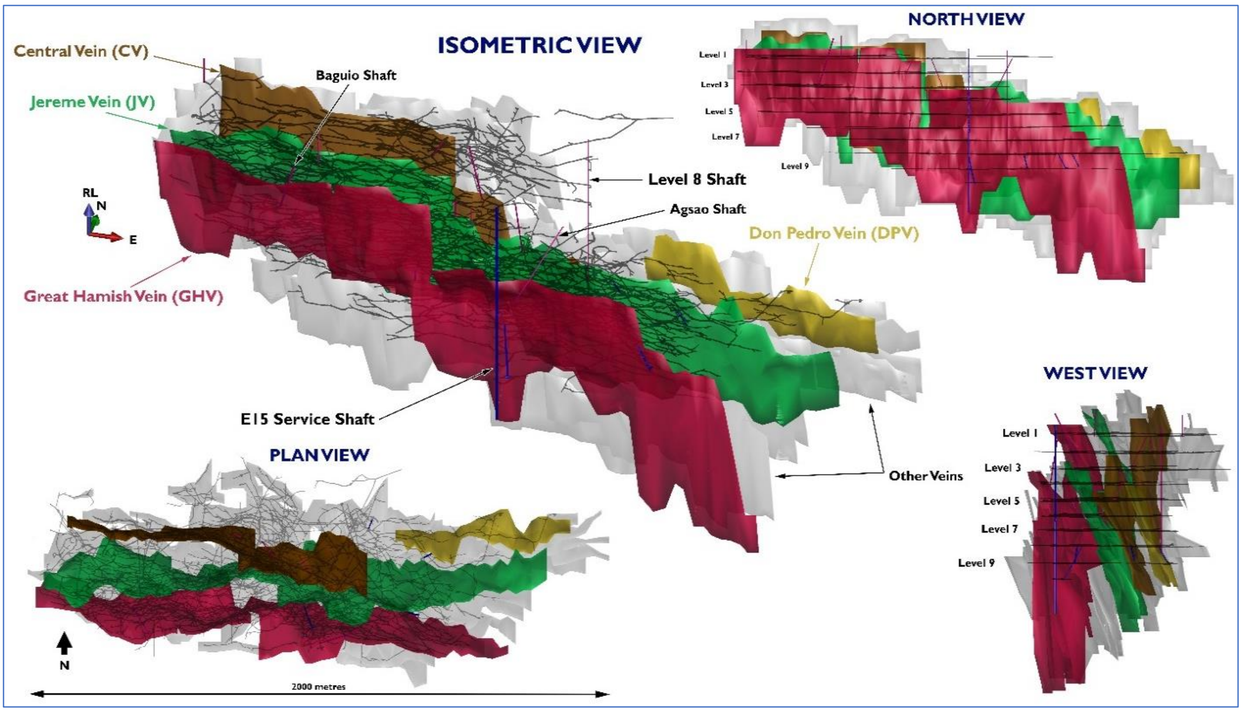


Figure 6: Isometric and Orthogonal views of the Co-O Mine's 2018 resource model, major veins (GHV, Jereme, Central and Don Pedro Veins) in colour and associated sub-parallel and link veins in translucent grey, plus underground development and production shafts.

GROUP ORE RESERVES AND MINERAL RESOURCES

The Annual Mineral Resources Update Statement and Annual Ore Reserves Update Statements for the Company were released on 3 April 2018, 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 3 April 2018 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.

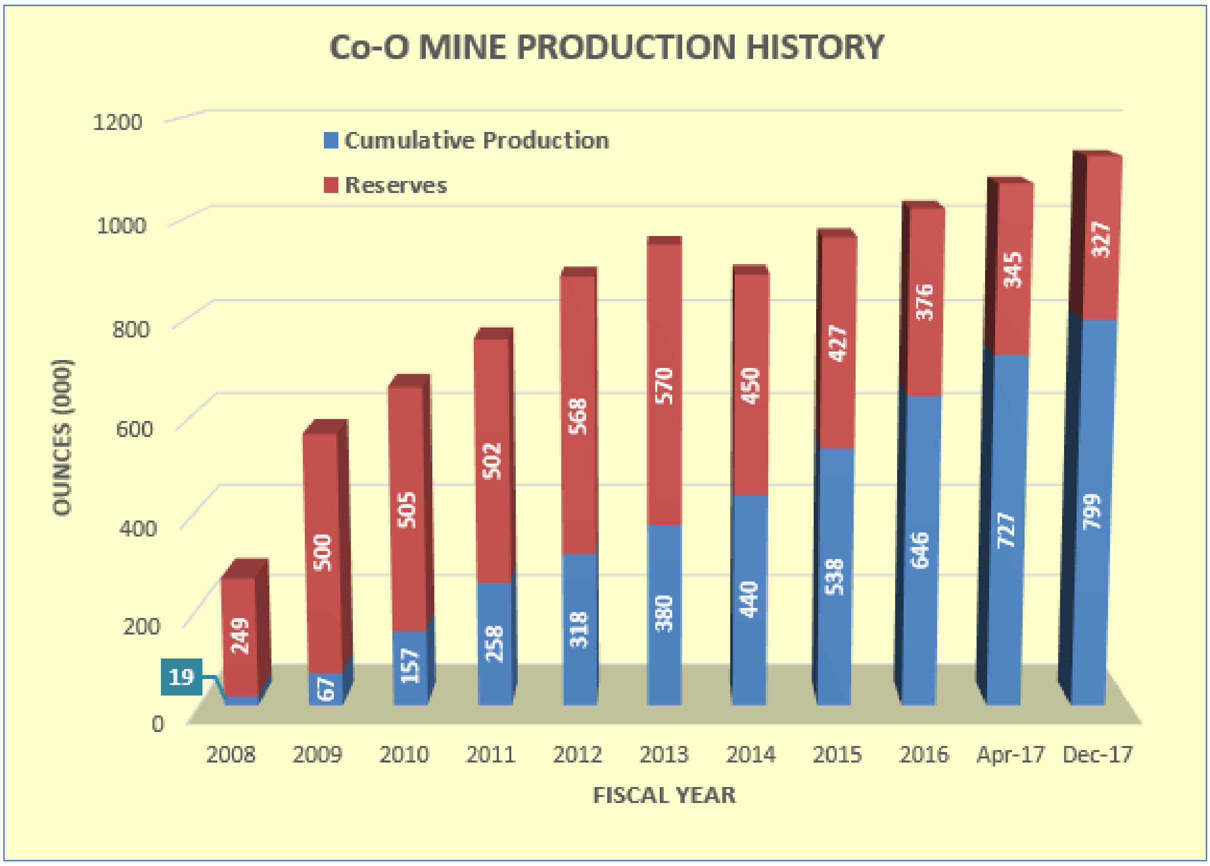
The Co-O Mine has a long history of Ore Reserve replacement by way of diamond drilling and conversion of Indicated Resources (Graph 4). The Company remains confident in the long-term future of the Co-O Mine given the current Mineral Resource inventory, the nature of the geology and mineralisation and the historic conversion rate (~70%), after allowance for mining recovery, of Indicated Mineral Resources to Ore Reserves. The Co-O Mine continues to maintain a minimum plus three year mine plan, for Indicated Resource, and more than a five 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 31 December 2017 and has been depleted for mining to 31 December 2017.

Gold price assumptions used to estimate Mineral Resources and Ore Reserves are:

- Mineral Resources - US$1,500 per ounce gold
- Ore Reserves - US$1,275 per ounce gold



Graph 3: 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

FY2018 - Ore Reserves estimated using gold price of $1,275 per ounce (FY2017 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 2.53 million tonnes at an average grade of 10.65 g/t gold for a total 0.86 million ounces contained gold, compared to the 30 April 2017 estimate of 2.18 million tonnes at an average grade of 12.29 g/t gold for a total 0.86 million ounces contained gold (Table III).

The changes in the Co-O Mine's Mineral Resources (a net addition of 6,000 ounces) are primarily due to the successful infill and resource drilling that defined new and additional resources.

While the total ounces in the Indicated Resource category has been increased by 7%, the grade has decreased by 9.7%. The overall grade of the total combined Indicated Resource and Inferred Resource has decreased by 13.3%. Note that in this annual reporting drilling was limited to a period of 8 months (April to December 2017) due to the close off date for reporting being previously 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 Apr 2017 & 31 Dec 2017

Mineral Resource Category [1]	30 Apr 2017			31 Dec 2017			Variance		
	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
Indicated [2]	1,172,000	12.11	456,000	1,389,000	10.93	488,000	18.5%	(9.7%)	7.0%
Inferred [2]	1,003,000	12.50	403,000	1,141,000	10.30	378,000	13.8%	(17.6%)	(6.2%)
Total	**2,175,000**	**12.29**	**859,000**	**2,530,000**	**10.65**	**865,000**	**16.3%**	**(13.3%)**	**0.7%**

Notes:

[1] Mineral Resources are reported inclusive of Ore Reserves; and

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

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.

The Co-O Mine Probable Ore Reserves are now estimated at 1.52 million tonnes at a grade of 6.69 g/t gold for a total 327,000 ounces contained gold, compared to the 30 April 2017 estimate of 1.64 million tonnes at a grade of 6.54 g/t gold for a total 345,000 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$1,275 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 Apr 2017 to 31 Dec 2017.

Ore Reserve Category [1]	30 Apr 2017			31 Dec 2017			Variance		
	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
Probable [1]	1,640,000	6.54	345,000	1,520,000	6.69	327,000	(7.3%)	2.3%	(5.2%)
Total	**1,640,000**	**6.54**	**345,000**	**1,520,000**	**6.69**	**327,000**	**(7.3%)**	**2.3%**	**(5.2%)**

Notes:

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

EXPLORATION ACTIVITIES

EXPLORATION - PHILIPPINES

Co-O EXPLORATION

"The underground drilling during 2018-19 will continue to focus on the definition and conversion wide-spaced intersections between Levels 8 to 16 into resources, and to develop additional mineral resources."

RESOURCE DEFINITION DRILLING

In FY 2017/18, continued focus on the underground drilling and development was primarily to probe the eastern and downdip extensions of GHV, Jereme Vein as well as upgrade Inferred resources, into the Indicated category. This drilling was carried out from drilling chambers at Levels 6, 7 and 8.

The resource definition drilling from drill chambers 64E and 82E to the east, on Levels 8 (Figure 3), showed significant intercepts of the GHV at Levels 8 to 12. The veins system shows it 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 12, the northern veins comprising of Jereme, Don Pedro and other splays show significant new intercepts. The significant drill intercepts are presented in Figure 3; this includes results from prior to October 2017 (grey dots).

Table V: Summary of Co-O Mine underground drilling (8 months covering May to Dec 2017)

Project	Purpose	Number of Holes	Meterage
Co-O Mine Underground	Resource and definition drilling	53	14,136

Details of significant intersection results obtained during the FY 2017/18 have been reported in the September 2017, December 2017, March 2018 and June 2018 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)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
UNDERGROUND RESOURCE DRILLING - LEVEL 6											
L6-11E-001	614094	912891	-94	126.1	322	0	29.70	30.30	0.60	10.36	6.22
							90.30	91.30	1.00	35.85	35.85
							91.30	92.05	0.75	5.85	4.39
L6-15W-002	613824	912914	-97	50.9	4	1	0.00	0.40	0.40	16.01	6.4
							23.85	24.85	1.00	3.61	3.61
L6-20W-001	613784	912900	-98	100.1	184	-1	8.50	9.00	0.50	6.75	3.38
L6-22E-001	614245	912900	-93	130.3	12	3	16.50	17.50	1.00	12.88	12.88
							43.75	44.00	0.25	25.17	6.29
							50.80	51.90	1.10	4.03	4.43
							111.30	111.70	0.40	12.88	5.15
L6-22E-002	614246	912899	-93	150.2	37	1	110.65	110.90	0.25	3.24	0.81
							142.40	142.80	0.40	10.53	4.21
L6-28W-001	613711	912954	-97	85.8	351	-1	43.00	43.60	0.60	3.55	2.13
L6-29E-001	614289	913003	-93	150	28	1	34.20	34.60	0.40	4.74	1.9
							142.20	142.70	0.50	3.08	1.54
L6-32W-003	613635	912820	-96	151.9	352	0	7.85	8.15	0.30	15.55	4.67
							23.35	23.55	0.20	7.04	1.41
L6-32W-004	613637	912815	-97	101.1	150	0	64.70	65.30	0.60	13.47	8.08
							89.60	90.65	1.05	33.35	35.02
L6-32W-005	613635	912815	-97	150.3	194	0	14.00	15.00	1.00	58.88	58.88
							23.70	24.00	0.30	11.06	3.32
							45.70	46.05	0.35	6.28	2.2
							62.15	62.70	0.55	92.29	50.76
							63.75	64.50	0.75	10.51	7.88
L6-47E-001	614406	912869	-91	200.8	28	0	95.80	96.40	0.60	13.8	8.28
L6-52E-001	614510	912815	-90	150	134	0	42.60	43.65	1.05	7.5	7.87
							47.80	48.80	1.00	3.3	3.3
L6-58E-001	614563	912855	-89	200.2	11	-1	101.80	102.20	0.40	38	15.2
							102.80	103.05	0.25	8.09	2.02
							182.05	182.50	0.45	7.67	3.45
L6-58E-002	614565	912853	-89	200	41	0	145.35	145.55	0.20	5.77	1.15
							153.20	154.20	1.00	4.49	4.49
							154.20	154.40	0.20	420.17	84.03
							174.65	175.00	0.35	3.77	1.32
L6-62E-001	614604	912806	-88	200	50	1	112.80	113.00	0.20	10.53	2.11
							127.60	127.80	0.20	3.45	0.69
							182.40	182.65	0.25	18.91	4.73
							183.45	183.70	0.25	3.36	0.84
UNDERGROUND RESOURCE DRILLING - LEVEL 7											
L7-35E-001	614367	913088	-141	118.2	148	1	21.80	22.00	0.20	4.07	0.81
L7-38E-001	614349	912845	-137	120.6	324	0	67.20	67.75	0.55	4.26	2.34
							68.45	68.90	0.45	11.4	5.13
							75.60	75.80	0.20	22.4	4.48
							75.80	76.65	0.85	10.03	8.53
							77.60	78.60	1.00	11.03	11.03
							119.40	120.25	0.85	3.4	2.89
L7-39E-001	614393	912852	-138	75.1	356	2	12.20	12.40	0.20	11.7	2.34
							37.10	38.10	1.00	3.37	3.37
							38.10	38.30	0.20	21.66	4.33
							41.20	41.40	0.20	11.74	2.35
							43.60	43.80	0.20	12.66	2.53
							58.60	58.90	0.30	23.06	6.92
							58.90	59.25	0.35	7.37	2.58
L7-39E-002	614392	912852	-138	75.1	323	0	11.20	11.40	0.20	10.44	2.09
							39.65	39.85	0.20	3.1	0.62

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
							48.35	48.60	0.25	84.99	21.25
							48.60	49.60	1.00	4.29	4.29
L7-41E-001	614376	912777	-139	65	160	-1	25.20	25.80	0.60	5.36	3.22
L7-52E-001	614519	912970	-139	152.3	136	-1	11.30	11.50	0.20	4.91	0.98
							34.80	35.20	0.40	18.74	7.5
							35.20	36.00	0.80	4.54	3.63
							36.60	37.10	0.50	90.98	45.49
							37.10	37.40	0.30	64.46	19.34
							37.40	37.75	0.35	98.7	34.55
							91.65	91.85	0.20	7.1	1.42
L7-52E-003	614523	912973	-139	151.3	71	-1	13.20	13.65	0.45	43.43	19.54
							19.15	19.45	0.30	4.21	1.26
							31.30	31.60	0.30	10.38	3.11
							31.60	32.60	1.00	10.47	10.47
							114.30	114.80	0.50	36.49	18.25
L7-54E-001	614520	912876	-137	151.1	47	0	86.60	86.90	0.30	3.98	1.19
							131.05	132.05	1.00	16.9	16.9
							132.05	132.25	0.20	7.17	1.43
							141.60	141.85	0.25	6	1.5
L7-60E-001	614561	912715	-136	150.1	26	-1	0.00	0.60	0.60	10.57	6.34
							22.75	23.20	0.45	6.28	2.83
							29.20	29.40	0.20	5.21	1.04
							79.90	80.20	0.30	7.05	2.11
							84.90	85.35	0.45	5.22	2.35
							86.35	87.00	0.65	3.07	2
							87.90	88.10	0.20	23.64	4.73
							144.45	145.45	1.00	3.32	3.32
							145.45	146.25	0.80	6.39	5.11
L7-60E-002	614562	912715	-136	150	53	0	0.00	0.20	0.20	31.57	6.31
							93.00	94.05	1.05	7.27	7.63
L7-65E-001	614662	912765	-135	150.3	14	-1	52.50	52.70	0.20	9.17	1.83
L7-65E-001							76.00	76.35	0.35	31.77	11.12
L7-65E-002	614662	912765	-135	150.6	26	0	54.85	55.20	0.35	6.41	2.24
UNDERGROUND RESOURCE DRILLING - LEVEL 8											
L8-28E-029	614265	912866	-191	551.6	242	-29	26.75	27.00	0.25	4.64	1.16
							50.60	51.60	1.00	27.73	27.73
							52.60	52.80	0.20	8.23	1.65
							63.35	63.65	0.30	4.94	1.48
							69.75	70.20	0.45	7.74	3.48
L8-28E-030	614268	912865	-191	550.6	177	-53	529.10	529.50	0.40	6.66	2.66
L8-2W-017	613991	913098	-188	576.1	221	-14	294.90	295.50	0.60	4.31	2.59
L8-2W-020	613992	913098	-188	584.3	204	-28	169.60	170.00	0.40	4.46	1.78
							362.70	363.70	1.00	11.71	11.71
L8-2W-021	613994	913097	-188	551.6	179	-20	25.55	25.85	0.30	6.86	2.06
							199.45	199.70	0.25	3.85	0.96
							292.90	293.20	0.30	6.97	2.09
							293.20	293.80	0.60	3.21	1.93
							310.80	311.80	1.00	13.01	13.01
							382.90	383.15	0.25	30.23	7.56
							509.50	510.50	1.00	21.88	21.88
							510.50	510.70	0.20	5.92	1.18
L8-2W-022	613993	913098	-188	480.6	186	-34	204.50	205.20	0.70	21.93	15.35
L8-2W-023	613993	913098	-189	550.6	174	-35	110.80	111.80	1.00	125.3	125.3
							230.70	231.20	0.50	6.6	3.3
							243.50	243.90	0.40	77.01	30.8
L8-2W-024	613992	913098	-189	551.4	198	-35	269.30	269.65	0.35	10.96	3.84
							272.85	273.15	0.30	3.32	1

REVIEW OF OPERATIONS

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
							277.30	277.65	0.35	15.73	5.51
							277.65	278.65	1.00	319.15	319.15
L8-2W-025	613991	913098	-189	554.1	216	-32	311.35	312.35	1.00	6.35	6.35
L8-2W-026	613994	913098	-189	551.1	166	-31	53.75	54.00	0.25	7.83	1.96
							106.00	106.30	0.30	4.93	1.48
							194.40	194.70	0.30	3.83	1.15
							320.50	320.95	0.45	3.13	1.41
L8-2W-028	613994	913099	-189	551.1	147	-34	401.50	402.50	1.00	7.03	7.03
L8-2W-029	613993	913098	-189	551.1	165	-37	248.05	248.45	0.40	7.13	2.85
							251.10	251.90	0.80	5.4	4.32
L8-2W-030	613993	913098	-189	551.1	175	-41	76.75	77.75	1.00	79.25	79.25
							250.10	251.10	1.00	6.6	6.6
L8-45E-030	614462	913038	-191	572.1	230	-57	217.90	218.60	0.70	23.04	16.13
L8-45E-031	614462	913037	-191	551.1	220	-48	37.70	38.25	0.55	39.3	21.61
							143.50	143.80	0.30	4.94	1.48
							309.85	310.80	0.95	3.66	3.48
L8-45E-032	614464	913037	-191	550.4	192	-69	110.80	111.80	1.00	30.47	30.47
							162.40	162.80	0.40	4.26	1.7
							232.40	232.90	0.50	7.96	3.98
							238.05	239.05	1.00	31.93	31.93
							319.90	320.90	1.00	25.06	25.06
L8-45E-033	614465	913036	-190	551.4	179	-7	89.85	90.20	0.35	25.89	9.06
							144.80	145.30	0.50	5.52	2.76
							146.95	147.40	0.45	62.55	28.15
							157.85	158.40	0.55	4.47	2.46
							327.00	328.10	1.10	21.94	24.13
							346.60	346.90	0.30	42	12.6
							363.50	364.60	1.10	73.87	81.26
							364.60	364.90	0.30	48.55	14.56
							454.90	455.10	0.20	8.13	1.63
L8-45E-034	614464	913036	-191	500.1	201	-33	82.50	83.10	0.60	3.19	1.91
							161.70	162.60	0.90	8.34	7.51
							163.20	163.45	0.25	10.08	2.52
							188.10	188.75	0.65	4.03	2.62
							188.95	189.90	0.95	58.71	55.77
							189.90	190.40	0.50	230.09	115.05
							289.75	290.00	0.25	5.73	1.43
							290.00	291.00	1.00	4.2	4.2
							383.00	383.30	0.30	7.33	2.2
L8-45E-035	614464	913036	-191	500.1	192	-38	162.10	162.75	0.65	29.58	19.23
							165.45	165.70	0.25	4.65	1.16
							185.40	186.40	1.00	4.66	4.66
							192.45	193.25	0.80	5.24	4.19
							217.90	218.10	0.20	8.3	1.66
							219.40	220.40	1.00	19.67	19.67
							229.15	230.15	1.00	4.6	4.6
							277.25	278.25	1.00	19.58	19.58
							282.30	283.20	0.90	3.28	2.95
							315.20	315.50	0.30	11.79	3.54
							362.80	363.40	0.60	107.53	64.52
							363.40	363.70	0.30	25.44	7.63
							363.70	364.70	1.00	4.16	4.16
L8-45E-036	614462	913036	-191	509.9	217	-24	32.10	32.50	0.40	9.42	3.77
							40.15	40.60	0.45	15.49	6.97
							44.70	44.90	0.20	4.54	0.91
							141.25	142.25	1.00	3.82	3.82
							154.50	154.70	0.20	5.76	1.15

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
							170.70	171.30	0.60	5.68	3.41
							171.30	171.50	0.20	4.18	0.84
							208.20	208.90	0.70	12.81	8.97
							220.75	221.10	0.35	4.33	1.52
							227.00	227.20	0.20	25.45	5.09
							227.20	227.80	0.60	13	7.8
							228.45	228.65	0.20	9.37	1.87
							228.65	229.65	1.00	3.17	3.17
							419.10	419.95	0.85	329.76	280.3
							497.30	497.80	0.50	3.25	1.63
L8-45E-037	614462	913036	-191	501.1	206	-32	36.80	37.20	0.40	33.64	13.46
							127.70	128.70	1.00	3.47	3.47
							128.70	129.70	1.00	50.11	50.11
							129.70	130.70	1.00	28.92	28.92
							130.70	131.45	0.75	8.73	6.55
							150.30	150.65	0.35	3.12	1.09
							161.00	161.50	0.50	37.58	18.79
							170.40	170.65	0.25	8.45	2.11
							198.75	199.35	0.60	33.55	20.13
							201.35	201.70	0.35	6.53	2.29
							256.90	257.10	0.20	23.9	4.78
L8-45E-038	614465	913036	-191	500.1	181	-29	130.70	130.95	0.25	5.73	1.43
							142.30	143.30	1.00	11.82	11.82
							157.30	158.20	0.90	41.64	37.48
							160.10	161.10	1.00	3.33	3.33
							175.90	176.10	0.20	7.19	1.44
							188.15	188.50	0.35	8.59	3.01
							233.50	233.90	0.40	3.69	1.48
							354.45	354.95	0.50	37.99	19
							420.70	421.40	0.70	37.78	26.45
							441.00	441.20	0.20	3.67	0.73
L8-45E-039	614465	913036	-190	500.1	182	-20	129.25	130.00	0.75	15.73	11.8
							164.70	165.70	1.00	4.38	4.38
							165.70	165.90	0.20	28.97	5.79
							179.10	179.30	0.20	8.61	1.72
							333.40	333.70	0.30	3.44	1.03
L8-45E-040	614467	913036	-190	500.1	151	-7	111.80	112.25	0.45	6.81	3.06
							112.90	113.40	0.50	115.21	57.6
							124.40	124.60	0.20	8.15	1.63
							133.10	133.55	0.45	24.55	11.05
							134.60	135.65	1.05	3.38	3.55
							135.65	135.90	0.25	29.85	7.46
							137.60	138.45	0.85	3.09	2.63
							138.45	139.20	0.75	3.73	2.8
							139.20	139.50	0.30	13.19	3.96
							140.20	140.75	0.55	15.73	8.65
							151.75	152.10	0.35	80.11	28.04
							152.10	153.10	1.00	5.85	5.85
							155.40	155.80	0.40	23.78	9.51
							159.30	159.50	0.20	208.61	41.72
							159.50	160.50	1.00	6.05	6.05
							161.20	161.50	0.30	95.15	28.55
							226.70	226.90	0.20	7.61	1.52
							314.10	315.10	1.00	13.67	13.67
							315.10	316.10	1.00	3.54	3.54
							316.10	316.45	0.35	21.48	7.52
L8-45E-041	614468	913037	-190	509.1	144	-7	95.00	95.40	0.40	39.91	15.96

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
							95.70	96.45	0.75	6.97	5.23
							122.65	123.05	0.40	51.51	20.6
							124.90	125.55	0.65	12.07	7.85
							125.55	126.00	0.45	20.16	9.07
							208.45	209.45	1.00	4.75	4.75
							269.45	269.65	0.20	13.26	2.65
							350.75	351.80	1.05	5.33	5.6
L8-45E-042	614465	913037	-190	503.1	191	-31	123.30	124.00	0.70	13.65	9.56
							124.15	124.45	0.30	4.92	1.48
							124.45	125.00	0.55	4.51	2.48
							125.00	125.45	0.45	5.54	2.49
							173.10	174.00	0.90	9.64	8.68
							174.00	174.25	0.25	5.64	1.41
							186.65	187.65	1.00	13.58	13.58
							188.50	189.50	1.00	11.12	11.12
							293.25	294.00	0.75	7.39	5.54
							495.50	496.20	0.70	4.16	2.91
L8-45E-043	614467	913037	-190	551.1	146	-16	117.10	117.65	0.55	6.02	3.31
							120.15	120.35	0.20	3.32	0.66
							123.20	123.90	0.70	8.44	5.91
							142.25	142.50	0.25	5.03	1.26
							156.10	156.65	0.55	9.87	5.43
							162.15	163.10	0.95	6.95	6.6
							163.10	163.90	0.80	12.18	9.74
							163.90	164.30	0.40	13.6	5.44
							164.65	165.60	0.95	15.25	14.49
							183.80	184.40	0.60	3.25	1.95
							223.55	223.75	0.20	3.05	0.61
							227.15	227.60	0.45	1091.21	491.04
L8-45E-044	614468	913037	-191	550	148	-23	62.60	63.15	0.55	3.47	1.91
							118.15	118.95	0.80	6.81	5.45
							119.50	119.70	0.20	15.6	3.12
							120.70	120.95	0.25	5.46	1.37
							129.70	130.25	0.55	9.69	5.33
							143.45	143.65	0.20	4.85	0.97
							159.30	159.50	0.20	36.91	7.38
							159.50	160.50	1.00	4.64	4.64
							168.30	168.85	0.55	5.11	2.81
							168.85	169.40	0.55	3.57	1.96
							170.15	170.90	0.75	87.16	65.37
							170.90	171.55	0.65	3.92	2.55
							171.55	171.75	0.20	4.35	0.87
							225.15	226.00	0.85	29.97	25.47
							250.45	251.45	1.00	6.78	6.78
							340.50	341.05	0.55	32.61	17.94
							341.05	341.90	0.85	168.6	143.31
							341.90	342.50	0.60	29.25	17.55
							344.35	344.65	0.30	3.63	1.09
L8-45E-045	614466	913036	-191	550	169	-28	123.60	124.20	0.60	4.68	2.81
							134.45	134.65	0.20	20.78	4.16
							144.40	144.90	0.50	5.22	2.61
							146.40	146.75	0.35	5.08	1.78
							155.00	155.85	0.85	11.65	9.9
							155.85	156.50	0.65	12.2	7.93
							167.35	168.00	0.65	6.36	4.13
							429.00	429.25	0.25	3.47	0.87
L8-45E-046	614466	913036	-191	551.1	175	-31	126.70	127.70	1.00	15.26	15.26

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
							131.40	131.65	0.25	9.79	2.45
							148.75	149.45	0.70	8.41	5.89
							163.75	164.35	0.60	3.44	2.06
							176.05	176.25	0.20	136.28	27.26
							178.45	178.70	0.25	3.48	0.87
							193.35	193.65	0.30	4.36	1.31
							326.65	327.05	0.40	12.11	4.84
L8-45E-047	614466	913037	-191	551.1	175	-37	118.35	118.55	0.20	3.78	0.76
							118.75	119.00	0.25	6.78	1.7
							128.90	129.10	0.20	28.21	5.64
							147.40	147.90	0.50	17	8.5
							241.85	242.10	0.25	55.6	13.9
							242.10	242.70	0.60	6.7	4.02
							242.70	243.05	0.35	10.43	3.65
							243.05	244.05	1.00	26.3	26.3
							319.90	320.45	0.55	4.97	2.73
							404.50	404.75	0.25	4.97	1.24
L8-45E-048	614465	913037	-191	551.1	181	-42	105.55	106.05	0.50	3.17	1.59
							130.85	131.30	0.45	4.34	1.95
							131.30	132.30	1.00	3.26	3.26
							145.55	145.90	0.35	7.03	2.46
							280.70	281.10	0.40	9.77	3.91
							306.40	307.15	0.75	15.57	11.68
							403.30	403.80	0.50	18.5	9.25
							406.10	406.45	0.35	5.7	1.99
L8-45E-049	614465	913038	-192	41.1	202	-42	2.85	3.55	0.70	5.67	3.97
							33.60	33.80	0.20	21.77	4.35
L8-45E-050	614463	913039	-191	600	241	-50	5.30	5.65	0.35	20.94	7.33
							44.30	44.55	0.25	4.16	1.04
							132.80	133.80	1.00	3.18	3.18
							133.80	134.35	0.55	5.97	3.28
							134.35	135.10	0.75	4.91	3.68
L8-45E-051	614462	913037	-191	550.8	230	-27	2.70	3.30	0.60	8.67	5.2
							44.75	45.35	0.60	8.23	4.94
							45.60	45.90	0.30	42.63	12.79
							119.65	120.40	0.75	29.33	22
							169.40	169.65	0.25	3.17	0.79
L8-45E-052	614467	913037	-191	551.1	156	-31	140.90	141.35	0.45	12.17	5.48
							161.10	161.60	0.50	6.75	3.38
							165.40	166.00	0.60	4.43	2.66
							188.10	189.10	1.00	7.4	7.4
							191.60	192.05	0.45	6.47	2.91
							371.10	371.65	0.55	117.46	64.6
							371.65	372.30	0.65	44.83	29.14
							372.30	372.55	0.25	6.33	1.58
							417.80	418.55	0.75	5.45	4.09
							460.45	461.45	1.00	3.82	3.82
L8-64E-034	614725	913101	-188	585.3	184	-32	405.80	406.10	0.30	3.59	1.08
L8-82E-004	614904	913105	-186	608.1	119	-31	263.00	264.00	1.00	6.41	6.41
L8-82E-008	614901	913103	-187	610.7	185	-45	82.25	82.70	0.45	11.16	5.02
							83.40	84.00	0.60	23.22	13.93
L8-82E-009	614902	913103	-186	602.5	175	-46	344.60	345.40	0.80	6.02	4.82
							345.40	345.70	0.30	5.16	1.55
L8-82E-010	614902	913103	-186	602.5	164	-46	82.00	82.80	0.80	7.16	5.73
							82.80	83.10	0.30	18.67	5.6
							83.90	84.80	0.90	23.36	21.02
							360.50	360.70	0.20	7.96	1.59

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
							360.70	361.70	1.00	6.52	6.52
L8-82E-011	614901	913102	-186	600	186	-41	70.15	70.35	0.20	3.24	0.65
L8-82E-013	614902	913103	-186	605.5	161	-40	41.30	41.50	0.20	10.46	2.09
							41.90	42.50	0.60	7.52	4.51
							66.60	67.15	0.55	4.02	2.21
							123.40	124.40	1.00	9.73	9.73
							124.40	124.60	0.20	29.37	5.87
							153.20	153.45	0.25	23.36	5.84
							193.00	193.20	0.20	49.12	9.82
							193.60	193.90	0.30	4.42	1.33
							548.60	548.80	0.20	3.29	0.66
L8-82E-014	614903	913103	-186	605.5	152	-41	11.65	11.85	0.20	25.75	5.15
							120.35	121.00	0.65	71.63	46.56
							126.25	126.45	0.20	4.68	0.94
							177.05	177.25	0.20	5.21	1.04
							191.00	191.50	0.50	40.17	20.09
							198.90	199.10	0.20	37.18	7.44
L8-82E-015	614903	913103	-186	598.7	154	-39	119.30	119.50	0.20	22.65	4.53
							119.50	120.10	0.60	6.4	3.84
							120.55	120.90	0.35	77.74	27.21
							120.90	121.65	0.75	13.99	10.49
							123.10	123.35	0.25	3.23	0.81
							165.20	165.75	0.55	12.96	7.13
							186.95	187.40	0.45	161.91	72.86
							191.05	191.60	0.55	3.62	1.99
L8-82E-016	614901	913103	-186	602.1	176	-34	46.40	46.80	0.40	7.93	3.17
							88.45	89.10	0.65	5.69	3.7
							92.50	92.85	0.35	16.92	5.92
L8-82E-017	614901	913102	-186	600	185	-28	84.85	85.35	0.50	4.84	2.42
							87.30	88.25	0.95	3.03	2.88
							96.55	96.90	0.35	9.62	3.37
							148.05	148.55	0.50	26.15	13.07
							467.25	468.00	0.75	57.74	43.3
L8-82E-018	614901	913103	-186	550.6	186	-25	52.65	53.60	0.95	6.25	5.94
L8-82E-019	614900	913103	-186	300.4	200	-22	6.60	6.80	0.20	3.34	0.67
							75.95	76.50	0.55	17.33	9.53
							98.60	99.60	1.00	25.68	25.68
							99.60	100.65	1.05	19.9	20.9
							100.65	101.60	0.95	8.85	8.41
							101.60	102.05	0.45	12.65	5.69
							102.80	103.20	0.40	16.36	6.54
							106.25	107.15	0.90	26.31	23.68
							117.55	118.50	0.95	14.62	13.89
							118.50	119.20	0.70	37.36	26.15
							151.60	151.85	0.25	17.11	4.28
							197.90	198.60	0.70	54.96	38.47
L8-82E-020	614902	913103	-186	300.1	171	-23	54.70	55.20	0.50	21.4	10.7
L8-82E-021	614903	913103	-186	301.1	158	-23	54.20	54.45	0.25	64.44	16.11
							194.75	194.95	0.20	6.61	1.32
							195.15	195.60	0.45	9.79	4.41
L9-20E-001	614167	912821	-244	135.7	18	-1	101.50	101.80	0.30	3.35	1
L9-20E-002	614164	912825	-244	156.1	344	-1	154.80	155.10	0.30	3.87	1.16
L9-23E-001	614258	913073	-244	150.1	166	0	55.60	56.25	0.65	18.16	11.8
L9-23E-002	614257	913072	-244	150.1	186	0	40.75	41.75	1.00	5.63	5.63
							55.05	55.80	0.75	7.24	5.43
L9-38E-002	614385	913021	-242	91.2	182	-1	77.15	78.15	1.00	4.4	4.4
							83.80	84.80	1.00	11.95	11.95

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; and
5. Grid coordinates and elevation in metres relative to the Mine Datum.

Co-O REGIONAL

Exploration activities for FY 2017/18 focused on the evaluation of prospects within the Co-O and Tambis tenements, review of Philsaga Minng Corporation ("PMC") granted tenements and applications. Exploration highlights of these exploration initiatives are as follows:

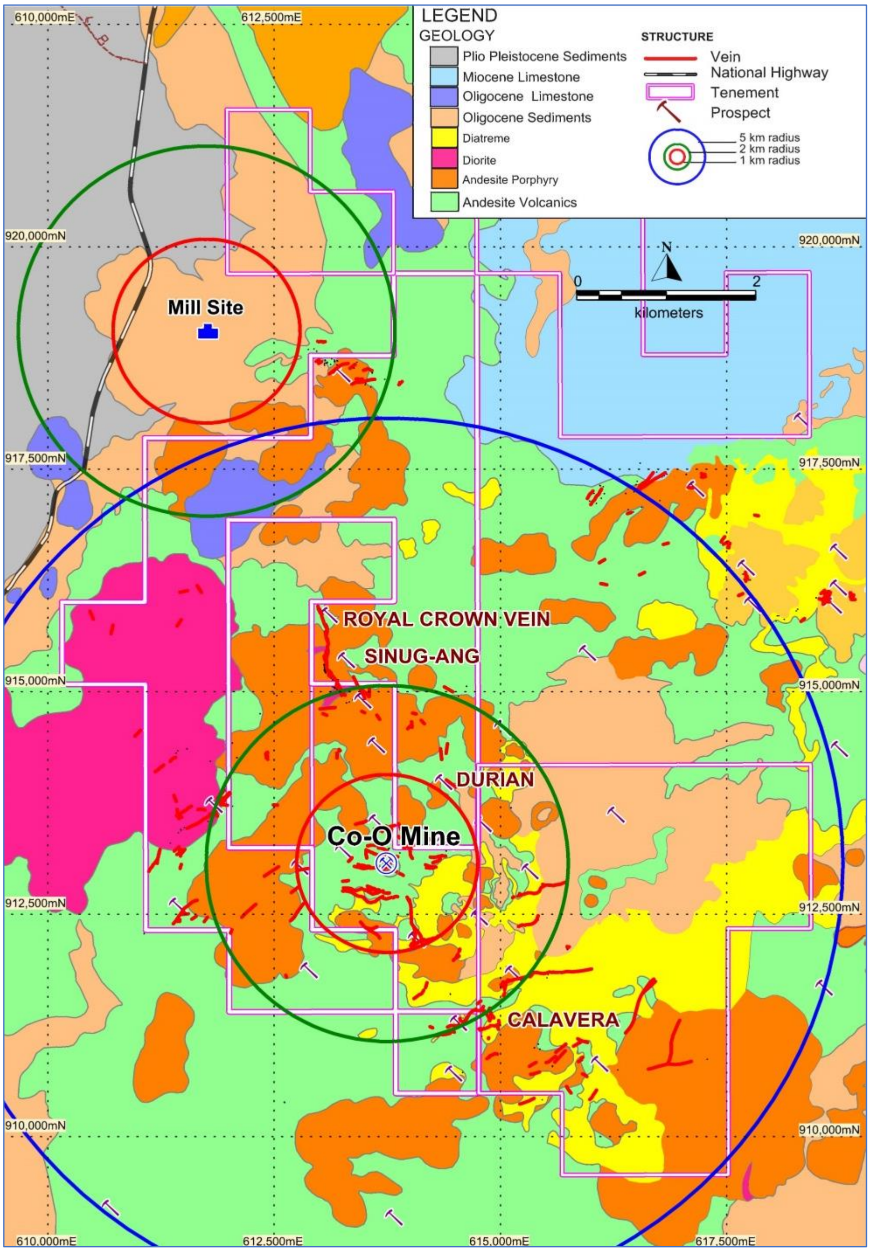


Figure 7: Active surface exploration projects within the company tenements.

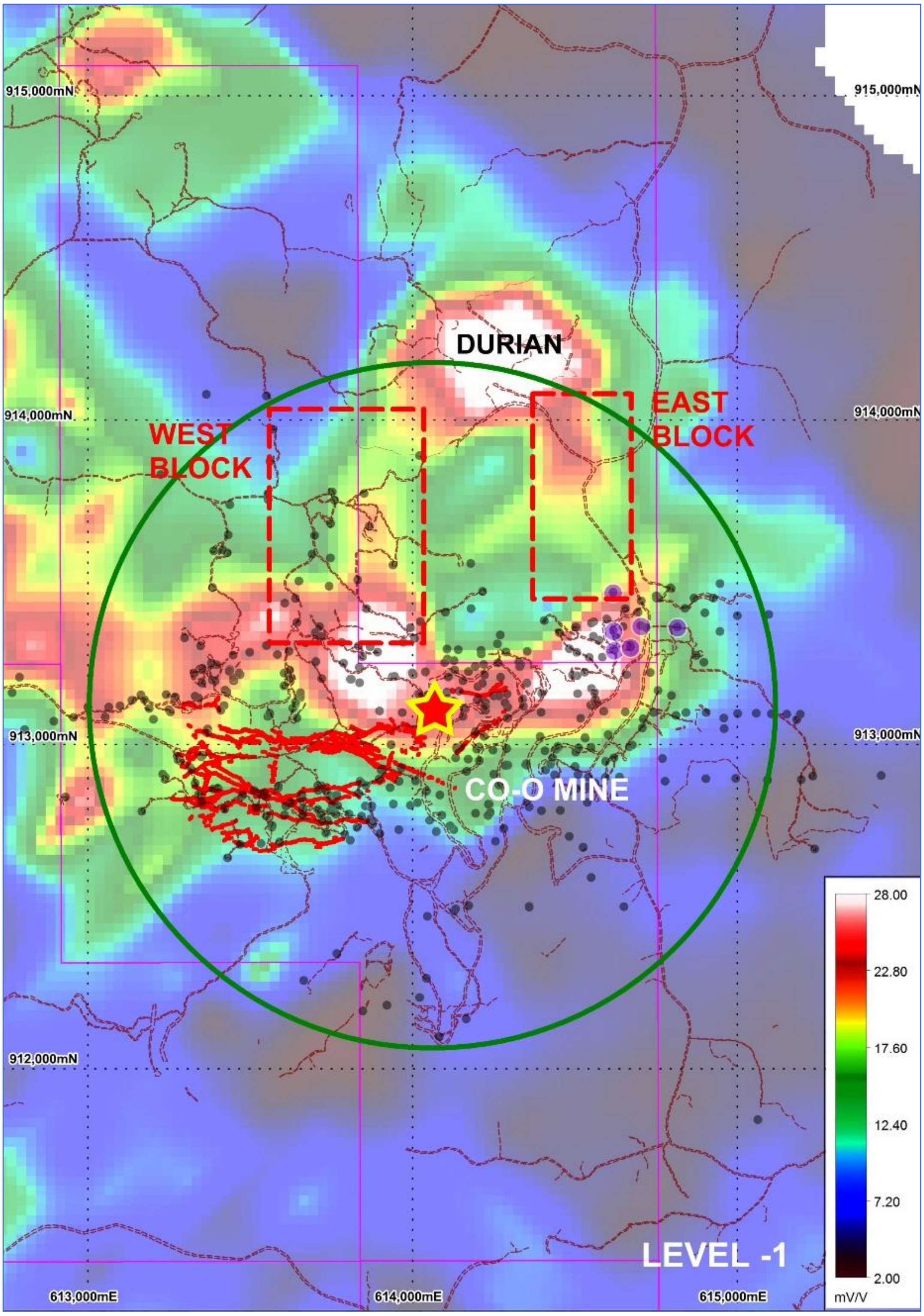


Figure 8: Map showing the IP chargeability anomaly at a depth slice of -45m, Co-O veins (coloured red) at Level 1 and proposed areas to be drill tested (i.e. West and East Blocks).

DURIAN PROJECT

This is a new project withing the tenements resulting from a detailed review of exploration geophysical data that showed the presence of a convergent semi-circular shaped moderate to high IP chargeability anomaly within a 1-km radius north of Co-O Mine (Figure 8). The Co-O Vein System is emplaced along the peripheral southern portion of this IP anomaly. The geometry and tenor of the IP anomaly coupled with the lithologic distribution suggest the potential presence of a structurally-controlled vein-style mineralisation associated with a diatreme and/or shallow intrusion.

The North and Northeast portions of the IP anomaly - which is underlain by argillic altered andesitic volcanics with minor quartz-sulfide stockworks, has not been drill-tested. A 6-hole 2,500 metres scout drilling program is planned for the first quarter of the next fiscal year, to test the potential presence of a vein-style mineralisation analogous to the Co-O Vein System at the west and east portions of the identified IP anomaly.

OLD SINUG-ANG & ROYAL CROWNE VEIN PROJECTS

Two scout drilling programs were scheduled for implementation in FY 2017/18 targeting the Sinug-ang (i.e. Banbanon Vein segment) and Calavera Vein Systems located within MPSA 262-P2, which is roughly within a 2-km radial distance from Co-O Mine (Figure 7). These were later suspended due to unresolved access concerns with local stakeholders. Fortunately by the 4th Quarter of the fiscal year, a successful breakthrough discussions with stakeholders enabled access into the Old Sinug-ang area where the 500 metres long northern segment of the Sinug-ang Vein System - referred to as the North Sinug-ang Vein Segment, traverses.

The Old Sinug-ang area is a historic small scale mining site extracting narrow (i.e. < 1 metre wide), high grade (i.e. > 5.0 g/t gold) veins, that has been actively producing gold since the late 1980's until the present (Figure 9).

A 200 metres plus segment - called the Royal Crowne Vein, of the 500 metres long North Sinug-ang Vein remains untested by drilling. This prospect is roughly 3km areal distance from the PMC Mill site.

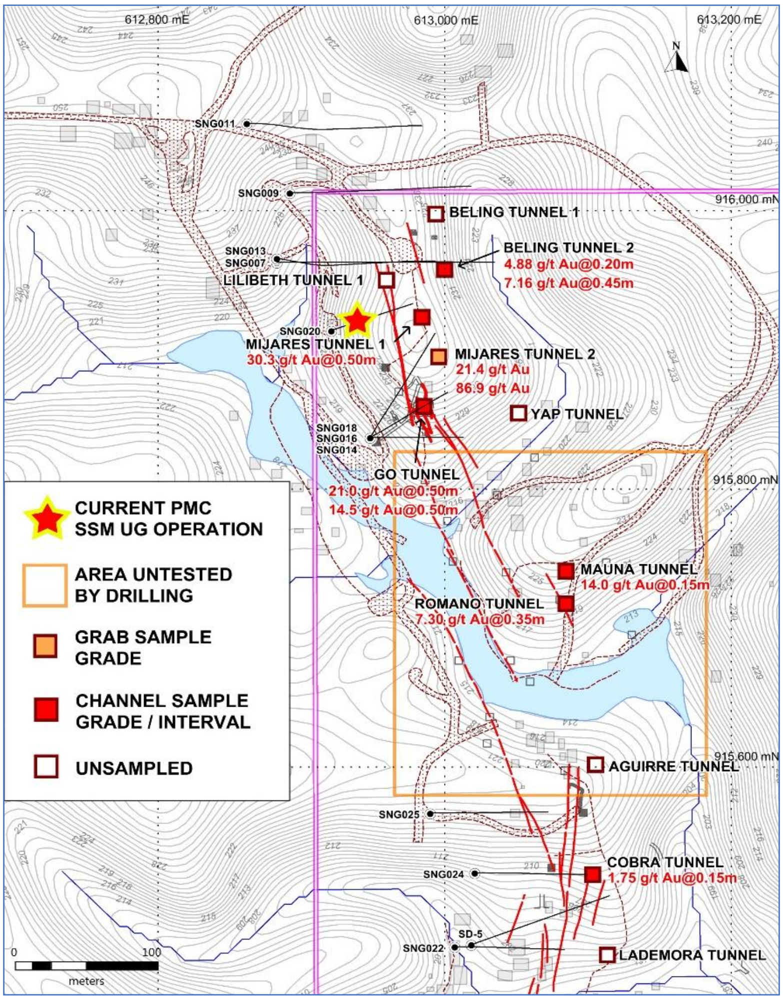


Figure 9: Map showing the location of high-grade small-scale mine workings and the projected undrilled segment of the Royal Crowne Vein in the Old Sinug-ang area.

A two-phase drilling program is proposed for implementation in FY 2018/19 to test the gold resource potential of the Royal Crowne Vein (Figure 9).

Phase 1 comprises of a 4 hole 1,000 metres Scout Drilling Program with the objective of validating the along strike, dip and grade continuity of gold mineralisation along the Royal Crowne Vein.

Phase 2 comprises of a 5 hole 1,520 metres Resource Infill Drilling Program aimed at achieving a preliminary JORC 2012 compliant resource for the Royal Crowne Vein. Implementation of Phase 2 is contingent on the success of Phase 1.

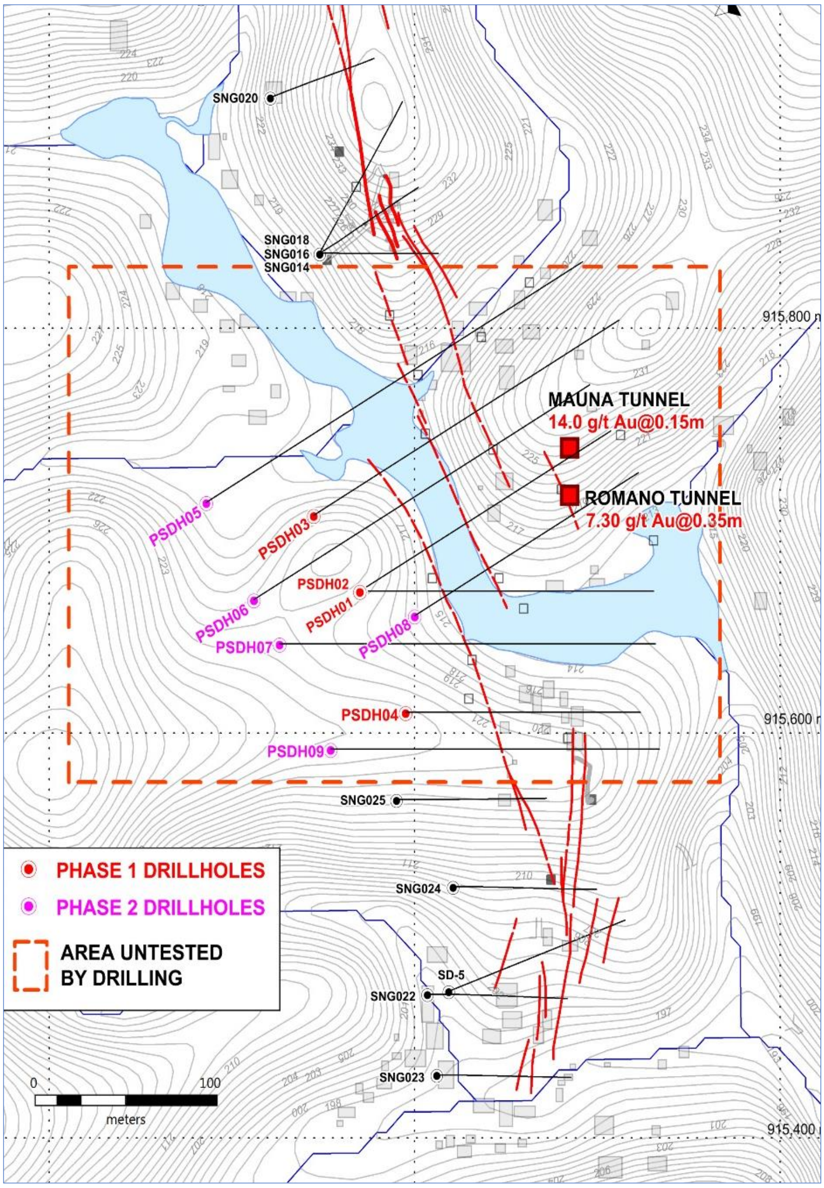


Figure 10: Map showing the location of proposed Phase 1 and Phase 2 drill holes testing the Royal Crowne Vein.

REGIONAL PROJECTS

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 GOLD 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 PROJECT

The Tailings Storage Facility ("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 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 in underway into the feasibility of mining and processing this material, including detailed metallurgical testing. The objective of this work is to determine the best option for gaining value from thTSF #1 resource.

EXPLORATION - OVERSEAS

CAMBODIA GOLD PROJECT

On 10 January 2018 the company announced that it had entered into a Memorandum of Understanding ("MOU") with SEA Resources Pty Ltd, Sovann Resources Co., LTD (a related Cambodian entity of SEA Resources Pty Ltd) and the shareholders of Sovann (collectively, referred to as "SEA") regarding an exploration opportunity in the Prek Kampi region of Cambodia.

The MOU provided a non-binding framework to guide Medusa and SEA in the negotiation of an Earn-in Agreement under which Medusa could acquire up to a 70% interest in a metallic mineral exploration licence applied for by SEA in the Prek Kampi region of Cambodia.

Under the terms of the MOU, Medusa and SEA had until 1 March 2018 to finalise the Earn-in Agreement. The Earn-in Agreement was not finalised by 1 March 2018. As a result, the MOU expired and Medusa will not pursue this exploration opportunity as mutally agreed by both SEA and the company. A public disclosure was made on the Australian Stock Exchange on 2 March 2018.

Medusa remains committed to expanding its presence in South East Asia as part of its longer-term strategic diversification plan.

QUEENSLAND EPITHERMAL GOLD & PROPHYRY COPPER PROJECT

The company announce as at 5 July 2018 that it has entered into an earn-in agreement (EIA) with Ellenkay Gold Pty Limited (Ellenkay) regarding two exploration projects in Central Queensland, Australia (Figure 11).

The Hill 212 (EPM 26217) exploration project is an epithermal gold-silver opportunity approximately 30km east of Mt Coolon. The Mt Clark West (EPM 26008) exploration project is a porphyry copper-gold opportunity approximately 24km northwest of Nebo. Both projects have well defined drill targets generated through previously completed geochemical and geophysical work programs.

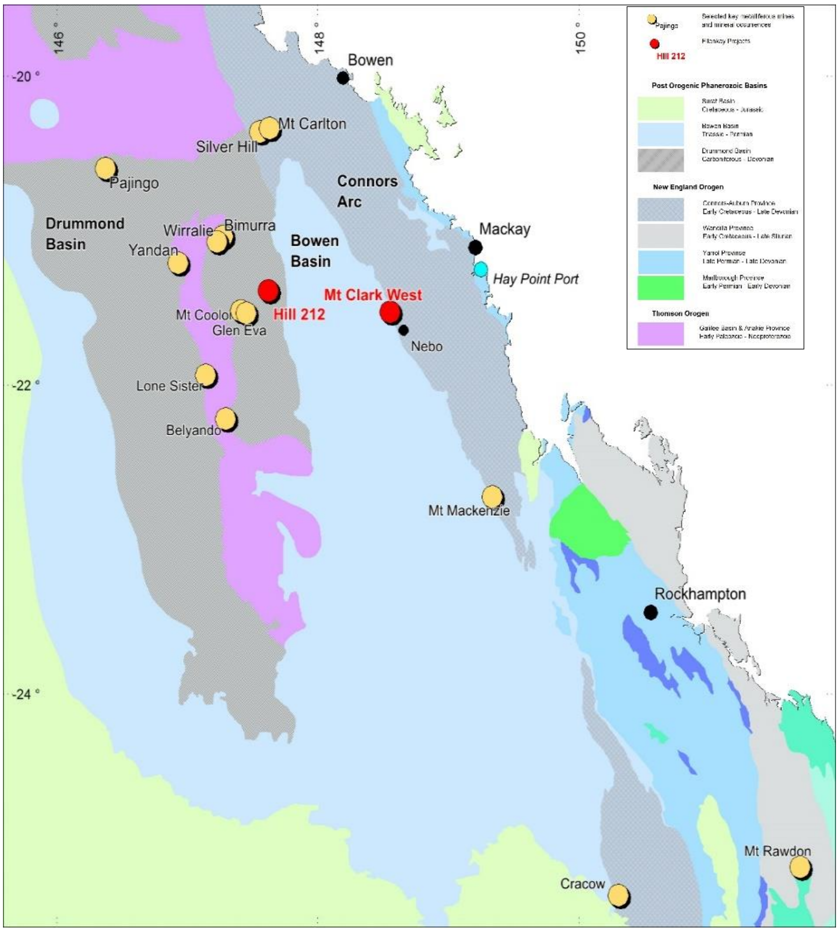


Figure 11: Location map showing the two projects (red dots).

Ellenkay currently has a 100% interest in both projects and under the terms of the EIA, Medusa may earn an equity position of up to 90% in either or both projects by managing and funding work programs through to the completion of a Pre-Feasibility Study.

Medusa must spend a combined minimum of A$1 million on exploration activities across both projects in the first year before it is able to withdraw. Following this minimum expenditure commitment, Medusa can increase its interest in the projects by electing to meet and satisfying the following expenditure and development milestones:

Milestone	Mt Clark West		Hill 212	
	Medusa project equity	Expenditure	Medusa project equity	Expenditure
Year 2	49%	A$750,000	49%	A$750,000
Year 3	70%	A$750,000	70%	A$750,000
Pre-Feasibility Study	90%	Fund study	90%	Fund study

Following the completion of a Pre-Feasibility Study, Medusa can elect to sole fund a Feasibility Study on either or both projects. Medusa will manage the exploration program during the earn-in period and expects to be drilling the first of the projects before the end of the current September quarter.

Hill 212

The project area features multiple epithermal-style veins and potentially represents the upper levels of an epithermal system. Exploration work by previous explorers include mapping (1:2,000 scale) over ~1km x 800 metres, rock chip and soil sampling, as well as limited drilling (two RC holes for a total of 168 metres, with peak results of 1.01 g/t gold at 4 metres). Historical exploration work had identified gold mineralisation and classic epithermal textures. Medusa will be testing for potential grade improvement at depth below the base of oxidation.

Mt Clark West

The project area features large scale, pervasive hydrothermal alteration and porphyry-style stockwork quartz veining with well-developed boxworks. Historical work included field mapping and rock chip sampling, soil sampling, geophysical surveys, magnetic inversion modelling plus IP and resistivity modelling. This work has highlighted a number of coincident geophysical and geochemical anomalies and delineated, drill ready targets.

RATIONALISATION OF TENEMENT

There have been no physical changes on the company's tenement for the FY 2017/18.

Ongoing rationalisation of the Company's tenement application pipeline focused on desktop review and reconnaissance field validation of the district geology around the Co-O Mine (Figure 2). During this fiscal year, four (4) tenement application grounds - APSA 12-XIII, APSA 99-XIII, EPA 66-XIII and APSA 54-XIII (Figure 12), were reviewed and field evaluated with potential drillable target identified in the Kabaywa Prospect within APSA 12-XIII.

The Kabaywa Prospect is a small scale mining site extracting gold from narrow high-grade intermediate sulphidation epithermal vein deposits (Figure 12) and located ~10km from Co-O,. The deposit comprises of a main 500 metres long NE-trending high-grade quartz-sulphide vein structure with at least 2 shorter sub-parallel 100 metres to 200 metres long vein structures towards the southeast. Grab and channel samples taken from these veins consistently returned grades above 1.0 g/t gold with peak grades of 86.3 g/t gold.

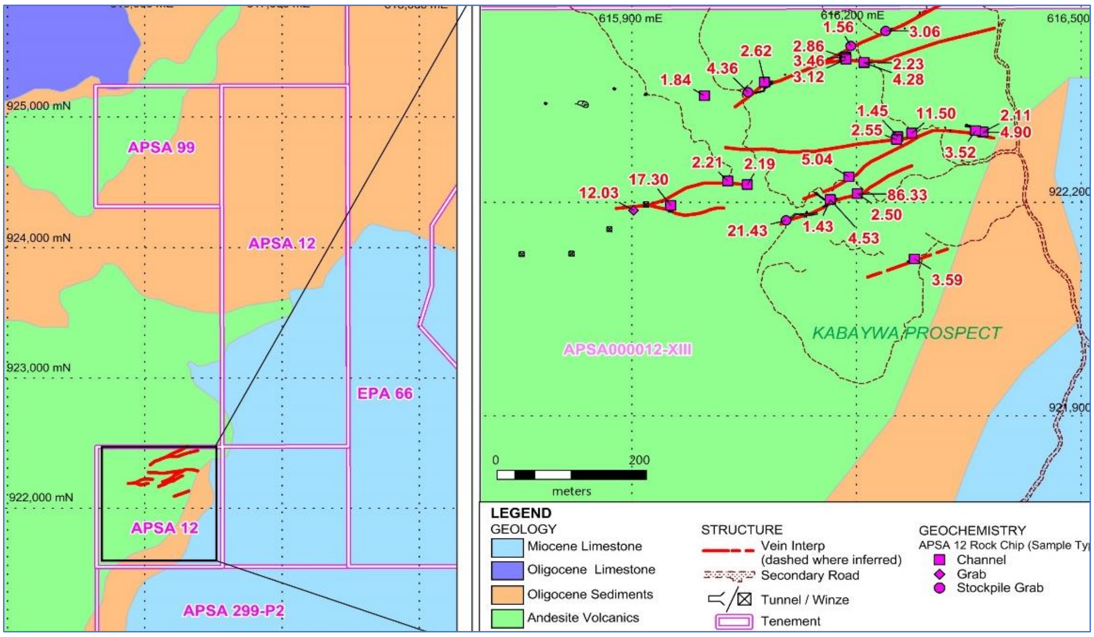


Figure 12: Location and geologic map of the Kabaywa Prospect with reference to adjacent tenement grounds showing mapped vein structures and sample locations with associated assay results for samples above 1 g/t gold.

A significant portion of APSA 12-XIII, APSA 99-XIII, EPA 66-XIII and APSA 54-XIII that were field evaluated were noted as non-prospective being underlain by clastic and non-clastic un-mineralised sedimentary rocks (Figure 6). While prospective andesitic volcanic rocks hosting potential vein-style and diatreme-related mineralisation unconformably underlies these sedimentary rocks, the thickness of the sedimentary rock cover - especially in EPA 66-XIII, ranges from 200 metres to more than 500 metres thick making exploration drilling particularly challenging and financially prohibitive in these areas.

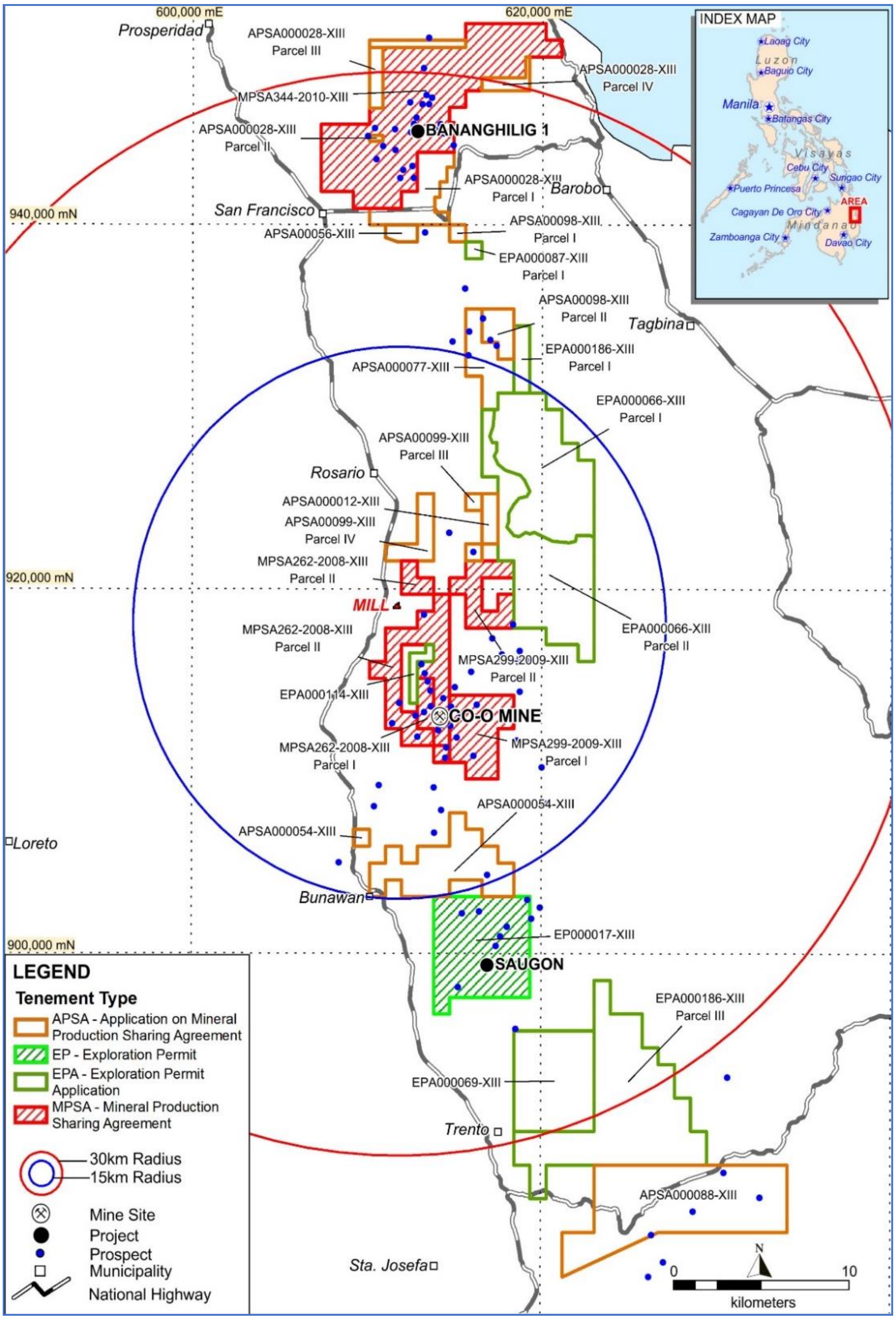


Figure 13: Status of tenement holdings at end June 2018.

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;
- ❑ Viable and sustainable operation; and
- ❑ Community Participation, Development Programmes and Benefits

HEALTH AND SAFETY

A Safety and Health Program was implemented to manage the Safety and Health of all personnel working at the Philsaga Mining Corporation sites. This program includes;

- Comprehensive and continued safety awareness at the mine and mill sites;
- Comprehensive emergency preparedness planning and training 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, including bi-annual refresher training;
- Hazard prevention and control, through improved hazard awareness training, program of work place inspections, conducting Job Hazard Analysis, thorough investigation of incidents, continual communication with the workforce and implementation of the corrective/improvement actions.;
- Continued regular training for the Emergency Response Team ("ERT") like chemical spill, mine rescue and firefighting, with the teams participating in annual national competitions; and

The 12 month Lost Time Accident Frequency Rate for FY 2017/18 was 1.1 per million man hours while this has increased from the previous year the severity rate significantly reduced from 495 in FY 2016/17 to 17 in FY 2017/18. As the Safety and Health Program continues and matures the Lost Time Accident Frequency Rate is expected to reduce.

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.

Photo 3: Practical Fire Fighting 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 of 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 4: Seedling Nursery.

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.

Photo 5: Composting

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 has established 10 hectare enhancement site using indigenous forest trees and a new 150 hectare Mining Forest Program site at Brgy. Consuelo, Bunawan and Brgy. Bayugan 3, Agusan del Sur.

Photo 6A: Reforestation activities

Photo 6B: Reforestation activities

The Company has its own two 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.

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.

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.

Coconet and Geonet (water hyacinth) are the medium used as covering materials installed in landslip prone area as erosion control. 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.

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 significantly out performs its annual carbon footprint.

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 March 29, 2018, the operating companies, Philsaga Mining Corporation and Mindanao Mineral Processing and Refining Corporation, renewed their ISO 14000 commitment, both were issued Certificates of compliance with the standards of ISO 14001:2015, demonstrating continued compliance with good environmental management systems as well as good 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

Scholarships

The company continued its commitment to provide opportunities to less privileged students who wish to pursue their tertiary courses from its host and neighbouring communities. Currently the program is providing the following assistance to scholars:

- 22 Students with Full Scholarship grant;
- 6 Students with Half Scholarship grant; and
- 11 Students with Educational Assistance.

Several of the scholars that graduated have already began working in Philsaga Mining Corporation or teaching at Philsaga High School Foundation.

Company schools and Adopt-a- School programme

As in 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 July 2018 extended it program to support for 13 schools in the Rosario and Bunawan municipalities until 2021.

Photo 7: MOA signing and Launching of Adopt- A- School Program last July 24, 2018.

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.

Rubber tree plantation

The Company has continued to assist with the supply 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.

REVIEW OF OPERATIONS

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.

Honoraria to Teachers and Day care centre workers

Support was provided for the monthly subsidies of 119 volunteer teachers from local and neighbouring communities within the province of Agusan del Sur.

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.

Support to Community Infrastructure

The Company continued to support sustainable infrastructure projects that will support to the livelihood of the local communities. Project completed this year were;

- Improvement of potable water supply of Nueva Era, wherein 1500 community residents can benefit;
- Improvement of potable water Supply of San Andres wherein at least 2600 community residents can benefit;
- Improvement of potable water supply Bunawan Brook with at least 2500 community residents benefitted; and
- implemented the installation of Street Lights in Barangay Poblacion, Libertad Imelda and Mambalili wherein 173 street lights were installed.

Photo 8: Turnover of Potable Water Supply of Nueva Era

Photo 9: Street Lights of Barangay Libertad

Livelihood and Skill Development Program

The Company's livelihood program is awarded to the mining community which depends on its geographical orientation, availability of raw materials and feasibility of their product. The program aims on building partnership, empowering individuals and promoting stakeholders to be self-reliant and sustainable communities.

This year's program included assisting in the establishment of fish pond for Tilapia production, purchase of farm machinery for Farmers Associations, Entrepreneurial Skills training and Technology Training on rubber plantation management and tapping

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. The annual local government budgets of the Municipality of Bunawan, Municipality of Rosario and the Province of Agusan del Sur are supported 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 General 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 2018 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 2018 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 Peter Hepburn-Brown) and one Executive Director (being 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 57 to 58. 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 Peter Hepburn-Brown 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 on page 57 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 Raul Villanueva as an independent Director because he is currently employed in an executive capacity by Medusa as an Executive Director.

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

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

Chairperson, 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 (if applicable) 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 61 to 71.

Details of Directors' attendance at Board meetings are set out in the Directors' Report on page 59.

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.

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 Peter Hepburn-Brown (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.

Two meetings of the Nomination Committee were held during the reporting period and details of the members' attendance at these meetings are included in the Directors' Report on page 59.

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 Raul Villanueva. 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 this meeting are included in the Directors' Report on page 59.

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 Nos 61 to 71. 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 68. 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 Peter Hepburn Brown. 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 57. Three 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 59.

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 and Peter Hepburn-Brown (appointed 15 June 2018). Three 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 59.

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	15	38%	24	62%
Supervisory/professional	69	24%	224	76%
Middle management	15	25%	46	75%
Senior management	1	8%	11	92%
Total	91	23%	305	77%
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.

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.

CORPORATE GOVERNANCE

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 applicable), 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.

Chief Executive Officer or Managing Director (as applicable) 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 2018, the Board receives written declarations from the Chief Executive Officer or Managing Director (as applicable) 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 Chief Executive Officer or Managing Director (as applicable) 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 Chief Executive Officer or Managing Director (as applicable) 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 Chief Executive Officer or Managing Director (as applicable) 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
- 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 (Chairperson since 22 November 2013)
Mr Ciceron Angeles	from 28 June 2011 to 31 October 2017
Mr Roy Philip Daniel	since 25 November 2015
Mr Peter Gordon Hepburn-Brown	appointed 15 June 2018
Executive Directors:	
Mr Boyd Walter Timler (Managing Director) (1)	since 09 January 2017
Mr Raul Conde Villanueva	since 24 January 2013

Notes:

(1) on 15 June 2018, Mr Boyd Timler tendered his retirement as Managing Director effective 06 July 2018.

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 Chairperson

Mr Teo is an accountant with 39 years of extensive and diversified experience in accounting, treasury, corporate, legal and business administration across several industries, including the mining industry. He was, until his retirement in March 2018, Chief Financial Officer/Executive Director of BGC (Australia) Pty Ltd., one of Australia's largest privately owned companies, with annual turnover in excess of $2 billion and 7,000 plus staff (including sub-contractors). Mr Teo worked in BGC in excess of 35 years. Mr Teo remains a Non-Executive Director of BGC.

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
BSc (Geology), Mapp Sc (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 Mapp Sc 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 Angeles retired from the Board on 31 October 2017.

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. He was 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 37 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 Nomination and Safety, Health & Environment Committee.

Mr Peter Gordon Hepburn-Brown
B App Sc - Mining Engineering (1980), Grad Dip Human Resources (1996), Member of Inst of Engineers, Australia
Independent Non-Executive Director

Mr Peter Hepburn-Brown was appointed Non-Executive Director on 15 June 2018. His previous association with the Company dates back to September 2009 when he was first appointed as a non-executive member of the Board. In July 2010, Mr Hepburn-Brown assumed the role of Executive Director (Operations) and served in that position until June 2011, where he was then appointed Managing Director of Medusa until his retirement from office in August 2014.

Mr Hepburn-Brown has more than 37 years of mining experience, including senior management and Board positions in Australia and overseas. He has successfully brought many operations into development, and brings significant and relevant experience, including hands-on shaft sinking and air leg mining in narrow vein mines.

He is currently Non-Executive Director of Calidus Resources Ltd and Focus Minerals Ltd.

Mr Hepburn-Brown is a member of the Audit, Remuneration and Health, Safety & Environment Committees.

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 and retired as Managing Director of Medusa Mining Ltd on 06 July 2018 (refer ASX announcement dated 15 June 2018).

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 Ti-west Joint Venture.

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

4. MEETINGS OF DIRECTORS

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

Name of Director	Board Meetings		Audit Committee		Remuneration Committee		SHE Committee		Nomination Committee	
	Number (1)	Attended	Number (1)	Attended	Number (1)	Attended	Number (1)	Attended	Number (1)	Attended
Andrew Teo	6	6	3	3	1	1	3	3	2	2
Ciceron Angeles (2)	2	2	2	2	-	-	-	-	-	-
Roy Daniel	6	6	3	3	1	1	3	3	2	2
Boyd Timler	6	5	-	-	1	1	3	3	-	-
Raul Villanueva	6	5	-	-	-	-	3	3	2	2
Peter Hepburn-Brown (3)	-	-	-	-	-	-	-	-	-	-

Notes:
(1) Number of meetings held during the time the Director held office during the year;
(2) Mr Ciceron Angeles retired from the Board on 31 October 2017; and
(3) Mr Peter Hepburn-Brown appointed Non-Executive Director on 15 June 2018.

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$55.6) million [2017: Consolidated loss of (US$56.7) million].

Key financial results:

Description	Unit	30 June 2018	30 June 2017 (2)	Variance	(%)
Revenues	US$	US$124.6M	US$100.1M	US$24.5M	24%
EBITDA (1)	US$	(US$25.3M)	(US$29.8M)	US$4.5M	15%
NPAT (1)	US$	(US$55.6M)	(US$56.7M)	US$1.1M	2%
EPS (basic)	US$	(US$0.267)	(US$0.273)	US$0.006	2%

Notes:
(1) includes asset impairment losses of (US$81.1M) for year ended 30 June 2018 and (US$70.8M) for year ended 30 June 2017; and
(2) Restated accounts relating to p(rior year adjustments due to change in accounting policy. EBITDA, NPAT and EPS (basic) previously reported were (US$35.2M), (US$62.1M) and US$0.299) respectively.

Medusa recorded a loss before interest, tax depreciation and amortisation ("EBITDA") of (US$25.3) million for the year to 30 June 2018 and includes asset impairment losses of (US$81.1M). EBITA for the previous year was a loss of (US$29.8) million and includes asset impairment losses of (US$70.8M).

Revenues increased by approximately 24% from US$100.1 million in the previous year to US$124.6 million.

Medusa is an un-hedged gold producer and received an average price of US$1,293 per ounce from the sale of 96,056 ounces of gold for the year (previous year: 79,194 ounces at US$1,256 per ounce).

At year end, the Company had total cash and cash equivalent in gold on metal account of US$15.1 million (2017: US$11.5M).

During the year,

- the Company produced 95,705 ounces of gold for the year, compared to 80,743 ounces from the previous corresponding period, at an average recovered grade of 6.33 g/t gold (June 2017: 5.33 g/t gold);
- the average cash costs of US$562 per ounce, inclusive of royalties and local business taxes was lower than the previous year's average cash costs of US$595 per ounce;
- All in Sustaining Costs ("AISC") for the year was US$1,083 per ounce of gold (2017: US$1,374 per ounce);
- depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US$29.2 million (2017: US$18.0M);
- US$14.6 million was expended on capital works associated with the new shaft construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2017: US$16.2M);
- exploration expenditure, inclusive of underground diamond drilling was US$5.4 million (2017: US$12.3M);
- capitalised mine development costs totalled US$24.5 million for the year (2017: US$27.6M); and
- corporate overheads of US$7.3million (2017: US$6.7M).

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 Chairperson's 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 Ciceron Angeles, a Non-Executive Director retired from the Board on 31 October 2017;

The Company advised the market on 15 June 2018,

- the appointment of Mr Peter Hepburn-Brown as Non-Executive Director of the Company;
- the appointment of Mr David McGowan (previously General Manager, Engineering) as Chief Operating Officer of Medusa; and
- that Mr Boyd Timler had tendered his resignation as Managing Director effective 06 July 2018.

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

Subsequent to Balance Date, Mr Boyd Timler resigned as Managing Director of Medusa on 06 July 2018 (refer ASX announcement dated 15 June 2018); and

On 5 July 2018 the Company announced that it had entered into an earn in agreement regarding earn in of up to 90% in two exploration projects in Queensland Australia. The earn in requires the Company to manage and fund exploration programs through to completion of a Pre-Feasibility Study. The Company must spend a combined minimum of A$1 million on both projects before it is able to withdraw.

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 focus on organic growth within its land-holdings in the Philippines and also source mineral properties within the Asia Pacific region with a view to developing properties capable of economic 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 [(1)]	-	-	-
Roy Daniel	815,875	-	-
Peter Hepburn-Brown [(2)]	-	-	-
Boyd Timler	50,000	1,200,000	-
Raul Villanueva	50,000	500,000	-

Notes:

(1) Mr Ciceron Angeles retired from the Board on 31 October 2017;
(2) Mr Peter Hepburn-Brown joined the Board on 15 June 2018.

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 Directors 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 (retired from the Board on 31 October 2017);

Roy Daniel;

Peter Hepburn-Brown (joined the Board on 15 June 2018).

Executive Directors -

Boyd Timler, Managing Director; and

Raul Villanueva, President of Philsaga Mining Corporation.

Executive Officers:

Peter Alphonso, Company Secretary/Chief Financial Officer;

David McGowan, Chief Operating Officer; and

James Llorca, General Manager, Geology & Resources.

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

The following tables provides the details of the remuneration of all Directors and Executive Officers of the Group and the nature and amount of the elements of their remuneration (in US$'s) for the year ended 30 June 2018 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)	Superannuation	Incentive plans	LSL (3)	Shares/ units	Options/ rights (4)					
Directors:																
Non-Executive																
Andrew Teo	2018	25,134	96,275	-	-	-	-	-	-	-	-	-	-	121,409	-	-
	2017	-	76,820	-	-	-	-	-	-	-	-	-	-	76,820	-	-
Ciceron Angeles (5)	2018	-	19,699	-	-	-	-	-	-	-	-	-	-	19,699	-	-
	2017	22,308	57,615	-	-	-	-	-	-	-	-	-	-	79,923	-	-
Roy Daniel	2018	22,701	57,833	-	-	-	-	-	-	-	-	-	-	80,534	-	-
	2017	46,092	57,615	-	-	-	-	-	-	-	-	-	-	103,707	-	-
Peter Hepburn-Brown (6)	2018	-	2,488	-	-	-	-	-	-	-	-	-	-	2,488	-	-
	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive																
Boyd Timler (9)	2018	385,980	-	-	36,760	14,511	18,380	-	-	-	-	-	-	455,631	8.1%	-
	2017	395,623	-	-	-	7,623	26,887	-	-	-	193,500	-	-	623,633	-	31.0%
Raul Villanueva	2018	425,000	-	-	-	-	-	-	-	-	-	-	-	425,000	-	-
	2017	425,000	-	-	-	-	-	-	-	-	-	-	-	425,000	-	-
Executive Officers:																
Peter Alphonso	2018	263,937	-	-	14,704	-	18,380	-	6,469	-	32,077	-	-	335,567	4.4%	9.6%
	2017	266,268	-	-	-	-	26,781	-	6,760	-	-	-	-	299,809	-	-
David McGowan (7)	2018	238,940	-	-	7,352	15,780	18,380	-	-	-	97,201	-	-	377,653	2.0%	25.7%
	2017	102,310	-	-	-	7,885	9,719	-	-	-	-	-	-	119,914	-	-
James Llorca (8)	2018	238,940	-	-	7,352	13,837	18,380	-	-	-	97,201	-	-	375,710	2.0%	25.9%
	2017	174,925	-	-	-	3,458	21,126	-	-	-	-	-	-	199,509	-	-
Total	**2018**	**1,600,632**	**176,295**	**-**	**66,168**	**44,128**	**73,520**	**-**	**6,469**	**-**	**226,479**	**-**	**-**	**2,193,691**	**3.0%**	**10.3%**
	2017	**1,432,526**	**192,050**	**-**	**-**	**18,966**	**84,513**	**-**	**6,760**	**-**	**193,500**	**-**	**-**	**1,928,315**	**-**	**10.0%**

Notes:

(1) Bonuses are generally paid in October and relate to the previous year's financial results;
(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 Ciceron Angeles retired from the Board on 31 October 2017;
(6) Mr Peter Hepburn-Brown joined the Board on 15 June 2018;
(7) Mr David McGowan commenced employment on 01 February 2017; and
(8) Mr James Llorca commenced employment on 10 October 2016.
(9) Mr Boyd Timler was paid US$277,457 as a retirement benefit subsequent to 30 June 2018.

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 (LTI)
Directors:			
Non-Executive			
Andrew Teo	100.0%	-	-
Ciceron Angeles	100.0%	-	-
Roy Daniel	100.0%	-	-
Peter Hepburn-Brown	100.0%	-	-
Executive			
Boyd Timler	91.9%	8.1%	-
Raul Villanueva	100.0%	-	-
Executive Officers:			
Peter Alphonso	86.0%	4.4%	9.6%
David McGowan	72.3%	2.0%	25.7%
James Llorca	72.1%	2.0%	25.9%

(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 Officers:							
Peter Alphonso	A	41,250	08 Jan 2018	A$0.275	A$11,344	A$1.00	08 Jan 2022
	B	41,250	08 Jan 2018	A$0.255	A$10,519	A$1.25	08 Jan 2022
	C	41,250	08 Jan 2018	A$0.239	A$9,859	A$1.50	08 Jan 2022
	D	41,250	08 Jan 2018	A$0.225	A$9,281	A$1.75	08 Jan 2022
	Total	165,000			A$41,003		
			US$ equivalent at Grant Date		US$32,077		
David McGowan	A	125,000	08 Jan 2018	A$0.275	A$34,375	A$1.00	08 Jan 2022
	B	125,000	08 Jan 2018	A$0.255	A$31,875	A$1.25	08 Jan 2022
	C	125,000	08 Jan 2018	A$0.239	A$29,875	A$1.50	08 Jan 2022
	D	125,000	08 Jan 2018	A$0.225	A$28,125	A$1.75	08 Jan 2022
	Total	500,000			A$124,250		
			US$ equivalent at Grant Date		US$97,201		
James Llorca	A	125,000	08 Jan 2018	A$0.275	A$34,375	A$1.00	08 Jan 2022
	B	125,000	08 Jan 2018	A$0.255	A$31,875	A$1.25	08 Jan 2022
	C	125,000	08 Jan 2018	A$0.239	A$29,875	A$1.50	08 Jan 2022
	D	125,000	08 Jan 2018	A$0.225	A$28,125	A$1.75	08 Jan 2022
	Total	500,000			A$124,250		
			US$ equivalent at Grant Date		US$97,201		

Name	Tranche	Year 1: 30% Vesting and Vesting date 08 Jan 2019	Year 2: 30% Vesting and Vesting date 08 Jan 2020	Year 3: 40% Vesting and Vesting date 08 Jan 2021	Total	Expiry Date
Executive Officers:						
Peter Alphonso	A	12,375	12,375	16,500	41,250	08 Jan 2022
	B	12,375	12,375	16,500	41,250	08 Jan 2022
	C	12,375	12,375	16,500	41,250	08 Jan 2022
	D	,12,375	,12,375	16,500	41,250	08 Jan 2022
	Total	49,500	49,500	66,000	165,000	
David McGowan	A	37,500	37,500	50,000	125,000	08 Jan 2022
	B	37,500	37,500	50,000	125,000	08 Jan 2022
	C	37,500	37,500	50,000	125,000	08 Jan 2022
	D	37,500	37,500	50,000	125,000	08 Jan 2022
	Total	125,000	125,000	200,000	500,000	
James Llorca	A	37,500	37,500	50,000	125,000	08 Jan 2022
	B	37,500	37,500	50,000	125,000	08 Jan 2022
	C	37,500	37,500	50,000	125,000	08 Jan 2022
	D	37,500	37,500	50,000	125,000	08 Jan 2022
	Total	125,000	125,000	200,000	500,000	

(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.

(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 2017/2018

Name	Balance 01/07/17	Options/rights granted as remuneration	Options/ rights exercised	Options/ Rights not exercised and lapsed	Balance held 30/06/18	Vested & exercisable 30/06/18 (1)	Total not exercisable 30/06/18 (2)
Directors:							
Non-Executive							
Andrew Teo	-	-	-	-	-	-	-
Ciceron Angeles (3)	-	-	-	-	-	-	-
Roy Daniel	-	-	-	-	-	-	-
Peter Hepburn-Brown (4)	-	-	-	-	-	-	-
Executive							
Boyd Timler	1,200,000	-	-	-	1,200,000	360,000	840,000
Raul Villanueva	500,000	-	-	-	500,000	500,000	-
Executive Officers:							
Peter Alphonso	165,000	165,000	-	-	330,000	165,000	165,000
David McGowan	-	500,000	-	-	500,000	-	500,000
James Llorca	-	500,000	-	-	500,000	-	500,000

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 Ciceron Angeles retired from the Board on 31 October 2017; and
(4) Mr Peter Hepburn-Brown joined the Board on15 June 2018.

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
Executive Officers:							
Peter Alphonso	165,000	-	-	-	165,000	99,000	66,000
Robert Gregory (4)	150,000	-	-	-	165,000	99,000	66,000

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.

(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 2017/18

Name	Balance 30/06/17	Shares held at appointment	Bonus issue of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/18
Directors:							
Non-Executive							
Andrew Teo	120,000	-	-	-	-	-	120,000
Ciceron Angeles (1)	-	-	-		-	-	-
Roy Daniel	815,875	-	-	-	-	-	815,875
Peter Hepburn-Brown (2)	-	-	-	-	-	-	-
Executive							
Boyd Timler	50,000	-	-	-	-	-	50,000
Raul Villanueva	50,000	-	-	-	-	-	50,000
Executive Officers:							
Peter Alphonso	127,500	-	-	-	-	-	127,500
David McGowan	-	-	-	-	-	-	-
James Llorca	-	-	-	-	-	-	-

Notes:
(1) Mr Ciceron Angeles retired from the Board on 31 October 2017; and
(2) Peter Hepburn-Brown joined the Board on 15 June 2018.

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
Executive Officers:							
Peter Alphonso	127,500	-	-	-	-	-	127,500

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

(g) Remuneration policies

Remuneration Committee

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

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

Remuneration Philosophy

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

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

Non-Executive Directors remuneration:

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

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

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

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

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

- Andrew Boon San Teo (Chairperson): A$150,000 per annum;
- Ciceron Angeles: A$75,000 per annum;
- Roy Daniel: A$75,000 per annum; and
- Peter Hepburn-Brown: A$75,000 per annum.

Executive Remuneration:

<u>Objective</u>

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

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

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

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

Fixed Remuneration

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

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

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

Variable Remuneration

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

- *Short-term Incentives ("STI")*

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

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

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

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

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

  STIs were granted to key management personnel in the subsequent period since the end of the financial year ended 30 June 2017.

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

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

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

(h) Company performance

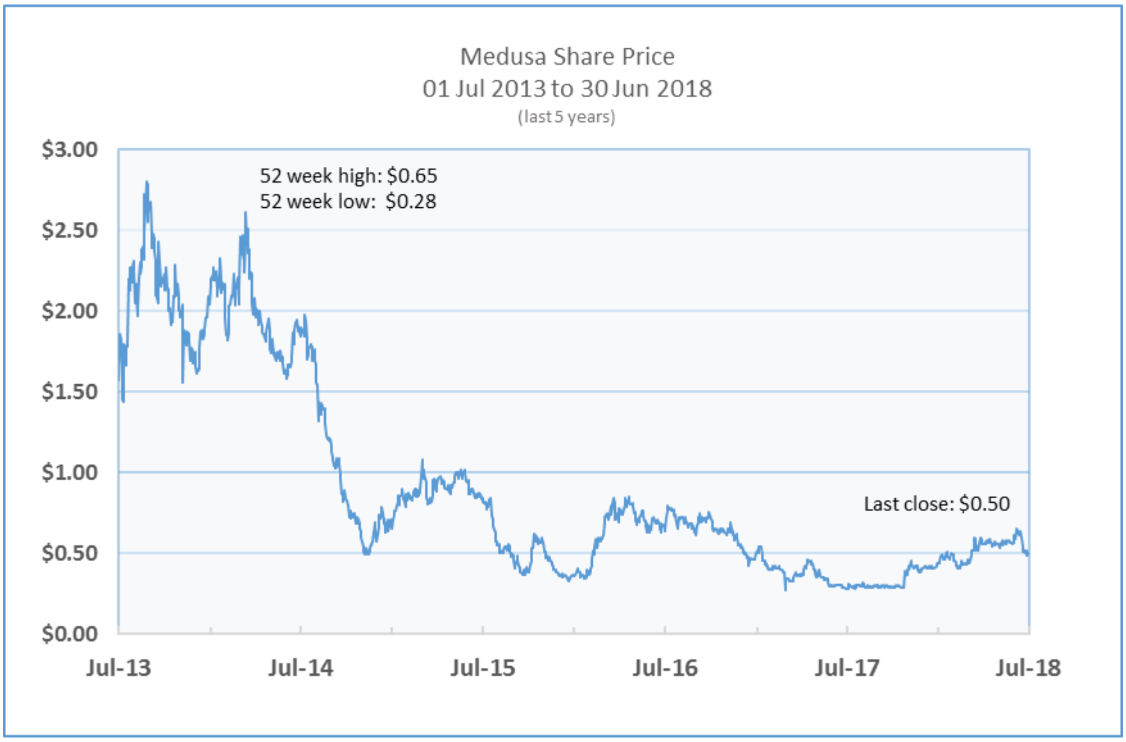
In considering the Company's performance and benefits for shareholder wealth, the Remuneration Committee takes into account the following indices in respect of the current financial year and the previous four financial years.

Year ended 30 June	Note	2014	2015	2016	2017	2018
Basic earnings per share (EPS)	(1)	US$0.154	(US$1.050)	US$0.211	(US$0.273)	(US$0.267)
Share price at 30 June		A$1.85	A$0.84	A$0.64	A$0.28	A$0.50
Share price increase	(2)	A$0.30	(A$1.01)	(A$0.20)	(A$0.36)	A$0.22
Total shareholder returns (TSR)	(3)	19.4%	(54.6%)	(23.8%)	(56.3%)	78.6%

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

(2) Share price movement during the financial year; 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, 2017, 2016, 2015 or 2014 financial years.



(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:	<u>Fixed remuneration:</u> The Employee's annual Remuneration Package is A$550,000, inclusive of a superannuation and is subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standard. <u>Variable remuneration - Short term incentive:</u> The Employee may be entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions. <u>Variable remuneration - Long term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's Share option and performance rights plans.
Termination:	<u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee four months written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice. The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of its obligations and does not remedy that default in addition to other standard default situations. <u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.

David McGowan (Chief Operating Officer)

Contract description:	Employment contract between the Company and David McGowan ("Employee").
Term:	Commencement date of 01 February 2017 until the Employee is terminated.
Services:	The Employee is employed as Chief Operating Officer ("COO") of the Company and is responsible for all operational aspects within the Company
Remuneration:	<u>Fixed remuneration:</u> The Employee's annual Remuneration Package is A$350,000, inclusive of a superannuation and is subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standard. <u>Variable remuneration - Short term incentive:</u> The Employee may be entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions. <u>Variable remuneration - Long term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's Share option and performance rights plans.
Termination:	<u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee 3 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 agreement in certain circumstances, including if the Employee is in default of its obligations and does not remedy that default in addition to other standard default situations. <u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.

James Llorca (General Manager, Geology & Resources)	
Contract description:	Employment contract between the Company and James Llorca ("Employee").
Term:	Commencement date of 10 October 2016 until the Employee is terminated.
Services:	The Employee is employed as General Manager, Geology & Resources of the Company and is responsible all matters pertaining to geology in the Company.
Remuneration:	Fixed remuneration: The Employee's annual Remuneration Package is A$350,000, inclusive of a superannuation 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 3 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 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 the Company 3 months' written notice.

Peter Alphonso (Company Secretary/Chief Financial Officer)	
Contract description:	Employment contract between the Company and Peter Alphonso ("Employee").
Term:	No set term and the agreement will continue until Employee is terminated.
Role:	The Employee is as Company Secretary/Chief Financial Officer and is responsible for the day to day management of all financial, administrative and corporate functions of the Company.
Remuneration:	Fixed remuneration: A$400,000 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. 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 (other than as set out below in relation to a "Material Diminution" or default by the Employee) by giving the Employee 3 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 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 the Company 3 months' written 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 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 to the Employee in lieu of a notice period equal to 12 months.

(j) Employment contracts (continued)

Executives

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 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.

Mr Villanueva receives a monthly salary of US$35,416.67 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, Peter Hepburn-Brown, Boyd Timler, Peter Alphonso, James Llorca and David McGovern.
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.

End of Remuneration Report

(l) Un-issued shares under options/rights

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

Expiry date	Exercise price	No. of options/rights	No. of shares issued if options/rights exercised
<u>Employee options</u>			
16 December 2018	A$1.00	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
08 January 2022	A$1.00	416,250	416,250
08 January 2022	A$1.25	416,250	416,250
08 January 2022	A$1.50	416,250	416,250
08 January 2022	A$1.75	416,250	416,250
TOTAL		6,030,000	6,030,000

(m) Shares issued on exercise of options/rights

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

14. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the following current Directors 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

Medusa Mining Limited ("Medusa") has agreed to indemnify its auditors, BDO Audit (WA) Pty Limited ("BDO") to the extent permitted by law, against any claim by a third party arising from MML's breach of their agreement. MML will meet the full amount of any such liabilities including a reasonable amount of legal costs.

During the financial year, the Company has not paid any premium in respect to any insurance for BDO or a body corporate related to BDO and there were no officers of the Company who were former partners or directors of BDO, whilst BDO 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, affiliated entities of BDO Audit (WA) Pty Limited ("BDO"), 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) The services of the affiliated entities of the BDO Group have not involved reviewing or auditing BDO'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 BDO's Independence Declaration.

The following fees were paid affiliated entities of BDO for non-audit services provided during the year ended 30 June 2018.

	2018 (US$)	2017 (*) (US$)
Taxation and other services	40,309	15,500
Total non-audit services	40,309	15,500

(*) relates to non-audit services performed in FY17 by Grant Thornton, a company related to Grant Thornton Audit Pty Ltd, the Company's previous auditors.

19. AUDITOR'S INDEPENDENT DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2018 has been received and can be found on page 74 of the Financial Report.

20. ROUNDING OFF AMOUNTS

The Group is of a kind referred to in ASIC Legislative Instrument 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.

Signed in accordance with a resolution of the Board of Directors

Andrew Teo
Chairperson

Dated at Perth this 29th day of August 2018

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Fax: +61 8 6382 4601
www.bdo.com.au

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF MEDUSA MINING LIMITED

As lead auditor of Medusa Mining Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Medusa Mining Limited and the entities it controlled during the period.

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 29 August 2018

CONTENTS OF FINANCIAL STATEMENTS

as at 30 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	Consolidated 2018 US$000	Consolidated 2017 Restated * US$000
Revenue	2	124,593	100,091
Cost of sales		(83,311)	(67,152)
Gross Profit		41,282	32,939
Exploration & Evaluation expenses		(1,186)	(1,645)
Administration expenses		(15,362)	(7,992)
Impairment expense	3,12	(81,100)	(70,800)
Other expenses		(955)	(1,557)
(Loss) before income tax expense		(57,321)	(49,055)
Income tax (expense)/benefit	4	1,767	(7,621)
(Loss) for the year after income tax expense		(55,554)	(56,676)
Other comprehensive (loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations (net of tax)		(2,200)	(1,896)
Total comprehensive (loss) attributable to the owners		(57,754)	(58,572)
Overall operations:			
Basic (loss) per share	5	(0.267)	(0.273)
Diluted (loss) per share	5	(0.267)	(0.273)

The above consolidated Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the accompanying notes.

* Restated - Refer Note 1(k) for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note	2018 US$000	Consolidated 2017 Restated * US$000	2016 Restated * US$000
CURRENT ASSETS				
Cash & cash equivalents	23 (a)	11,198	11,214	9,517
Trade & other receivables	6	19,462	11,963	25,977
Inventories	7	12,240	16,993	24,304
Other current assets	8	792	571	636
Total Current Assets		43,692	40,741	60,434
NON-CURRENT ASSETS				
Trade & other receivables	9	21,728	24,050	22,915
Property, plant & equipment	10	12,957	41,745	53,065
Intangible assets		609	720	552
Development expenditure	11	29,878	66,439	83,446
Deferred tax assets	16	10,059	1,662	2,208
Total Non-current Assets		75,231	134,616	162,186
TOTAL ASSETS		118,923	175,357	222,620
CURRENT LIABILITIES				
Trade & other payables	13	24,797	19,570	13,438
Borrowings	14	6,335	6,979	6,064
Provisions	15	386	364	346
Total Current Liabilities		31,518	26,913	19,848
NON-CURRENT LIABILITIES				
Borrowings	14	170	3,521	1,503
Deferred tax liability	16	232	245	245
Provisions	15	4,160	4,231	2,591
Total Non-current Liabilities		4,562	7,997	4,339
TOTAL LIABILITIES		36,080	34,910	24,187
NET ASSETS		82,843	140,447	198,433
EQUITY				
Issued capital	18	102,902	102,902	102,902
Reserves	19	1,311	3,547	5,152
Retained profits/ (accumulated losses)	22	(21,370)	33,998	90,379
TOTAL EQUITY		82,843	140,447	198,433

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

* Restated - Refer Note 1(k) for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Note	Share capital ordinary US$000	Retained profits/ Accumulated losses US$000	Share option reserves US$000	Foreign currency translation reserve US$000	Total US$000
CONSOLIDATED						
Balance at 30 June 2016		**102,902**	**152,384**	**739**	**4,413**	**260,438**
Change in accounting policy - Note 1(k)		-	(62,005)	-	-	(62,005)
Balance at 30 June 2016 (Restated *)		**102,902**	**90,379**	**739**	**4,413**	**198,433**
Net loss after tax (Restated *)		-	(56,676)	-	-	(56,676)
Other comprehensive (loss)		-	-	-	(1,896)	(1,896)
Total comprehensive loss for the year (Restated *)		-	(56,676)	-	(1,896)	(58,572)
Transactions with owners, in their capacity as owners, and other transfers						
Share options expensed	20	-	-	586	-	586
Transfer from option reserve		-	295	(295)	-	-
Balance at 30 June 2017 (Restated *)		**102,902**	**33,998**	**1,030**	**2,517**	**140,447**
Balance at 30 June 2017 (Restated *)		102,902	33,998	1,030	2,517	140,447
Net loss after tax		-	(55,554)	-	-	(55,554)
Other comprehensive (loss)		-	-	-	(2,200)	(2,200)
Total comprehensive loss for the year		-	(55,554)	-	(2,200)	(57,754)
Transactions with owners, in their capacity as owners, and other transfers						
Share options expensed	20	-	-	150	-	150
Transfer from option reserve		-	186	(186)	-	-
Balance at 30 June 2018		**102,902**	**(21,370)**	**994**	**317**	**82,843**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

* Restated - Refer Note 1(k) for further details.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

	Note	Consolidated 2018 US$000	2017 Restated * US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		120,966	111,981
Payments to suppliers & employees		(75,246)	(56,283)
Payments for exploration & evaluation activities		(1,186)	(4,453)
Interest received		87	73
Net cash provided by operating activities	23(b)	44,621	51,318
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for non-current assets		(14,753)	(17,374)
Payment for development activities		(27,402)	(33,370)
Net cash provided by (used in) investing activities		(42,155)	(50,744)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Payment of)/receipt from bank loans		(3,995)	2,933
Net cash (used in)/provided by financing activities		(3,995)	2,933
Net increase/(decrease) in cash held		(1,529)	3,508
Cash and cash equivalent at the beginning of the year		11,214	9,517
Exchange rate adjustment		1,513	(1,811)
Cash and cash equivalent at the end of the year	23(a)	11,198	11,214

The above consolidated statement of cash flows should be used in conjunction with the accompanying notes.

* Restated - Refer Note 1(k) for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

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 29.

The financial statements were authorised by the Directors on 28 August 2018.

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 2018. 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 2018 is presented in note 21.

(b) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year and change in exploration accounting policy explained further in Note 1(k).

(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 2018, but have not been applied in preparing this financial report.

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

AASB 9 Financial Instruments

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

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

The entity is undergoing an 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 undergoing an 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 undergoing an 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition

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

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

Gold and silver sales

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

Bill and hold sales

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

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

Interest Revenue

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

(e) Income tax

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

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.

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) 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.

Capital works in progress is included in Property, Plant and Equipment. Depreciation of the asset is applied when construction is completed and the asset is ready for use.

(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) Trade and other payables

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 ("E&E") incurred by or on behalf of the Group was 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.

Effective 1 July 2017 the Company has revised its policy to expense all costs incurred in respect of the acquisition of exploration and evaluation activities and ongoing exploration activities in the period in which they are incurred.

When production commences, the accumulated development for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of reserves.

In accordance with AASB 108, Accounting Policies, Changes in Accounting Estimates and Errors, brought forward balances to 30 June 2017 are accounted for retrospectively and reflected against Retained Earnings. Exploration during the year ended 30 June 2018 is expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

This voluntary change in accounting policy involves restating the following balances:

Statement of financial position	30 Jun 2017			30 Jun 2016		
	Previous amount US$000	Increase/ (Decrease) US$000	Restated amount US$000	Previous amount US$000	Increase/ (Decrease) US$000	Restated amount US$000
Exploration	56,553	(56,553)	-	62,006	(62,006)	-
Development	66,439	-	66,439	83,446	-	83,446
Exploration, evaluation & development expenditure	122,992	(56,553)	66,439	145,452	(62,006)	83,446
Total Assets	231,910	(56,553)	175,357	284,625	(62,005)	222,620
Net Assets	197,000	(56,553)	140,447	260,438	(62,005)	198,433
Retained Earnings	90,550	(56,552)	33,998	152,384	(62,005)	90,379
Total Equity	**197,000**	**(56,553)**	**140,447**	**260,438**	**(62,005)**	**198,433**

Statement of profit or loss and other comprehensive income	30 Jun 2017			30 Jun 2016		
	Previous amount US$000	Increase/ (Decrease) US$000	Restated amount US$000	Previous amount US$000	Increase/ (Decrease) US$000	Restated amount US$000
Cost of Sales	(67,152)	-	(67,152)	(73,281)	-	(73,281)
Exploration & evaluation expenses	(7,098)	5,453	(1,645)	-	(472)	(472)
Impairment	(70,800)	-	(70,800)	-	-	-
Profit/loss after tax	**(62,129)**	**5,453**	**(56,676)**	**44,329**	**(472)**	**43,857**
Basic earnings/loss per share (US$ per share)	(0.299)	0.026	(0.273)	0.213	(0.002)	0.211
Diluted earnings/loss per share (US$ per share)	(0.299)	0.026	(0.273)	0.209	(0.002)	0.207

Due to the voluntary change in Accounting policy regarding Exploration expenditure being expensed as incurred, the Consolidated Statement of Cash Flows discloses the expenditure as an Operating activity instead of an Investing Activity.

(l) Development expenditure

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

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

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource at a rate of 18.80% (2017:12.25%). 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 two 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, US 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, Komo Diti Traders Limited is United States dollar, Mindanao Mineral Processing and Refining Corporation and Philsaga Mining Corporation in United States dollar and the remaining entities are Philippine pesos.

(s) Cash and cash equivalents

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial instruments

Recognition, Initial Measurement and Derecognition

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

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

Classification and Subsequent Measurement of Financial Assets

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

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

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

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

Loans and Receivables

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

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

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 12.

Key estimates - Recoverability of long lived assets

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

The Group has used the Reserve Statement released on 3 April 2018, taking into account ore utilised throughout the period and replenished to estimate the recoverable amount of long lived assets. 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 3rd of April 2018 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 10), amortisation of capitalised development expenditure (refer to note 11), and impairment relating to these assets (refer to note 12).

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Critical accounting estimates and judgments (continued)

Key estimates - Development expenditure

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

Key estimates - Share based payments

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

Key estimates - GST/VAT

The Group has net GST/VAT of US$36 million that comprises tax credit certificates ("TCC") and VAT claimable for cash. The current asset portion of VAT US$14 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 VAT receivable of US$22 million represents the estimated amount utilised in future periods against tax liabilities.

Key estimates - Deferred tax asset

Significant judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future forecast taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the relevant tax legislation associated with their recoupment.

The Group has recognised a deferred tax asset of $10m at 30 June 2018. The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

(y) Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 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.

	Note	Consolidated 2018 US$000	2017 Restated * US$000
2. REVENUE			
Operating activities:			
Gold and silver sales		124,506	99,783
Non-operating activities:			
Interest revenue		87	74
Other		-	234
Total revenue		124,593	100,091
3. EXPENSES			
Profit/(loss) before income tax expense/(income) has been determined after charging/(crediting) the following items:			
Depreciation & amortisation:			
- Depreciation expense		3,703	2,303
- Amortisation expense		25,530	15,738
Total depreciation & amortisation		29,233	18,041
Employee benefits expense		14,569	11,811
Defined contribution plans		455	115
Defined benefit plans		488	498
Foreign exchange gain		88	-
Assets written off		-	472
Interest expense		2,861	1,305
Tax dispute charge - Philippines		5,161	-
Share-based payment expense		150	586
Impairment expense	12	81,100	70,800
Operating lease rental:			
- minimum lease payments		63	65

* Restated - Refer Note 1(k) for further details.

	Consolidated 2018 US$000	Consolidated 2017 US$000
4. TAXATION		
(a) The components of tax expense comprise:		
Current tax	6,641	7,120
Deferred tax	(8,408)	501
	(1,767)	7,621
(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Operating (loss) / profit before income tax	(57,321)	(49,055)
Prima facie income tax expense/(credit) at 30% (2017: 30%) on operating profit	(17,196)	(14,717)
less – tax effect of:		
other non-deductible/(non-assessable) expenses	1,257	-
difference of effective foreign income tax rates	-	-
Non-Assessable Income	-	(39)
Impairment of assets and other	13,709	23,347
Amortisation and Depreciation Adjustment	-	-
share based payments expense	45	176
non-deductible foreign expenditure	-	-
foreign exchange	-	-
charitable contribution	369	157
under/over	(288)	(1,635)
inventory written off	-	-
deferred tax assets not brought to account	337	332
Income tax expense/(benefit)	(1,767)	7,621
(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	75,602	23,817
- Australian tax losses	4,411	4,074
	80,013	27,891

The benefit of tax losses will only be obtained if:

(i) the Group derives future assessable income of a nature & of an amount sufficient to enable the benefit to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit.

5. EARNINGS / (LOSS) PER SHARE

	2018	2017
(Loss) used to calculate basic and diluted EPS	(55,554)	(56,676)
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	-	-
Weighted average of ordinary shares diluted as at 30 June 2018	207,794,301	207,794,301

4,913,567 weighted average unlisted options outstanding for 22,018 have not been included in calculating the diluted EPS because the effect is anti-dilutive.

		Note	Consolidated 2018 US$000	Consolidated 2017 US$000
6.	**CURRENT RECEIVABLES**			
	Gold awaiting settlement		3,852	312
	GST/VAT receivables	1(x)	14,311	9,944
	Other receivables		1,299	1,707
	Total current receivables		19,462	11,963
	Refer ageing analysis in Financial Instruments Note 24(b)			
7.	**INVENTORIES**			
	Consumables – net realisable value		7,954	10,775
	Ore stockpile - at cost		1,571	3,402
	Gold Inventory - at cost		2,715	2,816
	Total inventories		12,240	16,993
8.	**OTHER CURRENT ASSETS**			
	Prepayments		792	571
9.	**NON-CURRENT RECEIVABLES**			
	GST/VAT receivables	1(x)	21,728	24,050
	Total non-current receivables		21,728	24,050
10.	**PROPERTY, PLANT & EQUIPMENT**			
	Plant & equipment:			
	At cost		151,827	148,057
	less - provision for impairment		(103,360)	(83,265)
	less - accumulated depreciation		(47,046)	(43,539)
	Total plant & equipment at net book value		1,421	21,253
	Capital works in progress:			
	At cost		40,154	29,809
	less - provision for impairment		(28,705)	(9,549)
	Total capital works in progress at net book value		11,449	20,260
	Furniture & fittings:			
	At cost		1,088	1,030
	less - provision for impairment		(254)	(254)
	less - accumulated depreciation		(747)	(544)
	Total furniture & fittings at net book value		87	232
	Total carrying amount at end of year		12,957	41,745
	Reconciliations:			
	Plant & equipment:			
	Carrying amount at beginning of year		21,253	32,703
	plus - additions		3,851	6,521
	plus - transfer from capital works in progress		353	-
	plus - forex differences on translation		413	(286)
	less - disposal		(854)	-
	less - impairment	12	(20,095)	(15,392)
	less - depreciation		(3,500)	(2,292)
	Carrying amount at end of year		1,421	21,254

	Note	Consolidated 2018 US$000	Consolidated 2017 Restated * US$000
10. PROPERTY, PLANT & EQUIPMENT (continued)			
Reconciliations: (continued)			
Capital works in progress:			
Carrying amount at beginning of year		20,260	20,286
plus - additions		10,698	9,522
less - transfer to plant and equipment		(353)	-
less - impairment	12	(19,156)	(9,548)
Carrying amount at end of year		11,449	20,260
Furniture & fittings:			
Carrying amount at beginning of year		232	76
plus - additions		58	133
plus - forex differences on translation		-	33
less - depreciation		(203)	(10)
Carrying amount at end of year		87	232
Total carrying amount at end of year		12,957	41,745
11. DEVELOPMENT EXPENDITURE			
Development expenditure:			
At cost		378,405	349,445
less - provisions for impairment		(246,260)	(205,291)
less - accumulated amortisation		(102,267)	(77,715)
Net development expenditure		29,878	66,439
Development expenditure:			
Carrying amount at beginning of year		66,439	83,446
plus - costs incurred		28,690	37,503
less - amortisation expense		(24,552)	(15,738)
less - impairment	12	(40,969)	(39,422)
less - forex differences upon translation		270	650
Carrying amount at end of year		29,878	66,439

* Restated - Refer Note 1(k) for further details.

12. IMPAIRMENT OF NON-CURRENT ASSETS

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

When indicators of impairment exist, a formal estimate of the recoverable amount is made. External and internal indicators of impairment as at 30 June 2018 included;

- long range planning and scheduling meeting the JORC 12 Compliances:
- increased expected future costs of production:
- reduction in the group's market capitalisation relative to the carrying values of non-current assets; and
- completion delays for the E15 Shaft.

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.

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 2018 carrying value assessments. Comparison to the prior period has been provided.

Assumptions	Unit	2018 (2018 - 2024)	2017 (2017 - 2021)
Average gold price	US$/ounce	1,250	1,250
Average AISC	US$/ounce	1,080	895
Pre-Tax discount rate (%)	%	18.3	16.5
Probable reserves	ounces	327,000	345,000
Production capacity per annum	ounces	50,000 - 100,000	86,000 - 127,000

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. The denominal pre-tax WACC has been derived from comparable company analysis, in addition to the WACC rate of the group's Co-O mining operations being the primary CGU.

12. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

a) Impairment testing (continued)

ii) Key Assumptions (continued)

Production activity and operating and capital costs

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

Resources and reserves

Resource and Reserve ounces were based on the Group's JORC 2012 compliant Annual Resource and Reserve Update Statement announced to the Australian Securities Exchange on 03 April 2018.

iii) Impacts

Due to the estimated carrying amount being less than the recoverable amount of the Group's Co-O mining operations CGU a current asset impairment charge of US$ 0.9 and a non-current assets impairment charge of US$80.2 million was required for the year ending 2018 (2017: current 6.4 million, non-current 64.4 million):

Description	Note	2018			2017		
		Carrying amount ($'000)	Impairment ($'000)	Balance ($'000)	Carrying amount ($'000)	Impairment ($'000)	Balance ($'000)
Development	11	70,847	(40,969)	29,878	105,861	(39,422)	66,439
Plant & equipment	10	52,208	(39,251)	12,957	66,686	(24,941)	41,745
Consumables	7	8,834	(880)	7,954	17,212	(6,437)	10,775
Total	3	131,889	(81,100)	50,789	189,759	(70,800)	118,959

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 2018 statutory accounts:

Assumption changes	2018 Effect on recoverable amount ($'000)	2017 Effect on recoverable amount ($'000)
US $100 per ounce increase/decrease in gold price	+/- 27,628	+/- 33,076
1% increase/decrease in the discount rate	+/- 971	+/- 2,778
5% increase in operating costs	-22,341	-14,221

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

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

	Consolidated 2018 US$000	Consolidated 2017 US$000
13. TRADE & OTHER PAYABLES		
Trade Creditors	14,978	17,254
Accruals	1,044	1,321
Income Tax payable	5,726	7
Withholding Tax	2,810	859
Other Creditors	239	129
Total Creditors	24,797	19,570
14. BORROWINGS		
Current borrowings:		
Secured liability - interest bearing loan	6,335	6,979
Total current borrowings	6,335	6,979
Non-current borrowings:		
Secured liability - interest bearing loan	170	986
Unsecured liability - interest bearing loan	-	2,535
Total non-current borrowings	170	3,521
Total Borrowings	6,505	10,500

Secured Borrowing are bank loans secured by transportation equipment of the Group. Interest rates on the loans range between 3.50% to 4% (2017: 2.75% to 4%).

15. PROVISIONS

	Consolidated 2018 US$000	Consolidated 2017 US$000
Current provisions:		
Employee benefits	386	364
Total current provisions	386	364
Non-current provisions:		
Retirement Benefit	2,515	2,184
Mine Rehabilitation	1,645	2,047
Total non-current employee benefits	4,160	4,231

Retirement Benefit

The Retirement benefit in non-current liabilities relates to the 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 - 5.08% (2017: 4.65%);
- Expected rate of salary increase - 3.00% (2017: 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	
	2018	2017
	US$000	US$000

15. PROVISIONS (continued)

Non-current provisions: (continued)

Retirement Benefit (continued)

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

	2018 US$000	2017 US$000
Current service cost	382	401
Interest on obligation	89	90
Total	471	491

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:

	2018 US$000	2017 US$000
Present value of defined benefit obligation	2,515	2,184
Unrecognised actuarial loss	-	-
Unamortised past service cost, non-vested	-	-
Total	2,515	2,184

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

	2018 US$000	2017 US$000
Opening balance	2,184	1,955
Current service cost	382	401
Interest costs	89	90
Benefits paid	(140)	(390)
Actuarial loss	-	128
Closing balance	2,515	2,184

The Company has no plan assets held by trustees but an employee retirement fund amounting to US$1,303,428 (2017: US$986,040) was held as at June 30, 2018. The employee retirement fund is presented as part of cash at bank (refer to Note 23 (c).

Mine Rehabilitation

	2018 US$000	2017 US$000
Carrying amount at beginning of the year	2,047	362
(less)/plus - increase in provision	(402)	1,685
Carrying amount at end of year	1,645	2,047

16. 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 2018				
Deferred tax liability				
Capitalised exploration & evaluation expenditures	245		(13)	232
Deferred tax assets				
Carried forward tax losses				
Other	1,662		8,397	10,059
Total deferred tax asset	1,662		8,397	10,059
30 June 2017				
Deferred tax liability				
Capitalised exploration & evaluation expenditures	290	-	(45)	245
Deferred tax assets				
Carried forward tax losses	274	-	(274)	-
Other	1,934	-	(272)	1,662
Total deferred tax asset	2,208	-	(546)	1,662

17. AUDITORS' REMUNERATION

	Consolidated	
	2018	2017
	US$	US$
Remuneration received or due and receivable by the Company's auditors, BDO Audit (WA) Pty Limited for:		
• auditing or reviewing the financial reports	189,164	-
• other services provided by related practice of auditor - taxation & compliance	40,309	-
Total remuneration of the Company's auditors	229,473	-
Remuneration of other auditors of the Company's Philippines and Hong Kong subsidiaries for:		
• auditing or reviewing the financial reports	60,881	65,212
• other services provided by related practice of auditor - taxation & compliance	5,788	41,144
Total remuneration of other auditors of the Company's Philippines subsidiaries	66,669	106,356
Remuneration received or due and receivable by the Company's auditors, Grant Thornton Audit Pty Ltd for:		
• auditing or reviewing the financial reports	35,212	111,593
• other services provided by related practice of auditor - taxation & compliance	-	15,500
Total remuneration of the Company's auditors	35,212	127,093

	Consolidated 2018 US$000	Consolidated 2017 Restated * US$000
18. ISSUED CAPITAL		
207,794,301 ordinary shares (30 June 2017: 207,794,301)	102,902	102,902
Total issued capital	102,902	102,902
Ordinary shares		
Balance at beginning of year	102,902	102,902
Ordinary shares issued during the year:		
(i) ordinary shares issued - new issues	-	-
Balance at end of year	102,902	102,902

Ordinary shares

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

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

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

Capital Management

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

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

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

	Consolidated 2018 US$000	Consolidated 2017 US$000
Capital for the reporting period under review is summarised as follows:		
Total equity	82,843	140,447
Cash and cash equivalents	(11,198)	(11,214)
Capital	71,645	129,233
Total equity	82,843	140,447
Borrowings	6,505	10,500
Overall financing	89,348	150,947
Capital-to-overall financing ratio	80%	86%

	Consolidated 2018 US$000	Consolidated 2017 US$000
19. RESERVES		
Share option reserves	994	1,030
Foreign currency translation reserve	317	2,517
Total Reserves	1,311	3,547

(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 2018
(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 years 2016, 2017 and 2018, 459,500, 225,500 and nil respectively were forfeited resulting in 2,515,000 options remaining at reporting date. Refer to note 20 (i).
  (2,515,000 options were vested at reporting date (2017: 1,618,500)).
- 1,000,000 options expiring 9 February 2019 and exercisable at A$1.00 each. During the years 2016, 2017 and 2018, nil, 350,000 and nil respectively were forfeited resulting in 650,000 options remaining at reporting date. Refer to note 20 (ii).
  (650,000 options were vested at reporting date (2017: 450,000)).
- 1,200,000 options expiring 24 November 2020 and are exercisable at various prices as disclosed in note 20 (iii).
  (360,000 options were vested at reporting date (2017: nil)).
- 1,665,000 options expiring 8 Jan 2022 and are exercisable at various prices as disclosed in note 20 (iv).

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

(b) Foreign Currency Translation Reserve

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

20. SHARE BASED PAYMENTS

The following share-based payment arrangements existed during 30 June 2018:

(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	Terms of issue
A	300,000	A$1.00	A$0.200	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.
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	

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).

20. SHARE BASED PAYMENTS (continued)

(iv) On 8 January 2018, 1,665,000 options were issued to Australian and Philippine based employees. The options which hold no voting or dividend rights have an expiry date of 8 January 2022 and are exercisable as follows:

Tranche	Options	Exercise price	Valuation per option	Terms of issue
A	416,250	A$1.00	A$0.275	Under the terms of the issue, the employees would be required to remain in the employment of the company at 8 January 2019 to achieve 30% vesting of options, at 8 January 2020 to achieve 30% vesting of options with full vesting if they remain an employee of the company a year later on 8 January 2021. At reporting date, all options remain unexercised.
B	416,250	A$1.25	A$0.255	
C	416,250	A$1.50	A$0.239	
D	416,250	A$1.75	A$0.225	

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 - 99%
- Risk free rate - 1%
- Dividend Yield - Nil

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

Share based options	2018		2017	
	Number of options & performance rights	Weighted average exercise price (A$)	Number of options & performance rights	Weighted average exercise price (A$)
Outstanding at start of year	4,365,000	1.1031	3,740,500	1.0000
Granted	1,665,000	1.3750	1,200,000	1.3750
Forfeited	-	-	(575,500)	1.0000
Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding at year end	6,030,000	1.1782	4,365,000	1.1031
Exercisable at year end	3,325,000	1.0406	2,091,000	1.0000

During the year 2018, no options were forfeited (2017: 575,000) and no options expired (2017: nil).

The options outstanding at 30 June 2018 (all of which are unlisted) had a weighted average exercise price of A$1.1782 and a weighted average remaining contractual life of 20.83 months.

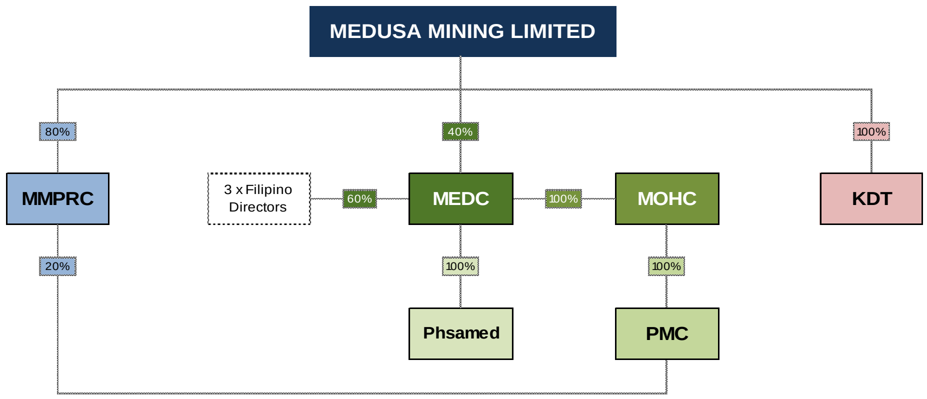
Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is US$149,996 (2017:US$586,148) and relates, in full, to equity-settled share-based payment transactions relating to employees.

21. INVESTMENT IN SUBSIDIARIES

The following companies are controlled entities of Medusa Mining Limited as at 30 June 2018:

Controlled Entities	Date of incorporation	Country of incorporation	% interest held	
			2018	2017
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%	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.

	Consolidated 2018 US$000	Consolidated 2017 Restated * US$000
22. RETAINED PROFITS AND ACCUMULATED LOSSES		
Retained profit at start of year	33,998	90,379
Net (loss) attributable to members of Company	(55,554)	(56,676)
Transfer from share option reserve	186	295
Retained profits and accumulated losses at the end of year	(21,370)	33,998

* Restated - Refer Note 1(k) for further details

23. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of cash:

For the purposes of the Statement of Cash Flows, cash includes cash on hand and short-term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2018 US$000	2017 US$000
Cash at bank	11,197	11,213
Cash on hand	1	1
Total cash assets	11,198	11,214

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

	2018 US$000	2017 US$000
Loss) after income tax	(55,554)	(56,676)
add/(less)-		
Non-cash items:		
- Depreciation/amortisation	29,232	18,041
- Retirement Benefit	488	498
- Gain on asset disposal	1	-
- Exploration expenses written off	1,186	1,645
- Recognition of share-based expenses	150	586
- Impairment expense	81,100	70,800
- Other write off	1	346
- Foreign exchange (gain) / loss	88	(234)
- Bad debts written off	-	126
- Income tax deferred	(8,409)	16,635
- Income tax credit/(expense)	6,642	(24,256)
	54,925	27,511
add/(less) -		
Changes in assets & liabilities		
- (increase)/decrease in trade & other receivables	(6,423)	14,241
- (increase)/decrease in prepayments	(221)	64
- (increase)/decrease in inventories	4,753	7,311
- (decrease)/increase in trade & other payables	1,182	6,099
- (increase)/decrease in deferred taxes assets	(8,397)	431
- increase/(decrease) in deferred taxes liabilities	(12)	114
- increase/(decrease) in exploration & evaluation	(1,186)	(4,453)
Net cash provided by operating activities	44,621	51,318

(c) Restricted Funds

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

(i) A rehabilitation fund of US$1,130,409 (2017: US$1,113,763) to be used at the end of life of mine for environmental rehabilitation.

(ii) An employee retirement fund of US$1,303,428 (2017: US$986,040) established to meet employee entitlements on retirement.

(iii) The Company has a provident fund of US$1,549,867 (2017: US$1,210,707) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

24. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

The Group does not speculate in the trading of derivative instruments.

(i) Treasury risk management

Senior executives of the Group regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Group's overall risk management strategy is outlined in the Corporate Governance Statement in the Director's Report.

(ii) Financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

Interest rate risk is managed by investing cash with major financial institutions in both cash on deposit and term deposit accounts. Interest rates on major deposits that are re-invested, are at a fixed rate on a monthly basis.

Price risk

The Group sells its gold produced at spot rate and no forward contracts or hedging is utilised. Whilst the Group is cognizant of its exposure to fluctuations in the gold price, the current policy of the Board is not to hedge primarily because the Group produces gold in the current economic environment at a very low cash cost. The Board's risk management policy acknowledges that as market factors are dynamic in nature all risk positions are monitored to ensure that the Group 's activities are consistent with the approach and strategy approved by the Board. The Board therefore regularly reviews the spot price of gold to consider whether it should adopt any measures to mitigate risk.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

Credit risk refers to the risk that counterparty will default on, its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The maximum credit risk on financial assets of the Group which have been recognised in the Statement of Financial Position, other than investment in shares, is generally the carrying amount, net of any provisions for impairment.

There are no other material amounts of collateral held as security.

The Company holds bullion in an unallocated account (referred to as "Gold awaiting settlement" in the Current Receivables of the Statement of Financial Position) with a single reputable refiner.

The consolidated group does not have any other material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

24. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial Risk Management Policies (continued)

(ii) Financial risk exposures and management (continued)

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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(%)		(US$000)									
Financial Assets												
Cash & cash equivalent	0.17	0.32	10,002	4,098	-	-	-	-	1,196	7,116	11,198	11,214
Loans and receivables	-	-	-	-	-	-	-	-	5,151	1,970	5,151	1,970
			10,002	4,098	-	-	-	-	6,347	9,086	16,349	13,184
Financial Liabilities												
Financial liabilities at amortised cost												
Bank Loan - Current	3.65	3.50	-	-	6,335	7,172	-	-	-	-	6,335	7,172
Bank Loan - Non-current	3.50	3.73	-	-	-	-	170	3,740	-	-	170	3,740
Trade & sundry payables	-	-	-	-	-	-	-	-	24,797	19,570	24,797	19,570
			-	-	6,335	7,172	170	3,740	24,797	19,570	31,302	30,482

	Consolidated 2018 US$000	Consolidated 2017 US$000
Receivables are expected to be collected as follows:		
Less than 6 months	5,151	1,970
6 months to 1 year	-	-
	5,151	1,970

As at 30 June 2018 and 2017, all receivables were neither past due nor impaired.

	Consolidated 2018 US$000	Consolidated 2017 US$000
Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	24,797	19,570

(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 2018, 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	
	2018	**2017**
Change in profit/(loss) before income tax/equity	US$000	US$000
- increase in interest rate by 100 basis points	90	55
- decrease in interest rate by 100 basis points	(90)	(55)

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 2017 and 2018 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$000			
	A$	US$	PHP	TOTAL US$
2018				
Functional currency of Group Entity				
Australian Dollar	-	531	-	531
US Dollar	-	-	128	128
Philippine Peso	-	3,420	-	3,420
Total	-	3,951	128	4,079
2017				
Functional currency of Group Entity				
Australian Dollar	-	457	-	457
US Dollar	-	-	175	175
Philippine Peso	-	204	-	204
Total	-	661	175	836

	Consolidated	
	2018	**2017**
Change in profit /(loss) before income tax/equity:	US$000	US$000
- strengthening of A$ to US$ by 15%	(69)	(60)
- strengthening of Philippine Peso to US$ by 15%	(512)	6
Total	(581)	(54)
- weakening of A$ to US$ by 15%	69	60
- weakening of Philippine Peso to by 15%	512	(6)
Total	581	54

24. 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$1,293 (2017: US$1,256) for the financial year had increased/decreased by 10% the change in the profit before income tax for the consolidated group would have been an increase/decrease of US$12.391 million (2017: US$9.947 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.

25. COMMITMENTS

	Consolidated 2018 US$000	Consolidated 2017 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	141	206
- 1 year or later and no later than 5 years	1,134	1,079
Total exploration commitments	1,275	1,285
(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	63	65
- 1 year or later and no later than 5 years	-	67
Total operating lease expense commitments	63	132
(c) Other contractual commitments:		
(ii) 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 obligations are not provided in the financial report and are payable:		
- no later than 1 year	54	160
- 1 year or later and no later than 5 years	214	216
Total other contractual commitments	268	376
(iii) 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 obligations are not provided in the financial report and are payable:		
- no later than 1 year	186	80
- 1 year or later and no later than 5 years	223	353
Total other contractual commitments	409	433

26. RELATED PARTIES

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

Key Management Personnel related parties

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

Directors

Non-Executive Directors:

Andrew Teo, Chairperson;

Ciceron Angeles (retired from the Board on 31 October 2017);

Roy Daniel; and

Peter Hepburn-Brown

Executive Directors:

Mr Boyd Timler, Managing Director; and

Mr Raul Villanueva, President Philsaga Mining Corporation.

Executives

Peter Alphonso, Company Secretary/ Chief Financial Officer;

David McGowan, Chief Operating Officer; and

James Llorca, General Manager, Geology & Resources.

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

Key management personnel compensation:

	Consolidated	
	2018	**2017**
	US$000	US$000
Short term employee benefits	1,887	1,644
Post-employment benefits	74	85
Long-term benefits	6	7
Equity-settled share based payments	226	194
Total	2,193	1,930

Detailed remuneration disclosures are provided in the remuneration section of the Directors' report.

27. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to Balance Date, Mr Boyd Timler resigned as Managing Director of Medusa on 06 July 2018 (refer ASX announcement dated 15 June 2018); and

On 5 July 2018 the Company announced that it had entered into an earn in agreement regarding earn in of up to 90% in two exploration projects in Queensland Australia. The earn in requires the Company to manage and fund exploration programs through to completion of a Pre-Feasibility Study. The Company must spend a combined minimum of A$1 million on both projects before it is able to withdraw.

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.

28. SEGMENT INFORMATION

The Consolidated Group has identified its reportable operating segments based on the internal management reports that are reviewed and used by the Managing Director/Chief Executive 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.

12 months to June 2018:	Mining	Exploration	Gold Trading	Other	Total
	US$000	US$000	US$000	US$000	US$000
Segment Revenue			124,506		124,506
Reconciliation of segment revenue to group revenue					
add:					
Interest revenue				87	87
Group revenue					124,593
Segment Result	(287,283)	(65)	123,857	(5,347)	(168,838)
Reconciliation of segment result to group result:					
add back:					
Gain on disposal of asset					
Other revenue					
Interest revenue				87	87
Other				(88)	(88)
less:					
Depreciation	3,685	2		16	3,703
Amortisation	25,529				25,529
Exploration write off	1,186				1,186
Impairment	81,100				81,100
Income tax expense				1,767	1,767
Group loss					(55,554)
Segment Assets	102,374	79	4,044	2,367	108,864
Reconciliation of segment asset to group assets:					
plus: Deferred tax assets	10,059				10,059
Total group assets					118,923
Segment Liabilities	31,239	23	3,476	1,110	35,848
Reconciliation of segment liabilities to group liabilities					
plus: Deferred liabilities	232				232
Total group liabilities					36,080

12 months to June 2017:	Mining US$000	Exploration US$000	Gold Trading US$000	Other US$000	Total US$000
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	(163,101)	(25)	19,252	4,025	(139,849)
Reconciliation of segment result to group result:					
add back:					
Gain on disposal of asset					
Other revenue				234	234
Interest revenue				74	74
less:					
Depreciation	2,290	1		12	2,303
Amortisation	15,738				15,738
Exploration write off	1,645				1,645
Impairment	70,800				70,800
Income tax expense				(7,621)	(7,621)
Group loss					(56,676)
Segment Assets	167,088	82	5,581	944	173,695
Reconciliation of segment asset to group assets:					
plus: Deferred tax assets	1,662				1,662
Total group assets					175,357
Segment Liabilities	33,901	7	30	727	34,665
Reconciliation of segment liabilities to group liabilities					
plus: Deferred liabilities	245				245
Total group liabilities					34,910

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 2018:				
Segment Revenue	-	-	124,506	124,506
Non-Current Assets	127	53,816	-	53,943
12 months to June 2017:				
Segment Revenue	-	80,322	19,461	99,783
Non-Current Assets	110	112,142	-	112,252

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 2018, all of the Group's revenues depended on a single customer (2017:100%).

29. PARENT COMPANY INFORMATION

	2018 US$000	2017 US$000
Parent Entity:		
Current Assets	2,241	767
Total Assets	30,088	30,829
Current Liabilities	1,110	727
Total Liabilities	1,110	727
Net Assets	28,978	30,102
Issued capital	102,902	102,902
Option premium reserve	994	1,030
Foreign exchange reserve	11,894	11,894
Accumulated losses	(44,544)	(43,455)
Dividends paid	(42,269)	(42,269)
Total Equity	28,977	30,102
(Loss) for the year	(1,275)	(1,381)
Total Comprehensive (Loss)	(1,275)	(791)

30. 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 2018

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

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

      (i) Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

      (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements: and

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

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chairman and Chief Financial Officer for the financial year ended 30 June 2018.

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

Signed in accordance with a resolution of the Directors

Andrew Teo
Chairperson

Dated the 29th day of August 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of Medusa Mining Limited

Report on the Audit of the Financial Report

Opinion

We have audited the 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 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

30 June 2017 Disclaimer of opinion – prior period error

Key audit matter	*How the matter was addressed in our audit*

The financial report of the Group for the year ended 30 June 2017 was audited by another auditor who expressed a disclaimer of opinion dated 29 September 2017 on that financial report.
 	
The first element of the disclaimer of opinion related to the auditor being unable to confirm or verify by alternative means the completeness and accuracy of the restatements for the years ended 30 June 2015 and 30 June 2016 assessed by the directors and disclosed as a prior period error in the financial statements for the year ended 30 June 2017.
 	
The restatements related to the reclassification between capitalised exploration expenditure and capitalised development expenditure.
 	
We considered this to be a key audit matter due to the significance of the reclassification of these assets to the Group, and the risk that we would be unable to obtain sufficient appropriate audit evidence to remove the disclaimer of opinion from our audit report at 30 June 2018.
	Our audit procedures to address the key audit matter included, but were not limited to
	
	• discussing with management the detailed process and steps taken to identify and quantify the prior period error;
	
	• verifying an 80% coverage sample of capitalised exploration and development expenditure for the years ended 30 June 2015 and 30 June 2016 by the Group's Philippine auditors obtaining a detailed listing of all supplier invoices accounted for by job code in these years and performing the following:
	
	    • testing that the amount of exploration and development expenditure incurred had been appropriately classified to the correct project code by reviewing job coding, job description and manager approval of the expense coding;
	
	    • vouching exploration and development expenditure additions to supporting third party documentation (including supplier invoices, contracts, drilling reports);
	
	    • selecting a sub-sample from the Group's Philippine auditor's sample of testing of capitalised exploration and development expenditure and verifying to supporting documentation for accuracy.
	
	    • reviewing expenses relating to capitalised development expenditure and ensuring the amounts were validly capitalised and appropriately classified as development expenditure;
	
	• comparing the outcome of the above procedures to disclosure made by management in the financial report at 30 June 2017.
	
	As a result of the above, this matter has now been resolved and our audit opinion for 30 June 2018 is not modified in respect of this matter.

30 June 2017 Disclaimer of opinion - impairment

Key audit matter	*How the matter was addressed in our audit*
The financial report of the Group for the year ended 30 June 2017 was audited by another auditor who expressed a disclaimer of opinion dated 29th September 2017 on that financial report. The second element of the disclaimer of opinion related to the auditor being unable to determine the portion of the impairment expense recognised in the 30 June 2017 financial statements which could be attributable to the prior financial year. We considered this to be a key audit matter due to the significance of the impairment expense in the comparative year ended 30 June 2017, and the risk that we would be unable to obtain sufficient appropriate audit evidence to remove the disclaimer of opinion from our audit report at 30 June 2018.	Our audit procedures to address the key audit matter included, but were not limited to: • reviewing working paper files at 30 June 2017 of the predecessor auditor; • reviewing the impairment models prepared by management at 30 June 2016 and 30 June 2017 and reviewing the reasonableness of the model inputs including gold price, forecast ounces produced, forecast gold price and costs; • discussing with management reasons relating to the timing of the impairment expense, primarily relating to delays in sinking of the new E15 shaft, delays in mine development and production, and changes in other model inputs; • corroborating the above with the management of the Group's Philippine entities including a visit to the CO-O mine site; • comparing the timing of events to announcements made by the Group to the Australian Securities Exchange; • consulting with BDO's accounting technical team to confirm the Group impairment model meets the requirements of the Accounting Standard AASB136 and the impairment model supports the impairment expense recognised in the 30 June 2017 financial statements. As a result of the above, this matter has now been resolved and our audit opinion for 30 June 2018 is not modified in respect of this matter.

30 June 2017 Disclaimer of opinion – Carrying value of exploration and evaluation expenditure

Key audit matter	*How the matter was addressed in our audit*
The financial report of the Group for the year ended 30 June 2017 was audited by another auditor who expressed a disclaimer of opinion dated 29 September 2017 on that financial report. The third element of the disclaimer of opinion related to the directors not undertaking an impairment assessment in line with Accounting Standard AASB 136 Impairment of Assets in respect of the exploration and evaluation assets recognised in accordance with Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. We considered this to be a key audit matter due to the significance of the amount of capitalised exploration and evaluation expenditure, and the Group's announcement to the ASX on 13 December 2017 to change its accounting policy to expense all exploration and evaluation expenditure as incurred, rather than it being capitalised in the Statement of Financial Position.	Our audit procedures to address the key audit matter included, but were not limited to: • obtaining and reviewing management's workings relating to the change in accounting policy and ensuring that the change has been effected 1 July 2017 whereby the capitalised exploration and evaluation expenditure balance brought forward to 30 June 2017 has been accounted for retrospectively and reflected against retained earnings; • testing that all exploration and evaluation expenditure incurred during the year ended 30 June 2018 has been expensed to the Statement of Profit and Loss and Other Comprehensive Income; and • determining whether the change in accounting policy has been formalised and reviewing the adequacy of the related disclosures in note 1(k) in the financial report at 30 June 2018. As a result of the above, this matter has now been resolved and our audit opinion for 30 June 2018 in not modified in respect of this matter.

Impairment assessment of the Group's Co-O mining operations (CGU) 30 June 2018

Key audit matter	*How the matter was addressed in our audit*
The Group's carrying value of its Co-O mining operations (CGU) is included in property, plant and equipment (note 10) and development expenditure (note 11). Management identified indicators of impairment arising from a delay in a capital works project at the CO-O mine, increased expected future costs of production and a reduction in the group's market capitalisation relative to the carrying value of non-current assets. Therefore management performed an impairment assessment using a value-in-use discounted cash flow model of the Group's Co-O mining operations (CGU) and, as a result, recognised an impairment loss during the year as disclosed in note 12.	We evaluated management's impairment model for the Co-O mining operations (CGU) by challenging the key estimates and assumptions used by management in arriving at their assessment. Our work included but was not limited to the following procedures: • analysing management's gold price assumptions against external market information and trends, to determine whether a significant change would impact the value of the asset; • performing a site visit to the CO-O mine; • challenging the appropriateness of management's reserves estimate by assessing the significant assumptions, methods and source data used by

Key audit matter	*How the matter was addressed in our audit*
We considered this to be a key audit matter due to the significant judgements and estimates used by management in assessing the discounted future cash flows as disclosed in note 12.	management's expert in estimating the reserves. This included both meeting with management's expert and assessing the competency and objectivity of management's expert; • evaluating forecasted production and operating costs against the Board approved mine plan; • challenging the appropriateness of management's discount rate used in the impairment model in conjunction with our internal valuation experts; • challenging management's sensitivity assessment by performing our own sensitivity analysis in respect of the key assumptions to indicate if there would be a significant change to the value of the asset. • assessing the adequacy of the related disclosures in note 12 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the 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.

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 ability of the group 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 has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 7 to 17 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Medusa Mining Limited, for the year ended 30 June 2018, 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.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 29 August 2018

ADDITIONAL SHAREHOLDER INFORMATION

for the year ended 30 June 2018

The shareholder information set out below was applicable as at 15 September 2018.

1. Shareholding

(a) Distribution of shareholders and shares

Distribution		Number of shareholders	Number of shares
1	- 1,000	1,296	594,228
1,001	- 5,000	1,369	3,692,101
5,001	- 10,000	477	3,649,059
10,001	- 100,000	689	20,807,533
1,000,000	and over	105	179,051,380
Total		**3,936**	**207,794,301**

The number of shareholdings held in less than marketable parcels is 1,497

(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	52,836,427	25.43
2.	Citicorp Nominees Pty Limited	27,150,789	13.07
3.	Merrill Lynch (Australia) Nominees Pty Limited <MLPRO A/C>	23,555,389	11.34
4.	J P Morgan Nominees Australia Limited	19,689,284	9.48
5.	Zero Nominees Pty Ltd	6,053,305	2.91
6.	Peter Alfred Ternes <Cloud Thirty Super Fund A/C>	4,320,00	2.08
7.	BNP Paribas Nominees Pty Ltd <IB Au Noms Retail client DRP>	3,852,752	1.85
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.	Mr Carl Eric Holt & Mrs Lorraine Holt <Holt Super Fund A/C>	1,757,907	0.85
13.	National Nominees Limited	1,591,183	0.77
14.	Neweconomy Com Au Nominees Pty Limited <900 Account>	1,548,804	0.75
15.	National Nominees Limited <DB A/C>	1,360,484	0.65
16.	Mr Peter Alfred Ternes	1,350,000	0.65
17.	BNP Paribas Noms Pty Ltd <DRP>	1,211,898	0.58
18.	Riverlow Pty Ltd <Greenfield SF A/C>	932,732	0.45
19.	Ozlexa Pty Ltd <Devin Family A/C>	900,000	0.43
20.	Piama Pty Ltd <Fena Superannuation Plan A/C>	850,000	0.41
Total: Top 20 holders of Ordinary Fully Paid Shares		**159,959,715**	**76.98**
Total: Remaining Holder Balance		**47,834,586**	**23.02**
Total: Ordinary Fully Paid Shares		**207,794,301**	**100.00**

(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	28,934,848	13.92%
Arbiter Partners	27,765,486	13.36%

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 Alphonso

4. The Principal Registered Office of the Company is:

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

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
172 St George's Terrace
Perth, WA 6000
Australia

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

6. Stock Exchange Listings

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

The Australian Stock Exchange Limited ("ASX")

- Trading quote: MML

APPENDIX B: TENEMENT SCHEDULE (as at 30 June 2018)

Name	Tenement ID	Registered Holder	Company's Interest at		Royalty [1]	Area (hectares) at	
			30 Jun 2017	30 Jun 2018		30 Jun 2017	30 Jun 2018
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
	EPA 00066-XIII	PMC	100%	100%	-	6,769	6,769
	EPA 00069-XIII [2]	Phsamed	100%	100%	-	2,519	2,519
	EPA 00087-XIII [2]	PMC	100%	100%	-	87	87
Tambis	MPSA 344-2010-XIII	Philex	100%	100%	7% NSR	6,208	6,208
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%	100%	-	162	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

NOTES:

1. Royalties payable to registered holders, aside from the prescribed royalties payable to the Philippine government and the Indigenous people.
2. Awaiting for approval and confirmation by MGB of area reduction.

ABBREVIATIONS:

Tenement Types

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

Registered Holders

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

Royalty

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

MEDUSA

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