



MEDUSA MINING LIMITED

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ANNOUNCEMENT

29 August 2016

2015/16 FINANCIAL RESULTS

(ASX: MML)

Medusa Mining Limited (“Medusa” or the “Company”), presents its financial results for the year ended 30 June 2016, with a Statutory After Tax Profit of US\$43.8 million.

Financials

- Revenues of US\$128.1 million compared to US\$123.2 million for the previous year, an increase of 4%.

Medusa is an un-hedged gold producer and received an average gold price of US\$1,173 per ounce from the sale of 108,529 ounces of gold for the year (2015: 97,200 ounces at US\$1,220 per ounce);

- Earnings before interest, tax, depreciation and amortisation (“EBITDA”) of US\$69.6 million, (2015: EBITDA of (US\$186.8) million, which includes asset impairment losses totalling US\$259.6 million);
- Basic earnings per share (“EPS”) of US\$0.211 on a weighted average basis, based on NPAT of US\$43.8 million (2015: EPS of (US\$1.050) based on NPAT of (US\$218.1 million));
- The Company had total cash and cash equivalent in gold on metal account of US\$22.0 million at year end (2015: US\$14.6 million);

Description	Unit	30 June 2016	30 June 2015 ⁽¹⁾	Variance	(%)
Revenues	US\$	US\$128.1M	US\$123.2M	US\$4.9M	4%
EBITDA ⁽¹⁾	US\$	US\$69.6M	(US\$186.8M)	US\$256.4M	N/A
NPAT ⁽¹⁾	US\$	US\$43.8M	(US\$218.1M)	US\$261.9M	N/A
EPS (basic)	US\$	US\$0.211	(US\$1.050)	US\$1.261	N/A

(1) includes asset impairment losses totalling US\$259.6 million for year ended 30 June 2015

- Depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US\$23.4 million (2015: US\$31.7 million);
- US\$17.2 million was expended on capital works associated with the new mill construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2015: US\$11.2 million);
- Exploration expenditure, inclusive of underground diamond drilling was US\$9.3 million (2015: US\$11.3 million);
- Capitalised mine development costs totalled US\$25.6 million for the year (2015: US\$37.7 million); and
- Corporate overheads of US\$5.9 million (2015: US\$8.2 million).

Operations

Description	Unit	June 2016	June 2015	Variance	(%)
Ore mined	WMT	623,659	659,495	(35,836)	(5%)
Ore milled	DMT	561,192	582,311	(21,119)	(4%)
Head grade	g/t	6.40	5.61	0.79	14%
Recovery	%	94%	93%	1%	1%
Gold produced	ounces	108,578	98,359	10,219	10%
Cash costs ^{(1)/(2)}	US\$/oz	\$466	\$385	(\$81)	(21%)
Gold sold	ounces	108,529	97,200	11,329	12%
Avg gold price received	US\$/oz	\$1,173	\$1,220	(\$47)	(4%)

Note:

- (1) Net of development costs and includes royalties and local business taxes of approximately US\$82/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.

- The Company produced 108,578 ounces of gold for the year, compared to 98,3597 ounces from the previous corresponding period, at an average recovered grade of 6.40 g/t gold (June 2015: 5.61 g/t gold).
- The average cash costs of US\$466 per ounce, inclusive of royalties and local business taxes was higher than the previous year's average cash costs of US\$385 per ounce, primarily due to a change in methodology on the allocation of total mining costs introduced in July 2016.
- All in Sustaining Costs ("AISC") for the year was US\$999 per ounce of gold and includes discretionary exploration expenditure of US\$9.3 million.

Production Guidance (2016/17)

The production guidance for 2016/17 at the Co-O mine is expected to be:

- between 105,000 to 115,000 ounces;
- at an AISC of between US\$1,000 to US\$1,100 per ounce.

The production guidance profile, quarter by quarter will be slightly back-end loaded for the forthcoming financial year, driven by the higher level of development ore and infrastructure project waste rock required in the first 2 quarters.

An Independent Operations Review was completed in the June quarter, laying the foundation for the life of mine Planning process ("LOMP"); consolidating the mines long-range planning, scheduling with the Co-O mines long-range capital development infrastructure planning, to support the LOMP. This study supports the FY16-17 guidance numbers.

The Co-O mine remains hoist capacity constrained until the E15 Service Shaft is completed by June 2017. Once completed the Service Shaft will take over 100% of manpower and materials movement, freeing up the L8 Production Shaft to be a 100% dedicated skipping shaft. For the next quarter the mine ventilation upgrade and mine dewatering project will be close to completion. Once completed we will start seeing a reduction in the sustaining capital project cost component of the AISC's, mostly driven by the Service Shaft completion in June 2017.

Reserves and Resources

New Resource and Reserve estimates for 2016 are currently being compiled and will be reported in accordance with JORC 2012 in the September 2016 quarter.

Corporate

Dividend:

No dividends were declared nor paid during the year.

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.
- Mr Boyd Timler was appointed CEO on 21 March 2016.

Board appointment/resignations:

- 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.

JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

Medusa Mining Limited

Information in this report relating to **Exploration Results** has been reviewed and is based on information compiled by Mr Gary Powell who is a member of The Australian Institute of Geoscientists. Mr Powell is an employee of Medusa Mining Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as a “Competent Person” as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Powell consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

DISCLAIMER

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

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

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

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

The complete 2016 Annual Report is available for viewing on the Company's website
www.medusamining.com.au