



MEDUSA

MEDUSA MINING LIMITED

ABN 60 099 377 849

and Controlled Entities

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2015

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This report should be read in conjunction with Medusa's Annual Report for the year ended 30 June 2015 and any announcements made by the Company during the interim reporting period, as it does not include all the notes of the type normally included in an annual financial report.

Appendix 4D

Half year report For the 6 months ended 31 December 2015

Name of entity

MEDUSA MINING LIMITED

ABN or equivalent company
reference

60 099 377 849

Half yearly
(tick)

✓

Preliminary final
(tick)

Half year/ financial ended ("current period")

31 December 2015

Results for announcement to the market

<u>Revenues and profits:</u>		<u>US\$'000</u>		<u>US\$'000</u>
Revenues from ordinary activities	Up 11%	62,238	to	69,013
Profit from ordinary activities after tax attributable to members	Up 27%	24,754	to	31,373
Net profit for the period attributable to members	Up 27%	24,754	to	31,373

(All comparisons to the previous period ended 31 December 2014)

Dividends:

Interim dividend

Amount per security

Franked amount per security

- current period (half year ended 31 Dec 2015)

Nil

Nil

- previous period (half year ended 31 Dec 2014)

Nil

Nil

No dividend will be paid in the current period.

Net tangible assets per share:

The net tangible assets per share as at 31 Dec 2015 was US\$1.066 (31 Dec 2014: US\$2.253)

Change in control of entities:

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

Associates and Joint Venture entities:

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

CHAIRMAN'S ADDRESS

Dear Shareholders,

I am pleased to report another strong half year of results for Medusa Mining Limited, highlighted by significant cash flow generation and a solid half of production that saw a new quarter production record.

Despite the challenges associated with L8 shaft repairs and ongoing work to de-bottle-neck the haulage shaft, the Company was able to follow up its record quarter of production in September with an excellent December quarter. The first half of FY16 produced 61,169 ounces of gold, a 27.8% increase on 1H15, and a 21.2% increase on 2H15. Achieving this result in the face of some challenging conditions is testament to the dedication of our men underground in the Philippines.

The Co-O Mine production guidance for FY16 remains at 120,000 to 130,000 ounces, subject to an independent review currently underway, which will reflect current ore and waste development and stoping practices to date. The review will also examine deepening the Service Shaft to Level 10, sinking of 7-8 additional winzes ('on vein'), from Level 8 to Levels 9 and 10, and their impact on mine waste scheduling and ore production in the short term. The scope of this review is discussed in further detail on page 10 of this report.

All-In-Sustaining-Costs ("AISC") over the half were approximately US\$952 per ounce. This is a significant reduction on the AISC for the half year ended 30 June 2015, which was US\$1,075 per ounce. While this is a pleasing result, until such time as all medium term waste infrastructure projects at the mine are completed and the cost efficiencies they produce materialise, we expect AISC for the remainder of this financial year to range between US\$900 to US\$1,000 per ounce.

Approximately 12,105 metres of horizontal and vertical development were completed during the half year, a 20.7% increase on the 10,032 metres achieved in 1H15.

As noted in previous announcements, the extension of the service shaft to Level 10 will be completed in June 2017. We have continued our efforts to provide a safe and healthy workplace for our employees, with the installation of a new ventilation exhaust rise completed in the quarter and a Howden centrifugal fan currently being installed, which will significantly improve the working conditions at Levels 6 to 10.

The mill achieved an average recovery rate of 94% in the December quarter, unchanged from the previous quarter, but is still underutilised.

The Company made progress on its surface exploration Reconnaissance Programmes in the quarter, with detailed geological mapping, trenching and sampling programmes targeting the South Agsao and West Road 17 areas adjacent to the Co-O mine. At this stage all drilling has been confined to resource definition only.

Work at the Bananghilig (B1) Gold Deposit is also progressing well, with the Company now undertaking the various QAQC studies in order to ensure full compliance with the requirements of the 2012 JORC Code.

We are also waiting on the results of diamond drilling at Guinhalinan Gold Prospect, with four holes completed to date for an advance of 620 metres. The drilling at Guinhalinan commenced in October 2015, and we look forward to updating our Shareholders with the results of that drilling programme once they are available.

Further exploration at the Lingig Copper Project has been put on hold after it was found that the copper mineralisation encountered in both drill holes was not of sufficient tenor to warrant further work in this current economic climate.

As you may be aware, the December quarter was sadly punctuated with a fatality at the Co-O underground mine, a tragedy that was felt throughout the organisation. On November 19, a contract miner was found by workmates, trapped by a slabbed hanging wall rock, and subsequently crushed by secondary slabbing before a rescue attempt could be effected. The safety of our workforce is paramount. Medusa considers any injury or fatality to be unacceptable and is taking every reasonable measure to minimise the inherent risks associated with underground mining.

Our commitment to support the local Filipino community is delivering tangible benefits through educational and environmental initiatives, community development and assistance programmes. The mangrove reforestation effort in Barobo has resulted in the planting of 12,000 propagules covering 5 hectares of denuded mangrove forest. The Company also continues to provide support to health programmes, community water programmes, honoraria and training for teachers, and the livelihood of the Caraga region through various agricultural, social development and sustainability projects.

As announced on 22 January 2016, the recruitment process to appoint a new CEO is progressing well. This process is running in tandem with an operational review, the results of which will be used to brief the shortlisted candidates ahead of site visits and finalisation of an appointment. We have met with some exceptional candidates and I thank our Shareholders for their continued patience as we complete this process. Rest assured we are making every effort to ensure the best candidate is selected.

The Company has a healthy cash balance (inclusive of cash equivalent in gold on metal account) of approximately US\$16.0 million at the end of the December quarter, up from US\$13.6 million as at 31 December 2014.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2015 and the review report thereon:

DIRECTORS

The Directors of the Company at any time during or since the end of the half-year are:

<u>Name</u>	<u>Period of Directorship</u>
Non-Executives:	
Mr Andrew Boon San Teo (Non-Executive Chairman)	since 15 February 2010
Dr Robert M Weinberg	since 1 July 2006 (resigned 1 December 2015)
Mr Ciceron A Angeles	since 28 June 2011
Mr Roy Daniel	appointed 25 November 2015
Executives:	
Mr Raul C Villanueva	since 24 January 2013

OPERATIONS

Description	Unit	Dec 2015	Dec 2014	Variance	(%)
Ore mined	WMT	325,769	335,509	(9,740)	(3%)
Ore milled	DMT	295,586	300,485	(4,899)	(2%)
Head grade	g/t	6.80	5.31	1.49	28%
Recovery	%	94%	93%	1%	1%
Gold produced	ounces	61,169	47,877	13,292	27%
Cash costs ^{(1),(2)}	US\$/oz	\$436	\$381	(\$55)	(14%)
Gold sold	ounces	62,011	50,682	11,329	22%
Avg gold price received	US\$/oz	\$1,109	\$1,234	(\$125)	(10%)

Note:

(1) Net of development costs and includes royalties and local business taxes of approximately US\$74/oz

(2) New methodology on allocation of total mining costs from 1 July 2016, resulting in higher overall cash costs but lower capitalized mine development costs.

- ounces from the previous corresponding period, at an average recovered grade of 6.80 g/t gold (six months to December 2014: 5.31 g/t gold).
- The average cash costs of US\$436 per ounce, inclusive of royalties and local business taxes was higher than the previous period's average cash costs of US\$381 per ounce.
- All in Sustaining Costs ("AISC") for the half year was US\$951 per ounce of gold and includes discretionary exploration expenditure of US\$4.7 million.

Production Guidance

The production guidance for the fiscal year to 30 June 2016 remains at 120,000 to 130,000 ounces but is subject to an independent review of operations.

Cash costs are expected to remain between US\$400 to US\$450 per ounce and AISC between US\$900 to US\$1,000 per ounce. The AISC will remain at these elevated levels until all medium term waste infrastructure projects at the mine are completed and associated cost efficiencies materialise.

FINANCIALS

Description	Unit	Dec 2015	Dec 2014	Variance	(%)
Revenues	US\$	\$69.7 M	\$62.2 M	\$7.5 M	12%
EBITDA	US\$	\$40.4 M	\$39.9 M	\$0.5 M	1%
NPAT	US\$	\$31.4 M	\$24.8 M	\$6.6 M	27%
EPS (basic)	US\$	\$0.151	\$0.128	\$0.023	18%

The Company recorded Revenues of US\$69.7 million compared to US\$62.2 million in the previous corresponding period. Medusa is an un-hedged gold producer and received an average price of US\$1,109 per ounce from the sale of 62,011 ounces of gold for the half-year to December 2015 (previous corresponding period: 50,682 ounces at US\$1,234 per ounce).

Medusa recorded a net profit after tax ("NPAT") of US\$31.4 million and earnings before interest, tax depreciation and amortisation ("EBITDA") of US\$40.4 million for the half year to 31 December 2015, compared to US\$24.8 million and US\$39.9 million respectively in the previous corresponding period.

The increase in NPAT, EBITDA and Revenues is directly linked to a significant increase in gold production (61,169 ounces compared to 47,877 ounces), but marginally offset by a lower average price received on sale of gold (US\$1,109 per ounce compared to US\$1,234 per ounce).

As at 31 December 2015, the Company had total cash and cash equivalent in gold on metal account and bullion on hand of US\$16.0 million (Dec 2014: US\$13.6 million).

During the half-year:

- The Company recorded Revenue of US\$69.7 million from gold and silver sales (Dec 2014 half-year: gold and silver sales of US\$62.2 million);
- Depreciation and amortisation was significantly lower at US\$7.5 million, compared with US\$14.2 million in the December half of 2014 as a consequence of an impairment write off at 30 June 2015;
- US\$4.7 million outlay on exploration expenditure (Dec 2014 half-year: US\$5.6 million);
- US\$9.5 million was expended on capital works (inclusive of new Service Shaft) and associated capital at mine and mill for the period (corresponding period to December 2014: US\$5.5 million; and
- Capitalised mine development costs totalled US\$14.2 million, (corresponding period to Dec 2014: US\$19.1 million).

CORPORATE

Dividend

No dividend will be payable for the half year to 31 December 2015 (No dividend was payable for the previous half year to 31 December 2014).

Board changes

Mr Roy Daniel joined the Board as a Non-executive Director on 25 November 2015.

Dr Robert Weinberg resigned from the Board of Medusa on 1 December 2015.

Management changes

Mr Andrew Teo, Non-executive Chairman, assumed the role of Chief Executive Officer ("CEO") on an interim basis following the retirement of Mr Geoff Davis on 12 November 2015.

REVIEW OF OPERATIONS

CO-O OPERATIONS

CO-O MINE

Underground mining at Co-O during the half year produced 325,769 tonnes (WMT) of ore at a mine head grade of 6.8 g/t Au.

Resource definition drilling continues from underground, focussing on adding to the current resource base. Diamond drilling during the half year totalled 55 drill holes for an advance of 9,602 metres, of which resource definition drilling totalled 21 drillholes for an advance of 7,506 metres. Due to current production and development demands on Level 8, development of all of the proposed resource drilling chambers have not yet been completed. The first drill chamber has only just been completed and drilling using the newly acquired rigs is expected to commence early March.

Geological understanding of the Co-O veins system is continuing to improve and the operations are now better placed to develop longer term mine plans.

The GHV veins continue to provide the majority of the higher grade ore feed, therefore development from Level 8 to the lower levels (Levels 9 and 10) will focus predominantly on accessing and developing on these vein systems as a priority. Level 9 is currently accessed via three winzes, and driving is underway. Sinking of additional 7-8 winzes on Level 8 is currently underway to access Level 9, predominantly on the GHV veins.

A total of approximately 12,105 metres of horizontal and vertical development were completed during the half year.

Sinking of the Service Shaft from surface to Level 10 is well underway and is expected to be completed in June 2017. All of the major steel fabrication for the Headframe, Winders and Winder House has been completed and will be shipped from South Africa towards the end of February. Concrete foundation works for the Winder House has commenced.

Production

The Co-O Mill performed satisfactorily achieving 94% recovery for the half year. Production achieved 61,169 ounces at a head grade of 6.8 g/t Au from 295,586 tonnes of ore milled.

Mine Exploration

Detailed geological mapping, trenching and sampling programmes are continuing proximal to the Co-O Mine environs, targeting the South Agsao and West Road 17 areas. Results are continuously being evaluated to derive drilling targets. Due to the current depressed gold price, all drilling has been confined to resource definition only.

EXPLORATION PROJECTS

Outside of the Co-O mine environs, exploration activities have focussed on the Bananghilig, Guinhalinan and Lingig Projects.

Bananghilig (B1) Gold Deposit

The B1 Deposit geological re-interpretation will be the basis for a revised model and estimation of a JORC 2012 mineral resource.

Detailed structural data compilation, incorporating recent mapping of underground historic tunnels and openings has now enabled the definition of structural domains within the deposit resulting in improved geological understanding, essential for resource modelling.

To ensure full compliance with the requirements of the guidelines of the 2012 JORC Code, various QAQC studies, including survey, analytical, and small scale mining depletion audits are still in progress, thus delaying the completion of the JORC 2012 resource estimate for Bananghilig.

Guinhalinan Gold Prospect

Activities during the half year included continuing field evaluation of the soil anomalies comprising detailed geological and regolith mapping, and sampling of the regolith and underlying stratigraphy. Scout drilling targets were defined, and four diamond drill holes have been completed for an advance of 620 metres. Results are currently pending.

Drilling encountered carbonate replacement style mineralisation down-dip from outcropping/sub-cropping mineralisation.

Lingig Copper Project

A diamond drilling programme commenced in September to investigate the IP anomalies identified from the geophysical survey completed in 2013. Two holes were completed for an advance of 692 metres.

The IP/resistivity anomalies are considered to have been adequately drill tested, and readily explained by the pyrite content in the drill core. Copper mineralisation has been encountered in both holes, however the tenor of mineralisation is not sufficient to warrant further work in this current economic climate and thus the project has been put on hold.

COAL EXPLORATION

Reconnaissance mapping is continuing within the Coal Operating Contracts ("COC"s), outlining additional areas with multiple seams of outcropping coal over apparent aggregate strike lengths of more than 3 kilometres.

A reconnaissance diamond drilling programme commenced at the end of November 2015. To date, three diamond drill holes have been completed for an advance of 442 metres. Numerous seams have been intercepted, with thicknesses ranging from 0.2 metres to 4.35 metres, averaging of 0.9 metres. Sampling of the coal seams intercepted is ongoing. Coal quality results from the first batch of samples submitted for analysis are pending.

INDEPENDENT OPERATIONAL REVIEW

Previous reviews carried out on the Co-O mine had focussed on Level 8 and above. This review, which commenced in January 2016, is focussed on identifying and scoping the additional mine infrastructure required in the upper levels to take the mine to a depth greater than Level 8, the current operating mine level. The study will include measures of quality control for ground support requirements to ensure maximum safety relating to the service shaft which will be used for men and materials and will now be sunk down to Level 10. Deepening the shaft will also require additional lateral development to connect with major drives to optimise production at the deeper levels from the best veins. A further consideration will be given to the implementation of additional internal shafts down to Level 8, from Level 8 to Level 10 and an ultimate shaft down to Level 12 should current planned drilling support it. The necessary ancillary ventilation rises and fans together with pumping requirements for water, ore/waste handling systems and manpower conveyancing to facilitate long term ore extraction and development strategies, will be reviewed in detail. The study will also take into account the increased geological knowledge base now generated through continued underground level development, stoping experience and geotechnical information gathered to date, and its impact on both the short and longer term production schedule as well as the whole life of mine plan.

The high level review is scheduled for completion in the March quarter, 2016 and is expected to identify areas of focus for ongoing work whilst implementing the highest safety standards. Undertaking this review in tandem with the search for a new CEO ensures the most current information is available to the successful candidate to refine the strategy at Co-O as necessary and facilitate a smooth transition as we progress beyond Level 8 in 2016.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 12 for the half-year ended 31 December 2015.

ROUNDING OF AMOUNTS

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

This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Andrew Teo', with a long horizontal line extending to the right.

ANDREW TEO

Chairman

Dated this 29th day of February 2016

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Medusa Mining Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Petricevic
Partner - Audit & Assurance

Perth, 29 February 2016

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

for the half-year ended 31 December 2015

	31 Dec 2015	31 Dec 2014
Note	US\$ 000	US\$ 000
Revenue	69,711	62,238
Cost of sales	(34,952)	(32,420)
Administration expenses	(3,180)	(3,913)
Other expenses	(206)	(268)
Profit before income tax expense	31,373	25,637
Income tax expense	-	(883)
Profit for the period after income tax expense	31,373	24,754
 <u>Other comprehensive income:</u>		
<u>Items that may be reclassified subsequently to profit or loss</u>		
Exchange differences on translation of foreign operations (net of tax)	(46)	2,438
Total comprehensive income	31,327	27,192
 <u>Overall operations:</u>		
Basic earnings per share	0.151	0.128
Diluted earnings per share	0.148	0.127

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the half-year ended 31 December 2015

	31 Dec 2015	30 June 2015
Note	US\$ 000	US\$ 000
CURRENT ASSETS		
Cash & cash equivalents	9,541	9,987
Trade & other receivables	25,969	22,585
Inventories	22,494	19,837
Other current assets	1,203	615
Total Current Assets	59,207	53,024
NON-CURRENT ASSETS		
Trade & other receivables	17,961	16,311
Property, plant & equipment	50,939	45,022
Intangible assets	577	632
Exploration, evaluation and development expenditure	112,990	98,075
Deferred tax assets	3,755	3,755
Total Non-Current Assets	186,222	163,795
TOTAL ASSETS	245,429	216,819
CURRENT LIABILITIES		
Trade & other payables	12,831	16,282
Borrowings	3,049	3,822
Provisions	389	504
Total Current Liabilities	16,269	20,608
NON-CURRENT LIABILITIES		
Borrowings	3,149	2,151
Provisions	2,112	1,762
Deferred tax liability	290	290
Total Non-Current Liabilities	5,551	4,203
TOTAL LIABILITIES	21,820	24,811
NET ASSETS	223,609	192,008
EQUITY		
Issued capital	5 102,902	102,902
Reserves	6,841	6,613
Retained profits	113,866	82,493
TOTAL SHAREHOLDERS' EQUITY	223,609	192,008

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2015

	Share Capital Ordinary	Retained Profits	Other Reserves (refer note 6)	Foreign Currency Translation Reserve	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at 01.07.2014	102,902	295,964	4,638	8,802	412,306
Net profit after tax	-	24,754	-	-	24,754
Other comprehensive income	-	-	-	2,438	2,438
Total comprehensive income for the period	-	24,754	-	2,438	27,192
Shares issued during the period	-	-	-	-	-
Transfer from Option Reserve	-	3,359	(3,359)	-	-
Share options and performance rights recognised during the period in accordance with AASB 2 - share based payments					
Sub-total	102,902	324,077	1,279	11,240	439,498
Dividends paid or provided for (refer note 3)	-	-	-	-	-
Balance at 31.12.2014	102,902	324,077	1,279	11,240	439,498
Balance at 01.07.2015	102,902	82,493	304	6,309	192,008
Net profit after tax	-	31,373	-	-	31,373
Other comprehensive income /(loss)	-	-	-	(46)	(46)
Total comprehensive income for the period	-	31,373	-	(46)	31,327
Shares option expensed	-	-	274	-	274
Transfer from Option Reserve	-	-	-	-	-
Sub-total	102,902	113,866	578	6,263	223,609
Dividends paid or provided for (refer note 3)	-	-	-	-	-
Balance at 31.12.2015	102,902	113,866	578	6,263	223,609

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2015

	31 Dec 2015	31 Dec 2014
	US\$ 000	US\$ 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	68,995	61,562
Payments to suppliers and employees	(42,033)	(25,689)
Interest received	14	37
Net cash provided by operating activities	26,976	35,910
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments of non-current assets	(9,468)	(8,859)
Payments of intangibles	-	(96)
Payments for exploration expenditure and tenements	(4,721)	(3,471)
Payments for development activities	(14,205)	(23,245)
Net cash (used in) investing activities	(28,394)	(35,671)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loan	-	(1,289)
Receipt from bank loan	224	-
Net cash (used in) / provided by financing activities	224	(1,289)
Net (decrease) / increase in cash held	(1,194)	(1,050)
Cash at beginning of period	9,987	13,063
Exchange rate adjustments	748	1,630
Cash at end of period	9,541	13,643

The accompanying condensed notes form part of these financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2015

Note 1: Basis of preparation

The Condensed interim financial report of the Company as at and for the six months ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the "Group") and the consolidated Group's interests in associates and jointly controlled entities.

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 functional currencies include Australian dollars and Philippines Peso, the presentation currency for the Group is US dollars.

Medusa Mining Limited is the Group's ultimate parent company. It is a limited liability company incorporated and domiciled in Australia. The address of its registered office is Unit 7, 11 Preston Street, Como.

The consolidated annual financial report of the consolidated group as at and for the year ended 30 June 2015 is available on the company's website.

(a) Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the Corporations Act 2001 and AASB 134 (Interim Financial Reporting). Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Group as at and for the year ended 30 June 2015 and any public announcements made by the group during the Half Year.

This consolidated interim financial report was approved by the Board of Directors on 26 February 2016.

(b) Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2015. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

(c) Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2015.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

(d) Significant events and transactions

The Group's objectives and policies for managing capital, credit risk and liquidity risk are described in its recent annual financial statements.

(d) Comparative figures

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

(e) Rounding of amounts

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2015

	31 Dec 2015	31 Dec 2014
	US\$ 000	US\$ 000
Note 2: Profit for the period		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
<u>Revenue items:</u>		
Interest revenue	12	44
Gold and silver sales	68,976	62,180
Other	716	14
<u>Expense items:</u>		
Depreciation	4,174	5,554
Amortisation	4,791	8,666
Employee benefits expense	4,856	4,211
Recognition of share based payments	274	-
Note 3: Dividends		
No dividend was declared (2014: No dividend was declared)	-	-

Note 4: Segment Information

The Consolidated Group has identified its reportable operating segments based on the internal reports that are reviewed and used by the 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.

	Mining	Exploration	Other	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Segment Revenue and Result				
<u>6 months to December 2015:</u>				
Segment revenue	68,976	-	735	69,711
Segment result	32,470	(7)	(1,090)	31,373
<u>6 months to December 2014:</u>				
Segment revenue	62,180	-	-	62,180
Segment result	27,275	(10)	(3,452)	23,813
Segment Assets and Liabilities				
<u>31 December 2015:</u>				
Segment assets	237,261	2,081	2,332	241,674
Reconciliation of segment assets to group assets				
add -				
Deferred tax assets				3,755
Total group assets				245,429
Segment liabilities	20,127	3	1,400	21,530
Reconciliation of segment liabilities to group liabilities				
add -				
Deferred tax liabilities				290
Total group liabilities				21,820
<u>30 June 2015:</u>				
Segment assets	209,591	1,047	2,426	213,064
Reconciliation of segment assets to group assets				
add -				
Deferred tax assets				3,755
Total group assets				216,819
Segment liabilities	23,462	12	1,047	24,521
Reconciliation of segment liabilities to group liabilities				
add -				
Deferred tax liabilities				290
Total group liabilities				24,811

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2015

	31 Dec 2015 (shares)	30 Jun 2015 (shares)	31 Dec 2015 US\$ 000	30 Jun 2015 US\$ 000
Note 5: Issued Capital				
Ordinary shares on issue	207,794,301	207,794,301	102,902	102,902
Opening balance	207,794,301	207,794,301	102,902	102,902
add -				
Shares issued during the period	-	-	-	-
Transfer from option Reserve	-	-	-	-
	<u>207,794,301</u>	<u>207,794,301</u>	<u>102,902</u>	<u>102,902</u>
Movement in ordinary shares during the half-year:				
- Balance at beginning of the period	207,794,301	207,794,301	102,902	102,902
- Ordinary shares issued	-	-	-	-
	<u>207,794,301</u>	<u>207,794,301</u>	<u>102,902</u>	<u>102,902</u>

The A\$ issue price per share has been converted using the exchange rate applicable on the date the funds were received and rounded to four decimal places.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2015

	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
	(options)	(options)	US\$ 000	US\$ 000
Note 6: Option and Performance Rights Reserve				
Option and Performance Rights Reserve	4,200,000	4,200,000	-	304
Opening balance	4,200,000	1,575,000	304	4,638
less -				
Options forfeited	-	-	-	-
Options expired	-	(1,575,000)	-	-
Options granted	-	4,200,000	-	-
Transfer to retained earnings	-	-	-	(4,638)
Share options and performance rights recognised during the period in accordance with AASB 2 - share based payments	-	-	274	304
	4,200,000	4,200,000	578	304

Note 7: Contingent Liabilities

There have been no developments in the period since the 30 June 2015 annual report.

Note 8: Commitments

There has been no change to the commitments as disclosed in the Group's 30 June 2015 annual report.

Note 9: Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the Company's annual report for the year ended 30 June 2015.

Note 10: Events subsequent to reporting date

General Meeting

There has not arisen in the interval between the year ended 30 June 2015 and the date of this report any other item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group, in subsequent financial periods.

DIRECTORS' DECLARATION

The Directors' of the Company declare that:

1. The financial statements and notes, as set out on pages 13 to 21
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the Consolidated Group's financial position as at 31 December 2015 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Andrew Boon San Teo
Chairman

Dated this 29th day of February 2016

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

We have reviewed the accompanying half-year financial report of Medusa Mining Limited (“Company”), which comprises the consolidated financial statements being the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies, other explanatory information and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of Medusa Mining Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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As the auditor of Medusa Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Medusa Mining Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

MAREK

M A Petricevic
Partner - Audit & Assurance

Perth, 29 February 2016