

Appendix 4E

Preliminary final report Period ending 30 June 2017

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")

30 June 2017

Results for announcement to the market

<u>Revenues and profits:</u>		<u>US\$'000</u>	to	<u>US\$'000</u>
Revenues from ordinary activities	Down 22%	128,091		100,091
Profit from ordinary activities after tax attributable to members *	Down 240%	44,329		(62,129)
Net profit for the period attributable to members *	Down 240%	44,329		(62,129)

* All comparisons to the restated previous period ended 30 June 2016

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

No dividends were declared and paid for period ended 30 June 2017.

Net tangible assets per share:

The net tangible assets per share as at 30 June 2017 was US\$0.927 (Restated 30 June 2016: US\$1.227)

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.

Un-audited Financial Statements:

This report is based on accounts which are currently being audited. Medusa's Annual Report containing Audited Financial Statements and Directors' Report will be released before the end of September 2017.

Other information:

Except for matters noted above, all disclosure requirements pursuant to ASX Listing Rule 4.3A are contained within the Company's un-audited financial statements for the year ended 30 June 2017 which accompany this report.

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as at 30 June 2017

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PRELIMINARY FINAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

as at 30 June 2017

	Note	Consolidated	
		2017 US\$000	2016 (Restated) US\$000
Revenue	2	100,091	128,090
Cost of sales		(67,152)	(73,281)
Exploration & evaluation expenses written off	3	(7,098)	-
Administration expenses		(7,992)	(6,610)
Impairment expense	3,13	(70,800)	-
Other expenses		(1,557)	(1,714)
Profit/(Loss) before income tax expense		(54,508)	46,485
Income tax (expense)/benefit	5	(7,621)	(2,156)
Profit/(Loss) attributable to members of the Group		(62,129)	44,329
 <u>Other comprehensive income/(loss), net of income tax:</u>			
Add: Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations and other comprehensive income /(loss) for the year		(1,895)	(1,896)
Total comprehensive income/(loss) for the year		(64,024)	42,433
 <u>Overall operations:</u>			
Basic earnings/(loss) per share (US\$ per share)	6	(0.299)	0.213
Diluted earnings/(loss) per share (US\$ per share)	6	(0.299)	0.209

The accompanying notes form part of these financial statements

PRELIMINARY FINAL STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

		Consolidated		
		2017	2016	2015
			(Restated)	(Restated)
Note	US\$000	US\$000	US\$000	US\$000
CURRENT ASSETS				
Cash & cash equivalents	24	11,214	9,517	9,987
Trade & other receivables	7	11,963	25,977	22,585
Inventories	8	16,993	24,304	19,837
Other current assets	9	571	636	615
Total Current Assets		40,741	60,434	53,024
NON-CURRENT ASSETS				
Trade & other receivables	10	24,050	22,915	16,311
Property, plant & equipment	11	41,745	53,066	45,022
Intangible assets		720	552	632
Exploration, evaluation & development expenditure	12	122,992	145,452	123,637
Deferred tax assets	17	1,662	2,208	3,755
Total Non-Current Assets		191,169	224,193	189,357
TOTAL ASSETS		231,910	284,627	242,381
CURRENT LIABILITIES				
Trade & other payables	14	19,570	13,438	16,282
Borrowings	15	6,979	6,064	3,822
Provisions	16	364	346	504
Total Current Liabilities		26,913	19,848	20,608
NON-CURRENT LIABILITIES				
Borrowings	15	3,521	1,503	2,151
Deferred tax liability	17	245	245	290
Provisions	16	4,231	2,593	1,762
Total Non-Current Liabilities		7,997	4,341	4,203
TOTAL LIABILITIES		34,910	24,189	24,811
NET ASSETS		197,000	260,438	217,570
EQUITY				
Issued capital	19	102,902	102,902	102,902
Reserves	20	3,548	5,152	6,613
Retained profits	23	90,550	152,384	108,055
TOTAL EQUITY		197,000	260,438	217,570

The accompanying notes form part of these financial statements.

PRELIMINARY FINAL STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Note	Share Capital Ordinary US\$000	Retained Profits US\$000	Option and Performance Rights Reserve US\$000	Foreign Currency Translation Reserve US\$000	Total US\$000
CONSOLIDATED						
Balance at 30 June 2015 (Restated)		102,902	108,055	304	6,309	217,570
<i>Comprehensive Income</i>						
Net (profit) after tax		-	44,329	-	-	44,329
Other comprehensive income/(loss)		-	-	-	(1,896)	(1,896)
Total comprehensive income/(loss) for the year		-	44,329	-	(1,896)	42,433
<i>Transactions with owners, in their capacity as owners, and other transfers</i>						
Share options issued during the period in accordance with AASB 2 - share based payment	21	-	-	435	-	435
Sub-total		102,902	152,384	739	4,413	260,438
Dividends paid		-	-	-	-	-
Balance at 30 June 2016 (Restated)		102,902	152,384	739	4,413	260,438
<i>Comprehensive Income</i>						
Net (loss) after tax		-	(62,129)	-	-	(62,129)
Other comprehensive income/(loss)		-	-	-	(1,895)	(1,895)
Total comprehensive income/(loss) for the year		-	(62,129)	-	(1,895)	(64,024)
Transfer from option reserve		-	295	(295)	-	-
Share options issued during the period in accordance with AASB 2 - share based payment	21	-	-	586	-	586
Sub-total		102,902	90,550	1,030	2,518	197,000
Dividends paid		-	-	-	-	-
Balance at 30 June 2017		102,902	90,550	1,030	2,518	197,000

The accompanying notes form part of these financial statements.

PRELIMINARY FINAL STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	Consolidated	
	2017	2016
Note	US\$000	US\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	111,981	120,004
Payments to suppliers & employees	(56,234)	(64,831)
Interest received	74	74
Net cash provided by operating activities	55,821	55,247
	24	
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant & equipment	(17,374)	(17,203)
Payments for intangible assets	-	-
Payments for exploration & evaluation activities	(4,454)	(4,492)
Payment for development activities	(33,370)	(32,940)
Net cash provided by (used in) investing activities	(55,198)	(54,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	2,933	1,594
Net cash provided by / (used in) financing activities	2,933	1,594
Net increase in cash and cash equivalents held	3,556	2,206
Cash & cash equivalent at the beginning of the financial year	9,517	9,987
Exchange rate adjustment	(1,859)	(2,676)
Cash & cash equivalent at the end of the financial year	11,214	9,517
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The accompanying notes form part of these financial statements.

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The financial statements were authorised by the Directors on 29 August 2017.

Basis of preparation

Reporting Basis and Conventions

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

(a) Principles of consolidation

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2017. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

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

A list of controlled entities during the year ended 30 June 2017 is presented in note 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.

(c) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2017, but have not been applied in preparing this financial report.

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB 9 Financial Instruments

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

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

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

AASB 15 Revenue from Contracts with Customers

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

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

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

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

AASB 16 Leases

The new AASB 16:

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

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

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

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.

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

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

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2014)

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.

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

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB 2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15

AASB 2015-8 amends the mandatory application date of AASB 15 *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*.

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

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

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

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

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

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

AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15

The amendments clarify the application of AASB 15 in three specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies:

- Identify performance obligations (by clarifying how to apply the concept of 'distinct');
- Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle);
- Determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights).

The amendments also create two additional practical expedients available for use when implementing AASB 15:

- For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
- Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented. Effective date (annual reporting periods beginning on or after 1 January 2017).

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

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions

This Standard amends AASB 2 Share-based Payment to address:

The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and

The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle

This Standard clarifies the scope of AASB 12 *Disclosure of Interests in Other Entities* by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

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

Interpretation 22 Foreign Currency Transactions and Advance Consideration

Interpretation 22 looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income.

Although AASB 121 *The Effects of Changes in Foreign Exchange Rates* sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency, the IFRS Interpretations Committee had observed diversity in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognised.

Interpretation 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

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

When this interpretation is adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.

Interpretation 23 Uncertainty Over Income Tax Treatments

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 *Income Taxes* are applied where there is uncertainty over income tax treatments.

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

The entity has not yet assessed the full impact of this Interpretation.

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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

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

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

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

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

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

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

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

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax (continued)

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

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

(f) Property, Plant and Equipment

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

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

Depreciation

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

Co-O mine's useful life is estimated to approximate the expected life of the mine, the depreciation rate is based on a charge proportional to the depletion of estimated recoverable gold ounces contained in indicated and inferred resources.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation method	Depreciation rate (%)
Plant and equipment (excluding Co-O mine)	Straight line	20% to 33%
Office furniture and fittings	Straight line	7.5% to 20%
Land and building	Straight line	5%

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

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

(g) Impairment of non-financial assets

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

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

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

(h) Operating leases

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

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Payables

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

(j) Trade and other receivables

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

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

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

(k) Exploration and evaluation expenditure

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

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

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

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

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

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

(l) Development expenditure

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

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

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource at a rate of 12.25% (2016:13.31%). The unit-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. Where the life of the assets is shorter than the mine life their costs are amortised based on the useful life of the assets.

The estimated recoverable reserves and life of the mine and the remaining useful life of each class of asset is reassessed at least annually. Where there is a change in the reserves/resources amortisation rates are correspondingly adjusted.

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Rehabilitation costs

Rehabilitation costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the rehabilitation of the site.

These estimates of the rehabilitation obligation are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. Any changes in the estimates are adjusted on a progressive basis. In determining the rehabilitation obligations, the entity has assumed no significant changes will occur in the relevant Federal, State or foreign legislation in relation to rehabilitation of such minerals projects in the future. At the reporting date, the group does not consider it has any significant unsatisfied obligations in respect to rehabilitation costs.

(n) Employee benefits

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

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

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

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

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

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

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

(o) Goods and services tax

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

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

(p) Operating Segments

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

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Earnings per share

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

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

(r) Foreign currency transactions and balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

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

(s) Cash and cash equivalents

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

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

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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.

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 13.

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.

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Critical accounting estimates and judgments (continued)

Key estimates - Recoverability of long lived assets (continued)

The Group has used the Reserve Statement released in August 2017 taking into account ore utilised throughout the period and replenished to estimate the recoverable amount of long lived assets. The updated Reserve Statement is not available at the date of these financial statements. Estimates of ore reserves in themselves are dependent on various assumptions, in addition to those described above, including cut-off grades. Changes in these estimates could impact on ore reserves, and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

Key estimates - Determination of ore reserves and remaining mine life

The Group estimates its ore reserves and mineral resources based on information compiled on 7th of August 2017 by Competent Persons (as defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised June 2012 code (the JORC code)). Reserves determined in this way are taken into account in the calculation of depreciation of mining plant and equipment (refer to note 11), amortisation of capitalised development expenditure (refer to note 12), and impairment relating to these assets (refer to note 13).

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

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

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

Key estimates - Exploration and evaluation expenditure

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

Key estimates - Development expenditure

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

Key estimates - Share based payments

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

Key estimates - GST/VAT

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Prior Period Error

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

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

Statement of financial position	2016			2015		
	Previous amount US\$000	Adjustment US\$000	Restated amount US\$000	Previous amount US\$000	Adjustment US\$000	Restated amount US\$000
Exploration	10,743	51,263	62,006	11,027	47,229	58,256
Development	108,610	(25,164)	83,446	87,048	(21,667)	65,381
Exploration, evaluation & development expenditure	119,353	26,099	145,452	98,075	25,562	123,637
Inventories	24,304	-	24,304	19,837	-	19,837
Property, plant & equipment	53,064	2	53,066	45,022	-	45,022
Total Assets	258,526	26,101	284,627	217,173	25,208	242,381
Net Assets	234,339	26,099	260,438	192,008	25,562	217,570
Retained Earnings	126,285	26,099	152,384	82,493	25,562	108,055
Total Equity	234,339	26,099	260,438	192,008	25,562	217,570

Statement of profit or loss and other comprehensive income	2016			2015		
	Previous amount US\$000	Adjustment US\$000	Restated amount US\$000	Previous amount US\$000	Adjustment US\$000	Restated amount US\$000
Cost of Sales	(73,818)	537	(73,281)	(71,976)	2,768	(69,208)
Impairment	0	0	0	(259,595)	22,795	(236,800)
Profit/loss after tax	43,792	537	44,329	(218,109)	25,562	(192,547)
Basic earnings/loss per share (US\$ per share)	0.211	0.002	0.213	(1.050)	0.123	(0.927)
Diluted earnings/loss per share (US\$ per share)	0.207	0.002	0.209	(1.035)	0.126	(0.909)

(z) Rounding of amounts

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	Consolidated	
	2017	2016 (Restated)
Note	US\$000	US\$000
2. REVENUE		
<u>Operating activities:</u>		
Gold and silver sales	99,783	127,755
<u>Non-operating activities:</u>		
Interest revenue	74	75
Foreign exchange gain	234	149
Other	-	111
Total revenue	100,091	128,090
3. EXPENSES		
Profit/(loss) before income tax expense/(income) has been determined after charging/(crediting) the following items:		
<u>Depreciation & amortisation:</u>		
- Depreciation expense	2,303	8,707
- Amortisation expense	15,738	12,889
Total depreciation & amortisation	18,041	21,596
Employee benefits expense	11,811	12,662
Defined contribution plans	115	240
Defined benefit plans	498	476
Exploration expenditure written off	7,098	-
Foreign exchange gain	-	(150)
<u>Impairment losses:</u>		
- impairment expense	13 70,600	-
- assets written off	472	1,241
	71,072	1,241
<u>Operating lease rental:</u>		
- minimum lease payments	62	36
4. DIVIDENDS		
No final dividend was declared (2016: Nil)	-	-
No Interim or final dividend was declared or paid during the current or previous financial years.	-	-

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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

5. TAXATION

(a) The components of tax expense comprise:

Current tax	7,120	654
Deferred tax	501	1,502
	<u>7,621</u>	<u>2,156</u>

(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:

Operating (loss) / profit before income tax	(54,508)	46,485
Prima facie income tax expense/(credit) at 30% (2016: 30%) on operating profit	(16,352)	13,945
<i>less – tax effect of:</i>		
other non-deductible/(non-assessable) expenses	-	-
difference of effective foreign income tax rates	-	(12,764)
Non-Assessable Income	(39)	-
impairment of assets	23,347	-
Amortisation and Depreciation Adjustment	-	2,634
share based payments expense	176	131
non-deductible foreign expenditure	-	1,006
foreign exchange	-	(2,993)
charitable contribution	157	(2)
under/over	-	-
inventory written off	-	243
deferred tax assets not brought to account	332	(44)
Income tax expense/(benefit)	<u>7,621</u>	<u>2,156</u>

(c) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(e) occur:

- Temporary differences	23,817	103
- Australian tax losses	4,074	4,135
	<u>27,891</u>	<u>4,238</u>

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.

6. EARNINGS / (LOSS) PER SHARE

Earnings / (Loss) used to calculate basic and diluted EPS	(61,941)	44,228
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	207,794,301	207,794,301
Weighted average unlisted options outstanding	-	4,125,725
Weighted average of ordinary shares diluted as at 30 June 2017	<u>207,794,301</u>	<u>211,920,026</u>

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	Consolidated	
	2017	2016
Note	US\$000	US\$000
7. CURRENT RECEIVABLES		
Gold awaiting settlement	312	12,511
GST/VAT receivables	9,944	13,441
Other receivables	1,707	25
Total current receivables	<u>11,963</u>	<u>25,977</u>
Refer ageing analysis in Financial Instruments Note 25(b)		
8. INVENTORIES		
Consumables - at cost	10,774	18,854
Ore stockpile - at cost	3,403	3,520
Gold Inventory - at cost	2,816	1,930
Total inventories	<u>16,993</u>	<u>24,304</u>
9. OTHER CURRENT ASSETS		
Prepayments	<u>571</u>	<u>636</u>
10. NON-CURRENT RECEIVABLES		
GST/VAT receivables	<u>24,050</u>	<u>22,915</u>
Total non-current receivables	<u>24,050</u>	<u>22,915</u>
11. PROPERTY, PLANT & EQUIPMENT		
Plant & equipment:		
At cost	177,866	174,456
<i>less</i> - provision for impairment	(92,814)	(67,873)
<i>less</i> - assets disposal	-	(460)
<i>less</i> - accumulated depreciation	<u>(43,539)</u>	<u>(53,134)</u>
Total plant & equipment at net book value	<u>41,513</u>	<u>52,989</u>
Furniture & fittings:		
At cost	1,030	997
<i>less</i> - provision for impairment	(254)	(254)
<i>less</i> - accumulated depreciation	<u>(544)</u>	<u>(666)</u>
Total furniture & fittings at net book value	<u>232</u>	<u>77</u>
Total carrying amount at end of year	<u>41,745</u>	<u>53,066</u>
Reconciliations:		
Plant & equipment:		
Carrying amount at beginning of year	52,989	45,022
<i>plus</i> - additions	16,044	16,657
<i>plus</i> - forex differences on translation	(287)	826
<i>less</i> - disposal	-	(460)
<i>less</i> - impairment	13 (24,941)	-
<i>less</i> - depreciation	<u>(2,292)</u>	<u>(9,056)</u>
Carrying amount at end of year	<u>41,513</u>	<u>52,989</u>

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	Consolidated	
	2017	2016 (Restated)
Note	US\$000	US\$000
11. PROPERTY, PLANT & EQUIPMENT (continued)		
Furniture & fittings:		
Carrying amount at beginning of year	76	-
<i>plus</i> - additions	133	88
<i>plus</i> - forex differences on translation	33	-
<i>less</i> - depreciation	(10)	(11)
Carrying amount at end of year	232	77
Total carrying amount at end of year	41,745	53,066
12. EXPLORATION, EVALUATION & DEVELOPMENT EXPENDITURE		
Exploration & evaluation expenditure:		
At cost	59,358	64,811
<i>less</i> - expenditure written off	-	-
<i>less</i> - provisions for impairment	(2,805)	(2,805)
Total carrying amount at end of year	56,553	62,006
Development expenditure:		
At cost	349,445	311,486
<i>less</i> - provisions for impairment	(205,291)	(165,869)
<i>less</i> - accumulated amortisation	(77,715)	(62,171)
Net development expenditure	66,439	83,446
Total carrying amount at end of year	122,992	145,452
Reconciliations:		
Exploration & evaluation expenditure:		
Carrying amount at beginning of year	62,006	58,257
<i>plus</i> - costs incurred	12,307	9,317
<i>Plus/less</i> – prior period error	-	3,278
<i>less</i> - impairment	-	-
<i>less</i> - transferred to development	(9,966)	(8,846)
<i>less</i> - expenditure written off	(7,098)	-
<i>plus</i> - forex differences upon translation	(696)	-
Carrying amount at end of year	56,553	62,006
Development expenditure:		
Carrying amount at beginning of year	83,446	65,380
<i>plus</i> - costs incurred	27,537	26,262
<i>plus</i> - transferred from exploration	9,966	8,845
<i>Plus/less</i> – prior period error	-	(4,033)
<i>less</i> - amortisation expense	(15,738)	(12,788)
<i>less</i> - impairment	(39,422)	-
<i>less</i> - forex differences upon translation	650	(220)
Carrying amount at end of year	66,439	83,446

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

13. IMPAIRMENT OF NON-CURRENT ASSETS

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

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

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

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

a) Impairment testing

i) Methodology

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

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

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

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

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

ii) Key Assumptions

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

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

Commodity prices

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

Discount rate

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

13. 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 Stock Exchange on 7 August 2017.

iii) Impacts

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

Description	Note	2017			2016		
		Carrying amount (\$'000)	Impairment (\$'000)	Balance (\$'000)	Carrying amount (\$'000)	Impairment (\$'000)	Balance (\$'000)
Development	12	105,861	(39,422)	66,439	83,446	-	83,446
Plant & equipment	11	66,686	(24,941)	41,745	53,066	-	53,066
Other		17,212	(6,437)	10,775	18,854	-	18,854
Total	3	187,759	(70,800)	116,959	102,300	-	102,300

b) Sensitivity Analysis

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

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

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

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

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

		Consolidated	
		2017	2016
		US\$000	US\$000
14. TRADE & OTHER PAYABLES			
	Creditors:		
	Trade Creditors	18,637	12,017
	Accruals	1,321	1,157
	Income Tax payable	7	-
	Withholding Tax	859	830
	Other Creditors	129	7
	Forex Revaluation	(1,383)	(573)
	Total Creditors	19,570	13,438
15. BORROWINGS			
	Current borrowings:		
	Unsecured liability - interest bearing loan	6,979	6,064
	Total current borrowings	6,979	6,064
	Non-current borrowings:		
	Secured liability - interest bearing loan	986	1,423
	Unsecured liability - interest bearing loan	2,535	80
	Total non-current borrowings	3,521	1,503
	Total Borrowings	10,500	7,567
	Secured Borrowing, are bank loans secured by transportation equipment of the Group. Interest rates on the loans range between 2.75% to 4% (2016: 2.75% to 7.12%)		
16. PROVISIONS			
	Current provisions:		
	Employee benefits	364	346
	Total current provisions	364	346
	Non-current provisions:		
	Retirement Benefit	2,184	2,237
	Mine Rehabilitation	2,047	356
	Total non-current employee benefits	4,231	2,593

Retirement Benefit

The Retirement benefit in non-current liabilities relates to Philippine based employees defined benefit plan.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017. The present value of the defined benefit obligation and the related current service cost and past service cost was measured using the Projected Unit Credit Method.

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

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

Assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to year-end by reference to high quality Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on management's historical experience.

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	Consolidated	
	2017 US\$000	2016 US\$000
16. PROVISIONS (continued)		
Non-current provisions: (continued)		
<i>Retirement Benefit</i> (continued)		
Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
Current service cost	401	384
Interest on obligation	90	75
Total	491	459
The amount included in the statements of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:		
Present value of defined benefit obligation	2,184	2,062
Unrecognised actuarial loss	-	-
Unamortised past service cost - non vested	-	-
Total	2,184	2,062
Movements in the present value of the defined benefit obligation in the current period were as follows:		
Opening balance	2,062	2,172
Current service cost	401	383
Interest costs	90	75
Benefits paid	(390)	-
Actuarial loss	(152)	-
Foreign exchange gain/(loss)	-	(568)
Closing balance	2,011	2,062
The Company has no plan assets held by trustees but an employee retirement fund amounting to US\$986,040 (2016: US\$1,312,035) was held as at June 30, 2017. The employee retirement fund is presented as part of cash at bank.		
<i>Mine Rehabilitation</i>		
Carrying amount at beginning of the year	362	354
plus – increase in provision	1,688	8
Carrying amount at end of year	2,047	362

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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

	Consolidated	
	2017	2016
	US\$000	US\$000

18. AUDITOR'S REMUNERATION

Remuneration received or due and receivable by the Company's auditors, Grant Thornton Audit Pty Ltd for:

• auditing or reviewing the financial reports	112	112
• other services provided by related practice of auditor - taxation & compliance	15	12
Total remuneration of the Company's auditors	127	124

Remuneration of other auditors of the Company's Philippines subsidiaries for:

• auditing or reviewing the financial reports	65	57
• other services provided by related practice of auditor - taxation & compliance	41	17
Total remuneration of other auditors of the Company's Philippines subsidiaries	106	74

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	Consolidated	
	2017	2016
	US\$000	US\$000
19. ISSUED CAPITAL		
207,794,301 ordinary shares (30 June 2016: 207,794,301)	102,902	102,902
Total issued capital	102,902	102,902
Ordinary shares		
Balance at beginning of year	102,902	102,902
<u>Ordinary shares issued during the year:</u>		
(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	
	2017	2016
	US\$000	(Restated) US\$000
<u>Capital for the reporting period under review is summarised as follows:</u>		
Total equity	197,000	260,310
Cash and cash equivalents	(11,214)	(9,517)
Capital	185,786	250,793
Total equity	197,000	260,310
Borrowings	10,500	7,567
Overall financing	207,500	267,877
Capital-to-overall financing ratio	90%	94%

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	Consolidated	
	2017	2016 (Restated)
	US\$000	US\$000
Option & performance rights reserve	1,030	739
Foreign currency translation reserve	2,518	4,413
Total Reserves	3,548	5,152

20. RESERVES

Option & performance rights reserve

Foreign currency translation reserve

Total Reserves

(a) Option and performance rights reserve

The option reserve records items recognised as expenses on valuation of share based payments.

Unlisted options over ordinary shares at 30 June 2017

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

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

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.

21. SHARE BASED PAYMENTS

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

- 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.
- 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.
- On 24 November 2016, 1,200,000 options were issued to Boyd Timler, the company's current Managing Director. 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
A	300,000	A\$1.00
B	300,000	A\$1.25
C	300,000	A\$1.50
D	300,000	A\$1.75

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

21. SHARE BASED PAYMENTS (continued)

Share based options	2017		2016	
	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	3,740,500	1.0000	4,200,000	1.0000
Granted	1,200,000	1.6250	-	-
Forfeited	(575,500)	1.0000	(459,500)	1.0000
Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding at year end	4,365,000	1.1031	3,740,500	1.0000
Exercisable at year end	2,091,000	1.0000	1,245,000	1.0000

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

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

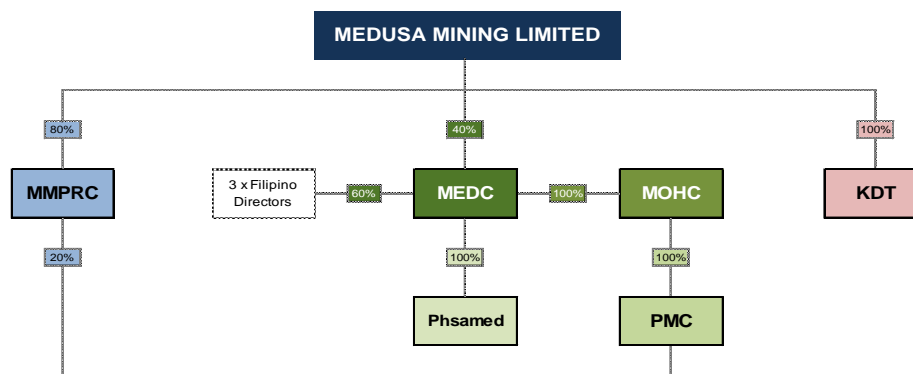
Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is US\$586,148 (2016: US\$435,286) and relates, in full, to equity-settled share based payment transactions relating to employees.

22. INVESTMENT IN SUBSIDIARIES

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

Controlled Entities	Date of incorporation	Country of incorporation	% interest held	
			2017	2016
Medusa Exploration & Development Corporation	29 May 2003	Philippines	40%	40%
Phsamed Mining Corporation	23 Apr 2003	Philippines	40%	40%
Medusa Overseas Holding Corporation	08 May 2003	Philippines	40%	40%
Philsaga Mining Corporation	17 May 2001	Philippines	40%	40%
Mindanao Mineral Processing and Refining Corporation	03 Nov 2005	Philippines	100%	100%
Komo Diti Traders Limited	23 Jan 2017	Hong Kong	100%	-

ORGANISATION CHART



Philippines entities:

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

Hong Kong entity:

- Komo Diti Traders Limited ("KDTL") - Trading Company

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	Consolidated	
	2017	2016 (Restated)
	US\$000	US\$000
23. RETAINED PROFITS		
Retained profit at start of year	152,384	108,055
Net profit/(loss) attributable to members of Company	(62,129)	44,329
Transfer from share option reserve	295	-
Retained profits at end of year	90,550	152,384
24. 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:		
Cash at bank	11,213	9,516
Cash on hand	1	1
Total cash assets	11,214	9,517
(b) Reconciliation of profit /(loss) after income tax to net cash provided by operating activities:		
Profit/(Loss) after income tax	(62,129)	44,329
<i>add/(less)-</i>		
Non-cash items:		
- Depreciation/amortisation	18,041	22,880
- Retirement Benefit	498	-
- Exploration expenses written off	7,098	149
- Recognition of share based expenses	586	436
- Impairment expense	70,800	-
- Other write off	346	809
- Foreign exchange (gain) / loss	(234)	439
- Bad debts written off	126	(7)
- Withholding tax for Dividend	-	30
- Income tax deferred	16,635	1,248
- Income tax credit/(expense)	(24,256)	908
	27,511	71,221
<i>add/(less) -</i>		
Changes in assets & liabilities		
- (increase)/decrease in trade & other receivables	14,289	(10,459)
- (increase)/decrease in prepayments	64	(21)
- (increase)/decrease in inventories	7,312	(4,468)
- (decrease)/increase in trade & other payables	6,099	(2,528)
- increase/(decrease) in deferred taxes payable	546	1,502
Net cash provided by operating activities	55,821	55,247

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

24. NOTES TO STATEMENT OF CASH FLOWS (continued)

(c) Restricted Funds

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

- (i) A rehabilitation fund of US\$1,113,763 (2016: US\$338,383) to be used at the end of life of mine for environmental rehabilitation.
- (ii) An employee retirement fund of US\$986,040 (2016: US\$1,312,035) established to meet employee entitlements on retirement.
- (iii) The Company has a provident fund of US\$1,210,707 (2016: US\$746,353) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

25. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

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

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

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

(i) Treasury risk management

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

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

(ii) Financial risk exposures and management

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

Interest rate risk

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

Price risk

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

Liquidity risk

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

Credit risk

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

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

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

25. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial Risk Management Policies (continued)

(ii) Financial risk exposures and management (continued)

Credit risk (continued)

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

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

Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity’s functional currency. The risk can be measured by performing a sensitivity analysis that quantifies the impact of different assumed exchange rates on the Group’s forecast cash flows.

Whilst the Group is aware of its exposure to fluctuations in foreign currency, the current policy of the Board is not to hedge.

(b) Financial instruments

(i) Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management’s expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

Consolidated Group	Weighted average		Floating interest rate		Within 1 Year		Within 1 to 5 Years		Non-Interest Bearing		Total	
	Effective interest											
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(%)		(US\$000)									

Financial Assets

Cash & cash equivalent	0.32	0.36	4,098	8,015	-	-	-	-	7,116	1,502	11,214	9,517
Loans and receivables	-	-	-	-	-	-	-	-	1,970	12,536	1,970	12,536
			4,098	8,015	-	-	-	-	9,086	14,038	13,184	22,053

Financial Liabilities

Financial liabilities at amortised cost

Bank Loan - Current	-	-	-	-	6,979	6,064	-	-	-	-	6,979	6,064
Bank Loan - Non-current	-	-	-	-	-	-	3,521	1,503	-	-	3,521	1,503
Trade & sundry payables	-	-	-	-	-	-	-	-	19,570	13,438	19,570	13,438
	-	-	-	-	6,979	6,064	3,521	1,503	19,570	13,438	30,070	21,005

Consolidated

	2017	2016
	US\$000	US\$000

Receivables are expected to be collected as follows:

Less than 6 months	1,970	12,536
6 months to 1 year	-	-
	1,970	12,536

As at 30 June 2017 and 2016, all receivables were neither past due nor impaired.

Trade and sundry payables are expected to be paid as follows:

Less than 6 months	19,570	13,438
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PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

25. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial instruments (continued)

(ii) Net fair values

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

(iii) Sensitivity analysis

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

Interest Rate Sensitivity Analysis

At 30 June 2017, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

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

Foreign currency risk sensitivity analysis

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the consolidated entity's functional currency. The consolidated entity operates internationally and is exposed to foreign exchange risk arising from the United States dollar. No programs for hedging foreign exchange risk were implemented by the consolidated entity in the 2016 and 2017 financial years.

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

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

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

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

25. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial instruments (continued)

(ii) Sensitivity Analysis (continued)

Price risk sensitivity analysis

The policy of the Company is to sell gold at spot price and has not entered in hedging contracts. The Company's revenues were exposed to fluctuations in the price of gold. If the average selling price of gold of US\$1,256 (2016: US\$1,352) for the financial year had increased/decreased by 10% the change in the profit before income tax for the consolidated group would have been an increase/decrease of US\$9.947 million (2016: US\$13.965 million). The above interest rate, foreign exchange rate and price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

Consolidated

	2017	2016
	US\$000	US\$000

26. COMMITMENTS

(a) Exploration commitments:

The Group has certain obligations to perform minimum exploration work to maintain rights of tenure to its exploration tenements. These obligations may vary from time to time in accordance with tenements held and are expected to be fulfilled in the normal course of operations of the Group so as to avoid forfeiture of any tenement.

These obligations are not provided in the financial report and are payable:

- no later than 1 year	206	666
- 1 year or later and no later than 5 years	1,079	2,313
Total exploration commitments	1,285	2,979

(b) Operating lease expense commitments:

Non-cancellable operating lease contracted for but not capitalised in the financial statements.

The Group leases office premises an operating lease expiring in July 2019. Under the terms of the operating leases, the Group is provided with a right of renewal and the lessor has the right to increments in lease payments on an annual basis based on movements in the Consumer Price Index.

These obligations are not provided in the financial report and are payable:

- no later than 1 year	65	63
- 1 year or later and no later than 5 years	67	121
Total operating lease expense commitments	132	184

(c) Other contractual commitments:

(i) On 26 March 2008, Philsaga was granted Mineral Production Sharing Agreement ("MPSA") number 262-2008-XIII over the Co-O mine. Under the terms of the Agreement Philsaga is committed to mine related expenditure in the Philippines as follows:

These commitments are not provided in the financial report and are payable:

- no later than 1 year	160	178
- 1 year or later and no later than 5 years	216	239
Total other contractual commitments	376	417

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

Consolidated	
2017	2016
US\$000	US\$000

26. COMMITMENTS (continued)

(c) Other contractual commitments: (continued)

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

These commitments are not provided in the financial report and are payable:

- no later than 1 year	80	89
- 1 year or later and no later than 5 years	353	392
Total other contractual commitments	433	481

27. EVENTS SUBSEQUENT TO REPORTING DATE

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

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

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 Operating Officer (the chief operating decision maker) and his management team in assessing performance and in determining the allocation of resources.

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

Segment Result, Segment Assets and Segment Liabilities

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

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

Segment Revenues represent gold and silver sales at spot prices.

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

Segment Liabilities are allocated to segments where there is a direct nexus between the incurrance 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.

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

28. SEGMENT INFORMATION (continued)

	Mining US\$000	Exploration US\$000	Other US\$000	Total US\$000
12 months to June 2017:				
Segment Revenue	80,322	-	19,461	99,783
Reconciliation of segment revenue to group revenue				
<i>add:</i>				
Interest revenue				74
Other				234
Group revenue				100,091
Segment Result	(78,081)	(25)	23,290	(54,816)
Reconciliation of segment result to group result:				
<i>add back:</i>				
Gain on disposal of asset				-
Other revenue				234
Interest revenue				74
<i>less:</i>				
Income tax expense				(7,621)
Group profit				(62,129)
Segment Assets	222,675	1,048	6,525	230,248
Reconciliation of segment asset to group assets:				
<i>plus:</i> Deferred tax assets				1,662
Total group assets				231,910
Segment Liabilities	33,901	7	757	34,665
Reconciliation of segment liabilities to group liabilities				
<i>plus:</i> Deferred liabilities				245
Total group liabilities				34,910
12 months to June 2016:				
Segment Revenue	127,755	-	-	127,755
Reconciliation of segment revenue to group revenue				
<i>add:</i>				
Interest revenue				75
Other				260
Group revenue				128,090
Segment Result	47,403	(63)	(1,191)	46,149
Reconciliation of segment result to group result:				
<i>add back:</i>				
Gain on disposal of asset				111
Other revenue				149
Interest revenue				76
<i>less:</i>				
Income tax expense				(2,156)
Group loss				44,329
Segment Assets	279,043	1,038	2,338	282,419
Reconciliation of segment asset to group assets:				
<i>plus:</i> Deferred tax assets				2,208
Total group assets				284,627
Segment Liabilities	23,117	9	816	23,942
Reconciliation of segment liabilities to group liabilities				
<i>plus:</i> Deferred liabilities				245
Total group liabilities				24,187

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

28. SEGMENT INFORMATION (continued)

Revenue and non-current assets by geographical region	Australia	Philippines	Hong Kong	Total
	US\$000	US\$000	US\$000	US\$000

12 months to June 2017:

Segment Revenue	-	80,322	19,461	99,783
Non-Current Assets	110	167,033	-	167,143

12 months to June 2016:

Segment Revenue	-	127,755	-	127,755
Non-Current Assets	100	199,244	-	199,344

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

The Group sells its gold on the open market. Selection of a customer is at the Group's discretion and there is no commitment to exclusive sales to a particular customer. During the financial year ended 30 June 2017, all of the Group's revenues depended on a single customer (2016:100%).

29. PARENT COMPANY INFORMATION

	2017	2016
	US\$000	US\$000
<u>Parent Entity:</u>		
Current Assets	767	2,140
Total Assets	30,829	31,123
Current Liabilities	727	817
Total Liabilities	727	817
<u>Net Assets</u>	30,102	30,306
Issued capital	102,902	102,902
Option premium reserve	1,030	739
Foreign exchange reserve	11,894	11,304
Accumulated losses	(43,455)	(42,370)
Dividends paid	(42,269)	(42,269)
Total Equity	30,102	30,306
(Loss)/Profit for the year	(1,381)	(2,740)
Total Comprehensive Loss/(Profit)	(791)	(3,330)

PRELIMINARY FINAL NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

30. NEW AND REVISED STANDARDS THAT ARE EFFECTIVE FOR THESE FINANCIAL STATEMENTS

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2015. Information on the more significant standard(s) is presented below.

AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

AASB 2015-4 amends AASB 128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015.

The adoption of this amendment has not had a material impact on the Group

31. FRANKING ACCOUNT

The Company has no franking credits available.

32. COMPANY DETAILS

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

Suite 10
100 Mill Point Road
South Perth
Western Australia 6151

33. UN-AUDITED FINANCIAL REPORTS

This report is based on accounts which are currently being audited.

Medusa's Annual Report containing Audited Financial Statements and Directors' Report will be released before the end of September 2017.

DIRECTORS DECLARATION

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 2017 and of its performance for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001: and
 - b) There are reasonable grounds to believe that Medusa Mining Limited will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.
3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors



Andrew Teo
Chairperson

Dated the 30th day of August 2017