



MEDUSA

ANNUAL REPORT 2021



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CORPORATE DIRECTORY

DIRECTORS

Jeffery William McGlinn

Non-Executive Chairperson

Andrew Boon San Teo

Managing Director

Roy Philip Daniel

Non-Executive Director

Simon Jon Mottram

Non-Executive Director

COMPANY SECRETARY

Peter Stanley Alphonso

EXECUTIVE MANAGEMENT

Raul Conde Villanueva

President Philippines subsidiaries

Patrick William Warr

Chief Financial Officer

James Pingul Llorca

General Manager, Geology & Resources

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

HIGHLIGHTS OF 2021 FINANCIAL YEAR

Medusa Mining Limited (“Medusa” or the “Company”), presents its audited financial results for the year ended 30 June 2021 (“FY2021”), with a statutory after-tax profit of US\$47.3 million.

FY2021 HIGHLIGHTS:

EBITDA	NPAT	EPS
US\$97.7M ↑ 59%	US\$47.3M or US\$496/oz	US\$0.23 A\$0.31/share*

*using the average exchange rate of 0.7420 for FY 2021

Financials

- Revenues of US\$179.0 million compared to US\$147.8 million for the previous year, an increase of 21%;
- Medusa is an un-hedged gold producer and received an average gold price of US\$1,856 per ounce from the sale of 94,619 ounces of gold for the year (FY2020: 95,142 ounces at US\$1,581 per ounce) from its Co-O Gold Mine in the Philippines;
- Earnings before interest, tax, depreciation and amortisation (“EBITDA”) of US\$97.7 million (FY2020: EBITDA of US\$61.6M);
- Basic earnings per share (“EPS”) of US\$0.23 based on NPAT of US\$47.3 million (FY2020: NPAT US\$29.7 million; EPS of US\$0.14); and
- The Company had total cash and cash equivalent in gold on metal account of US\$72.2 million at year end (2020: US\$47.1M).

Description	Unit	FY2021	FY2020 (Restated)	Variance	(%)
Revenues	US\$	\$179.0M	\$147.8M	\$31.2M	21%
EBITDA	US\$	\$97.7M	\$61.6M	\$36.1M	59%
NPAT	US\$	\$47.3M	\$29.7M	\$17.6M	59%
EPS (basic)	US\$	\$0.23	\$0.14	\$0.09	64%

During the period,

- Depreciation of fixed assets and amortisation of capitalised mine development, right of use asset and mine exploration was US\$34.6 million (FY2020: US\$27.3M);
- US\$11.0 million was expended on capital works associated with the Tigerway Decline Project, infrastructure, mine expansion and sustaining capital at the mine and mill (FY2020: US\$6.5M);
- Exploration expenditure, inclusive of underground diamond drilling was US\$5.8 million (FY2020: US\$5.6M);
- Capitalised mine development costs totalled US\$24.3 million for the year (FY2020: US\$23.7M); and
- Corporate overheads of US\$6.0 million (FY2020: US\$7.1M).

HIGHLIGHTS OF 2021 FINANCIAL YEAR

Operations

Description	Unit	30 June 2021	30 June 2020	Variance	(%)
Ore mined	WMT	517,739	572,666	(54,927)	(10%)
Ore milled	DMT	463,948	513,945	(49,997)	(10%)
Gold head grade	g/t	6.48	5.99	0.49	8%
Gold recovery	%	95.73	95.30	0.43	0%
Gold produced	ounces	95,193	95,057	136	0%
Cash costs ⁽¹⁾	US\$/oz	\$738	\$684	(\$54)	(8%)
All-In-Sustaining-Costs	US\$/oz	\$1,231	\$1,132	(\$99)	(9%)
Gold sold	ounces	94,619	95,142	(523)	(1%)
Average gold price received	US\$/oz	\$1,856	\$1,581	\$275	17%
Cash & cash equivalent	US\$M	\$72.2	\$47.1	\$25.1	53%

Note:

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

The Company produced 95,193 ounces of gold for the year at the Co-O Mine, compared to 95,057 ounces in FY2020 at an average recovered grade of 6.48 g/t gold (FY2020: 5.99 g/t gold).

Average cash costs were US\$738 per ounce, inclusive of royalties and local business taxes, which was higher than the previous year's average cash costs of US\$684 per ounce.

All-In-Sustaining-Costs ("AISC") for the year was US\$1,231 per ounce of gold (FY2020: US\$1,132 per ounce).

FY2022 Production Guidance

The production guidance for the Co-O Mine for FY 2022 is expected to be between 90,000 to 95,000 ounces at AISC of between US\$1,250 to US\$1,300 per ounce.

AISC includes cash production costs, royalties, mine development, capital works and associated capital, exploration expenditure and corporate overheads.

The FY2022 AISC guidance excludes any expenditure for the construction of the Tigerway Decline ("Tigerway") and the Company expects to incur approximately US\$15 million on Tigerway in the forthcoming year. The total construction costs for Tigerway is estimated to be US\$54 million (*refer ASX announcement dated 16 April 2021*).

Medusa remains completely unhedged and exposed to the prevailing spot gold price.

HIGHLIGHTS OF 2021 FINANCIAL YEAR

Corporate

Dividend

On 31 March 2021 the Board paid an interim un-franked dividend of A\$0.05 per fully paid ordinary share. There was no foreign conduit income attributed to the dividend and no dividend was payable for the previous year to 30 June 2020.

No further dividends were declared during the year.

Management changes:

Mr David McGowan, CEO, ceased employment on 20 July 2020. Non-Executive Chairman Mr Andrew Teo assumed the role of Interim CEO until 19 March 2021, at which time he was then appointed Managing Director.

Board Appointments/Retirements:

- At the Company's Annual General Meeting on 28 October 2020, Mr Raul Villanueva retired from the Board of Medusa but continued in an executive capacity as President of Medusa's affiliated operating entities in the Philippines, a role he has held since December 2012;
- On 16 February 2021, Mr Jeffery McGlinn was appointed a Non-Executive Director; and
- Mr Andrew Teo relinquished his Non-Executive Chairman's role to become Managing Director of the Company on 19 March 2021. Mr Jeffery McGlinn was subsequently appointed Non-Executive Chairman.

MANAGING DIRECTOR'S REVIEW

Dear Medusa shareholders,

I am pleased to present to you the Annual Report for Medusa Mining Limited for the 2021 Financial Year ("FY2021").

The business continued its recent record of consistency, producing more than 95,000 ounces in 12 months for the fourth consecutive year. In a period when COVID-19 restrictions on the movement of people and materials to our Co-O Gold Mine remained in place, this was a fantastic effort by our team.

Production in FY2021 of 95,193 ounces was slightly above the upper end of our guidance range and All-In-Sustaining-Costs ("ASIC") for the year were US\$1,231 per ounce and in line with guidance.

We expect this consistency to continue into FY2022 with production guidance of 90,000 to 95,000 ounces at an AISC of US\$1,250 to US\$1,300 per ounce. This excludes the costs of the Tigerway Decline Project ("Tigerway") during the period of US\$15 million.

From a financial perspective we had a very strong year with our cash and cash equivalent balance increasing by more than 50% during the year to US\$72 million which was after the payment of an interim dividend of \$0.05 a share in March 2021. A decision not to proceed with a final dividend payment was based on a conservative financial approach after factoring in the capital costs associated with the construction of Tigerway (currently underway) and the continued uncertainty on its operations due to the ongoing impacts of COVID-19.

In April 2021, Tigerway was approved by the Board which involves the establishment of an underground decline (tunnel) at Co-O to support the next decade of operations. The estimated US\$54 million investment over 36 months will facilitate more efficient production from deeper levels of the Co-O vein system which continues to remain open below the current limits of drilling.

Drilling within the mine during the period supported the replacement of Ore Reserves, estimated at 1.89 million tonnes at a grade of 5.45 g/t gold for a total of 331,300 ounces as at 31 December 2020. Mineral Resources at Co-O totalled 2.31 million tonnes at a grade of 9.77 g/t gold for a total 725,900 ounces contained gold with the main gold-bearing vein structures remaining open. Over time we will continue drilling the mineralised structures down dip, supported by the establishment of Tigerway.

Our regional drilling activities were hindered in the first part of the period by COVID-19 restrictions, but we were still able to significantly increase the Mineral Resource at the Royal Crowne Vein ("RCV") prospect to 91,088 ounces at a high grade of 6.92 g/t gold. RCV remains a future satellite mining operation which will remain under assessment and subject to further drilling in the upcoming period.

The Philippine team continues to perform a critical role in the local Bunawan-Rosario municipalities of Agusan del Sur province in Central Eastern Mindanao. Our presence supports the Philsaga High School and a dozen other schools in the province, catering to more than 3,000 students. In addition, the Philsaga medical clinic/hospital is providing proper health care to the employees and communities within the host municipalities. Our CSR, social development projects and environmental enhancement programs support livelihood and local infrastructure development projects, water and environmental management and other critical local initiatives that help improve the lives of the residents and indigenous people. I am proud of the achievements of our team in the community, and we remain committed to ensuring our presence brings essential local benefits.

MANAGING DIRECTOR'S REVIEW

Improving our safety performance remains our biggest priority. Safety training for our employees and contractors and hazard prevention are the cornerstones of improving our safety performance and protecting our people.

At a Board level, Jeffery McGlenn joined as a Non-Executive Director in February 2021 and assumed the role of Non-Executive Chairman in March 2021 when I moved from interim CEO to Managing Director. Together with Jeffery and our other two Non-Executive Directors in Roy Daniel and Simon Mottram, I believe we have a strong team at a Board level with the appropriate mix of a deep understanding of operating in the Philippines with mining and commercial experience.

On behalf of the Medusa Board, I would like to give our sincere thanks to our management team and to our workforce in the Philippines who have done a tremendous job in continuing to deliver through this complex period.

Yours sincerely,

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

Andrew Teo
Managing Director

REVIEW OF OPERATIONS

HIGHLIGHTS

Co-O OPERATIONS:

"The Company achieved its guidance target, producing 95,193 ounces above the guidance of between 90,000 to 95,000 notwithstanding the disruptive COVID-19 pandemic restrictions for the financial year ending 30 June 2021."

- ❑ Annual gold production totalled 95,193 ounces, slightly above with FY2021 guidance with annual unhedged gold sales of 94,614 ounces;
- ❑ Annual All-In-Sustaining-Costs ("AISC") were US\$1,231 per ounce, an increase of 9% from the previous year of US\$1,132 per ounce. The AISC includes sustaining capital costs related to infrastructure projects and exploration expenditure for FY 2021;
- ❑ Exploration expenditure, inclusive of underground resource drilling, was US\$5.8 million (FY2020: US\$5.6M);
- ❑ Consistent high mill recoveries averaging 95.7% for the year;
- ❑ At the end of FY2021, five primary winzes (internal inclined shafts) were in operation hoisting to Level 8. The 43E internal shaft is currently in development down to L12. It is anticipated to provide additional support to future production and development at Levels 11 and below;
- ❑ Surface excavation activities for the decline access, the Tigerway Decline Project ("Tigerway") has commenced with work on the decline portal area well advanced. The Tigerway access is essential to mine production at the lower levels (Level 12 and below); and
- ❑ The Company's COVID-19 rigid safety protocol and strategy to mitigate the restricted movement on personnel and material proved successful in preventing the transmission of infections at the site and achieving its gold production guidance.

REVIEW OF OPERATIONS

GROUP ORE RESERVES AND MINERAL RESOURCES:

"The Company's Ore Reserves position is robust to having maintained 331,300 ounces after mining depletion, compared to the previous year's estimate of 332,000 ounces."

Table I: Total Mineral Resources and Ore Reserves estimates as at 31 Dec 2020 (as per ASX announcement dated 13 Apr 2021 & 7 Jul 2021). The JORC 2012 Table 1 can all be referenced through the ASX announcements.

Deposit	Category	Tonnes ⁽⁴⁾	Grade ⁽⁴⁾ (g/t gold)	Gold ⁽⁴⁾ (ounces)
<u>MINERAL RESOURCES</u> ^(1,2)				
Co-O Resources ⁽¹⁾ (JORC 2012)	Measured	252,000	9.84	79,600
	Indicated	1,264,000	10.07	409,100
	Measured & Indicated	1,516,000	10.03	488,700
	Inferred	794,000	9.30	237,200
Total Co-O Resources	Measured, Indicated & Inferred	2,310,000	9.77	725,900
Bananghilig Resources ^{(2) (6)} (JORC 2012)	Indicated	7,430,000	1.53	366,000
	Inferred	200,000	4.42	29,000
Total Bananghilig Resources	Indicated & Inferred	7,630,000	1.61	395,000
Saugon Resources ⁽³⁾ (JORC 2004)	Indicated	47,500	7.00	10,700
	Inferred	34,000	4.60	5,000
Total Saugon Resources	Indicated & Inferred	81,500	6.00	15,700
TSF#1 Tailings Resources (JORC 2012)	Indicated	510,000	1.72	28,200
Total TSF#1 Tailings Resources	Indicated	510,000	1.72	28,200
Royal Crowne Vein	Indicated	54,000	5.45	9,000
	Inferred	356,000	7.14	82,000
Total Royal Crowne Vein (JORC 2012)	Indicated & Inferred	409,000	6.92	91,000
TOTAL RESOURCES	Measured	252,000	9.84	79,600
	Indicated	9,305,000	2.77	828,000
	Inferred	1,384,000	7.92	352,000
TOTAL RESOURCES	Measured, Indicated & Inferred	10,941,500	3.58	1,260,000
<u>ORE RESERVES</u> ⁽²⁾				
Co-O Reserves ⁽²⁾ (JORC 2012)	Proven	249,000	7.49	59,800
	Probable	1,641,000	5.14	271,500
TOTAL RESERVES	Proven and Probable	1,890,000	5.45	331,300

Notes:

- (1) Mineral Resources are inclusive of Ore Reserves.
- (2) Co-O, Bananghilig, TSF#1 and RCV Mineral Resources and Co-O Ore Reserves estimated under the guideline of JORC 2012.
- (3) Saugon Mineral Resources were previously prepared and first disclosed under the JORC 2004 and have not been updated to comply with JORC 2012 on the basis that the information has not materially changed since it was last reported.
- (4) Rounding to the nearest 1,000 or 100 may result in some slight apparent discrepancies in totals used in all tables.
- (5) Broken stocks and pillars have been declared as Measured Mineral Resources and Proven Ore Reserves since 2019.
- (6) The Company has since withdrawn from the Bananghilig Gold Project (refer ASX announcement dated 23 August 2021).

REVIEW OF OPERATIONS

Mineral Resources:

Co-O:

- a minimum lower block cut-off of 3.3 gram*metres/tonne accumulation, which incorporates minimum mining widths of 1.25 metres or 1.5 metres (depending on vein attitude) above cut-off grade, in its derivation;
- various high cut gold grades, up to 300 g/t gold, have been applied to different veins, and
- a gold price of US\$1,750 per ounce has been applied.

Bananghilig:

- Indicted Resource: a lower block cut-off of 0.75 g/t gold has been applied to mineralisation within a US\$1,500 per ounce Whittle pit shell, reflective of open pit mining costs;
- Inferred Resource: a lower block cut-off of 3.0 g/t gold has been applied to mineralisation outside of the US\$1,500 per ounce Whittle pit shell, to a maximum depth of 100 metres below the pit shell walls and base, reflective of underground mining costs;
- a high cut of 40 g/t gold has been applied to all mineralisation;
- Allowance for artisanal mining depletion removing all blocks in the block model with grade >4 g/t to a depth of approximately 80 metres to 100 metres (depending on topography) regardless of their spatial location in the resource area;
- a gold price of US\$1,500 per ounce has been applied; and
- The Company has since withdrawn from the project (*refer ASX announcement dated 23 August 2021*).

Saugon:

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

TSF#1 Tailings:

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

Royal Crowne Vein:

- Inferred Resource estimated only from all available drill holes as at January 2021;
- a lower cut-off of 0.3 g/t gold has been applied to define the mineralisation;
- a bulk density of 2.55 g/cm³ was used based on the average density measurements; and
- an update to the resource estimate was reported in time for the June 2021 Quarterly report.

Ore Reserves:

Ore Reserves are a subset of Mineral Resources.

Co-O:

- minimum mining widths of 1.25 metres (stopes $\geq 50^\circ$) and 1.5 metres (stopes $< 50^\circ$) have been applied, and where the vein width was equal to, or greater than, the minimum mining width, an extra 0.25 metres dilution was added to the hanging wall;
- a further 10% dilution has been allowed for slabbing in mining of low angle stopes under draw;
- shape dilution of 7% of extra tonnage at 2 g/t gold applied, to reflect pinch and swell of veins, and faulting;
- an allocation for extra development 'on-vein' at a grade of 2 g/t gold has been applied;
- an allocation for extra development 'off-vein' at a grade of 1 g/t gold has been applied;
- 85% mining recovery for stopes < 10 g/t gold;
- 90% mining recovery for stopes ≥ 10 g/t gold;
- all pillars in the mine were manually assessed and a 50% recovery factor was applied to the tonnage of all pillars;
- stopes containing <500 tonnes were removed to account for ore loss;
- a cut-off grade of 4.0 g/t gold has been applied to all stopes; and
- a gold price of US\$1,750 per ounce has been applied.

REVIEW OF OPERATIONS

EXPLORATION ACTIVITIES:

"Regional exploration continued to advance through the year although restricted by COVID-19, with the definition drilling at the Royal Crowne Vein Project which remains open at depth and along strike."

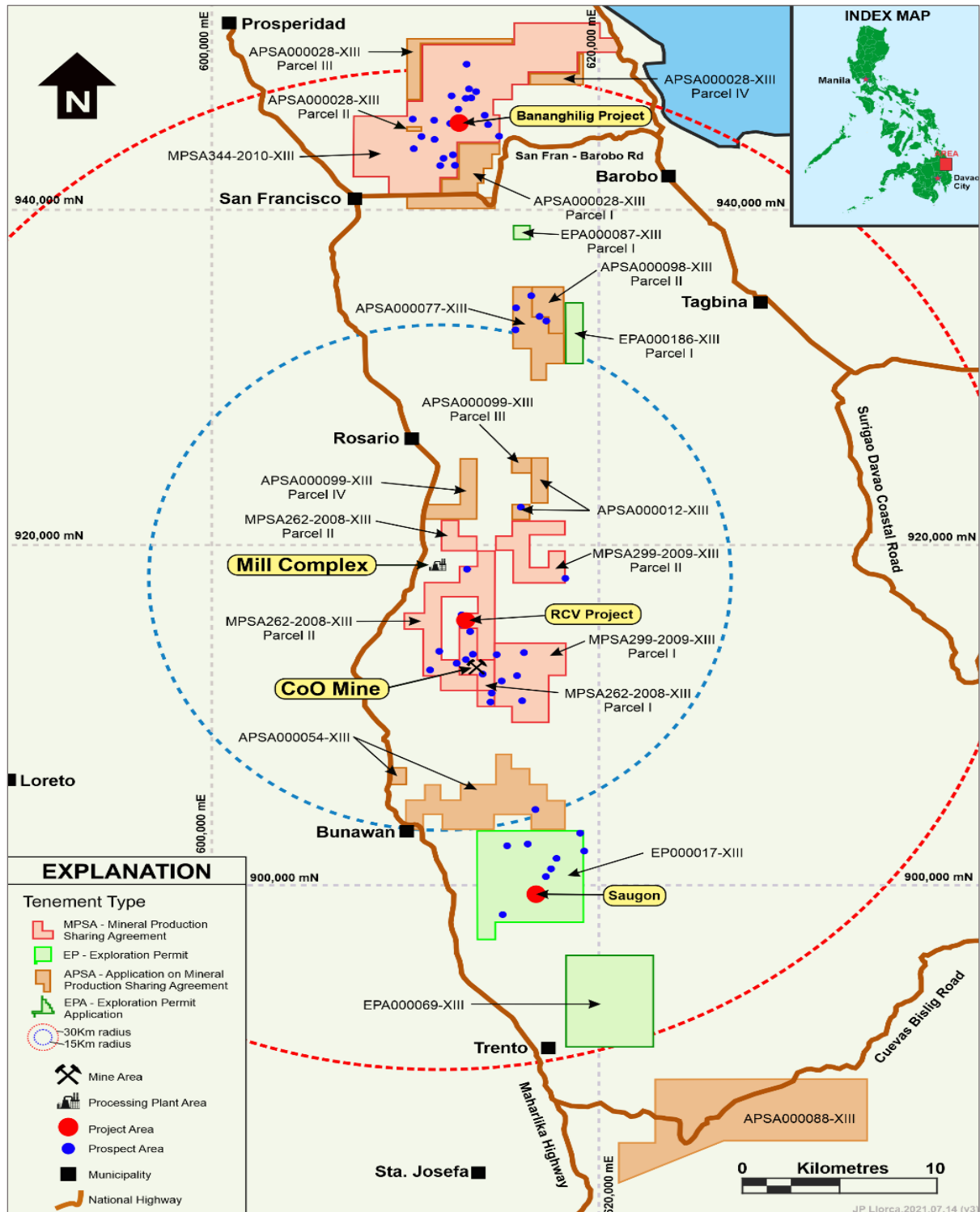


Figure 1. The Company's tenement location plan, showing consolidated tenement outlines, deposits and projects.

REVIEW OF OPERATIONS

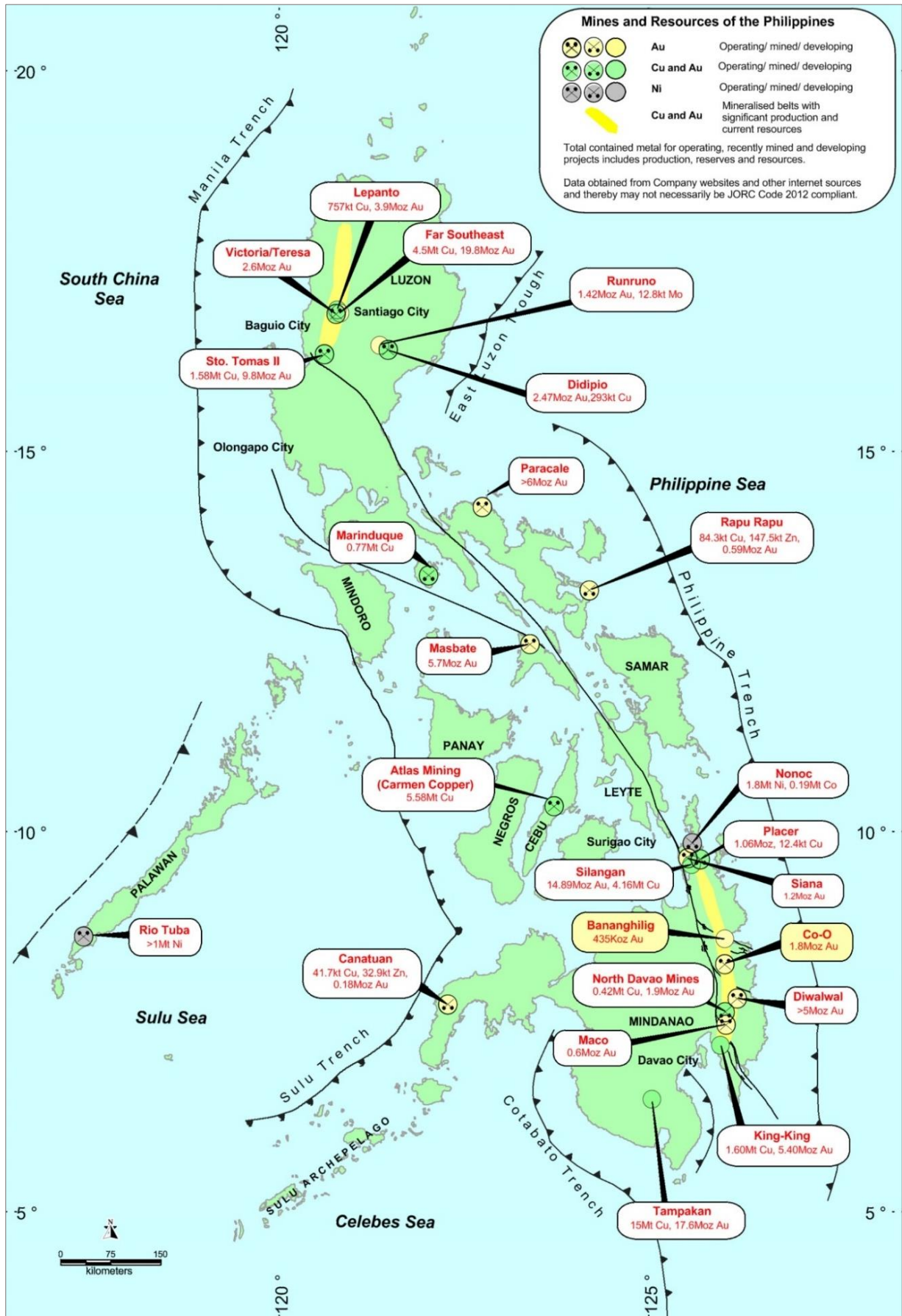


Figure 2. Location diagram of the Company's main project areas in relation to the significantly mineralised belts of the Philippines.

REVIEW OF OPERATIONS

EXPLORATION - PHILIPPINES

Exploration activities in the Philippines for FY2021 focused on the evaluation of prospects within the Co-O Mine and Royal Crowne Vein (Old Sinug-ang) areas, as well as a review of Philsaga Mining Corporation ("PMC") granted tenements and applications.

Co-O MINE

Though restricted by the COVID-19 pandemic, the drilling program continued to focus on understanding and defining the geological limits of the main epithermal veins, particularly to the East and down plunge of the Great Hamish Vein ("GHV") as well as the other major vein systems (Don Pedro, Central, and Jereme veins).

The drilling program successfully shows that the narrow veins are returning economic grade intercepts at and below Level 12 and remaining open down to the East. Current and future drilling campaigns will be focused on the down dip extensions to probe, prove and increase the resource base.

Co-O SURFACE EXPLORATION

Royal Crowne Vein Project (Old Sinug-Ang)

The detailed discussions and interpretations of the Royal Crowne Vein ("RCV") geology and mineralisation were initially reported on 15 April 2019 and are also contained in the 2019 and 2020 Annual Reports, with plans and sections.

The RCV Project corresponds to 500+ metres projected vein segment along the northern portion of the 1,500 metres long Sinug-ang vein system that has not yet been fully tested by drilling down dip.

The Phase 4 resource definition drilling of the RCV deposit was completed in March 2021, comprising of 16 holes with a total metreage of 5,677 metres.

The preliminary mineral resource estimate for RCV Deposit was released on 13 April 2021 and updated in July 2021 (*refer ASX announcement dated 23 July 2021*). Total JORC 2012 Indicated and Inferred Mineral Resources is estimated at 409,000 tonnes at a grade of 6.92 g/t gold, equivalent to 91,000 ounces of gold. This represents a 370%, 49% and 600% increase in tonnage, grade and ounces, respectively, from the previous fiscal year's resource estimate (*refer ASX announcement dated 6 April 2020*).

An underground approach for future drilling to increase the RCV resource is currently being planned.

TSF #1 Tailings Project

The Tailings Storage Facility ("TSF") #1 was utilised by the original processing plant since the 1980s. The TSF #1 material is from the earlier higher gold grade Co-O mine ore, which was processed using outdated extraction techniques that were relevant at that time. A previous assessment completed in October 2015 focused on metallurgical testing using samples collected from auger drill holes.

The drilling results were modelled in Surpac. A resource estimation using a lower cut-off grade of 0.85 g/t gold resulted in 510,169 tonnes at 1.72 g/t gold, containing 28,200 ounces of gold in the Indicated category (JORC 2012). The model reveals that higher grades are concentrated in the upper portion of the tailings section, simplifying mining and minimising disturbance to the lower grade base of TSF#1.

A detailed study is ongoing to determine the best option for gaining value from TSF #1 resource, including the feasibility of mining and processing this material.

REVIEW OF OPERATIONS

BANANGHILIG GOLD DEPOSIT

There has been no Company development on the Bananghilig Mineral Resource since it was estimated in 2016. The Company first reported the details of the study in September 2016.

Since 2016 the gold price has increased substantially, and the number of artisanal miners at the Bananghilig site has also increased, resulting in increased excavations and gold resource depletion. An updated 2020 Mineral Resource (*refer ASX announcement dated 13 April 2021*) was undertaken to allow for gold removed by artisanal miners since 2016.

The total Indicated and Inferred Mineral Resources for the Bananghilig Gold Deposit, at a block cut-off grade of 0.75 g/t gold for Indicated (open-pit Resource) and 3.0 g/t gold for Inferred (underground) Mineral Resource, is re-estimated at 7.63 million tonnes at a grade of 1.61 g/t gold for 395,000 ounces contained gold. The new estimate decreases the total Mineral Resources by 2% and 9% in tonnes and gold ounces, respectively.

Bananghilig is a low-grade gold deposit amenable to open-pit mining. However, due to the ban on open-pit mining (DAO No. 2017-10: Banning the Open Pit Method of Mining for Copper, Gold, Silver and Complex Ores in the Philippines), delays with the approval of a mining permit, cost management and the relative position of the deposit in the Company's forward mine plans, the Company now no longer considers Bananghilig to be a core asset and has accordingly withdrawn from the project (*refer ASX announcement dated 23 Aug 2021*).

SAUGON GOLD DEPOSIT

The Saugon Inferred Mineral Resource (81,500 tonnes at a grade of 5.97 g/t gold for a total of 15,700 ounces contained gold) has remained unchanged since 2013.

This information was prepared and initially disclosed under JORC 2004. There have been no material changes since it was last reported.

EXPLORATION - OTHER AREAS

The Company continues to evaluate opportunities within the Asia Pacific Region to grow the Company's portfolio.

REVIEW OF OPERATIONS

Co-O OPERATIONS

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

Co-O GOLD PRODUCTION

Table II: Co-O gold production statistics for financial years ended 30 June 2020 and 2021.

Description	Unit	30 June 2021	30 June 2020	Variance	(%)
Ore mined	WMT	517,739	572,666	(54,927)	(10%)
Ore milled	DMT	463,948	513,945	(49,997)	(10%)
Gold head grade	g/t	6.48	5.99	0.49	8%
Gold recovery	%	95.73	95.30	0.43	0%
Gold produced	ounces	95,193	95,057	136	0%
Cash costs ⁽¹⁾	US\$/oz	\$738	\$684	(\$54)	(8%)
All-In-Sustaining-Costs	US\$/oz	\$1,231	\$1,132	(\$99)	(9%)
Gold sold	ounces	94,619	95,142	(523)	(1%)
Average gold price received	US\$/oz	\$1,856	\$1,581	\$275	17%
Cash & cash equivalent	US\$M	\$72.2	\$47.1	\$25.1	53%

Note:

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

- The Company produced 95,193 ounces of gold for the year at the Co-O Mine, compared to 95,057 ounces in FY2020 at an average recovered grade of 6.48 g/t gold (FY2020: 5.99 g/t gold).
- The average cash costs were US\$738 per ounce, inclusive of royalties and local business taxes, which was higher than the previous year's average cash costs of US\$684 per ounce, and
- All-In-Sustaining-Costs ("AISC") for the year was US\$1,231 per ounce of gold (FY2020: US\$1,132 per ounce).

FY2022 Production Guidance

On 24 August 2021, the Company provided its production and cost guidance for FY2022 of between 90,000 to 95,000 ounces at an AISC of between US\$1,250 to US\$1,300 per ounce.

AISC includes cash production costs, royalties, mine development, capital works and associated capital, exploration expenditure and corporate overheads.

The FY2022 AISC guidance excludes any expenditure for the construction of the Tigerway Decline Project ("Tigerway") and the Company expects to incur approximately US\$15 million on Tigerway in the forthcoming year. The total construction costs for Tigerway is estimated to be US\$54 million (*refer ASX announcement dated 16 April 2021*).

Medusa remains completely unhedged and exposed to the prevailing spot gold price.

COVID-19 Update

As the largest employer in the Caraga region, the Company's operating affiliate in the Philippines, Philsaga Mining Corporation, has implemented several health and safety protocols to prevent the spread of COVID-19 in the workplace and assist with the community response. These protocols are expected to remain in place for the foreseeable future.

To date, the Company has been fortunate not to have experienced any major COVID-19 related disruptions to its operations. However, difficulties in sourcing and securing labour, travel restrictions and associated isolation requirements as a result of the pandemic, are issues that do present a real risk to future production.

REVIEW OF OPERATIONS

Co-O MILL

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

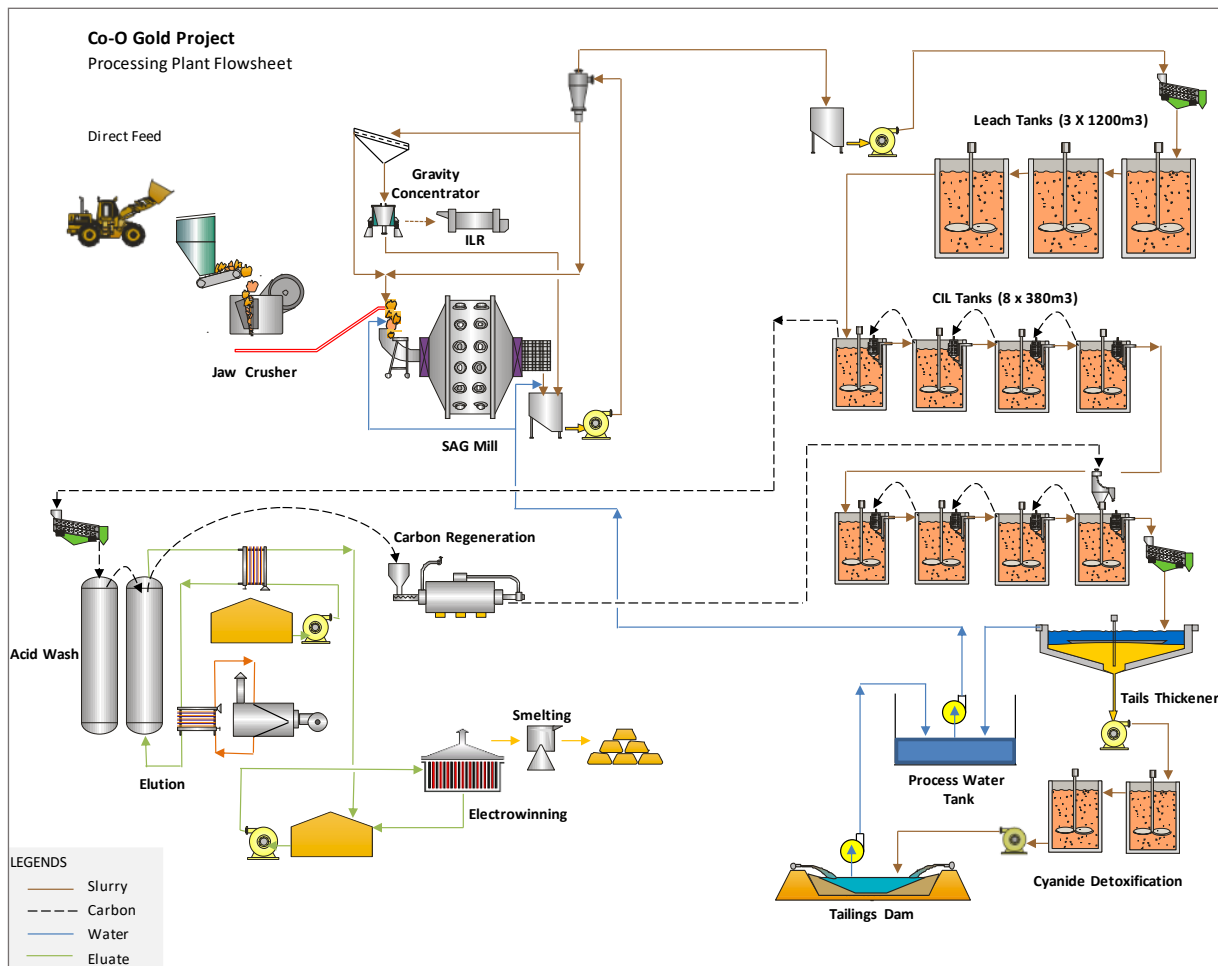


Diagram 1. Co-O Processing Plant flow sheet.

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

The processing plant is powered by the regional grid and has dedicated gensets that can run the plant at full capacity. The majority of the power supply is from the area grid.

The Co-O Mill performed efficiently throughout the fiscal year with an average mill recovery of 95.7%, with an average head grade of 6.48 g/t gold.

Optimisation of processing plant operation and maintenance resulted in reduced contract labour costs for Mill relines and major shutdowns as these were completed by on-site personnel during scheduled downtimes.

Low processing plant utilisation is expected to continue into FY2022, up and until the lifting of COVID-19 restriction that affects the material and personnel movements. The Company's response has been swift and aligned, especially in protecting the health of the employees and the community and laying the groundwork to support the longer-term economic recovery.

The Mill does not require any major works, upgrades, or refurbishments under the current life-of-mine plan ("LOMP"). Tailings Storage Facility ("TSF") # 5 was completed during FY2016-2017 and is expected to provide adequate TSF capacity up until the end of 2022. Work has progressed on the planning and design of the TSF#5B, intending to start construction at the beginning of next year following the ongoing extension of the water diversion canal of about 1.8 km stretch.

REVIEW OF OPERATIONS



Photo 1. Panoramic view of TSF # 5 as of August 2021



Photo 2. Ongoing extension of the water diversion canal.

REVIEW OF OPERATIONS

Co-O MINE

The Co-O Mine is shaft access, underground track mine, utilising battery-powered locomotives and 1.2 tonne mine cars. Ore and waste are mined using air-leg mining and is extracted from the mine via the main L8 Production Shaft and the 60-degree inclined shaft: Agsao. Diagram 2 is a representative drawing of the primary infrastructure of the Co-O Mine. The primary levels from 1 to 12 normally average 1,000 meters from West to East. Levels are developed 50 meters apart vertically, putting Level 10 approximately 500 meters below the surface. 5 winzes are operating between Level 8 and Level 12, two servicing Level 9, another two servicing Level 10 and the last one servicing Level 11 and 12. As mining progresses, winzes will be systematically deepened and soon will develop up to Level 14.

The E15 Shaft, a man and materials shaft, was completed last November 2018. The shaft is used to transport people and materials underground, enabling the improvement of rock hoisting utilisation of the L8 Shaft.

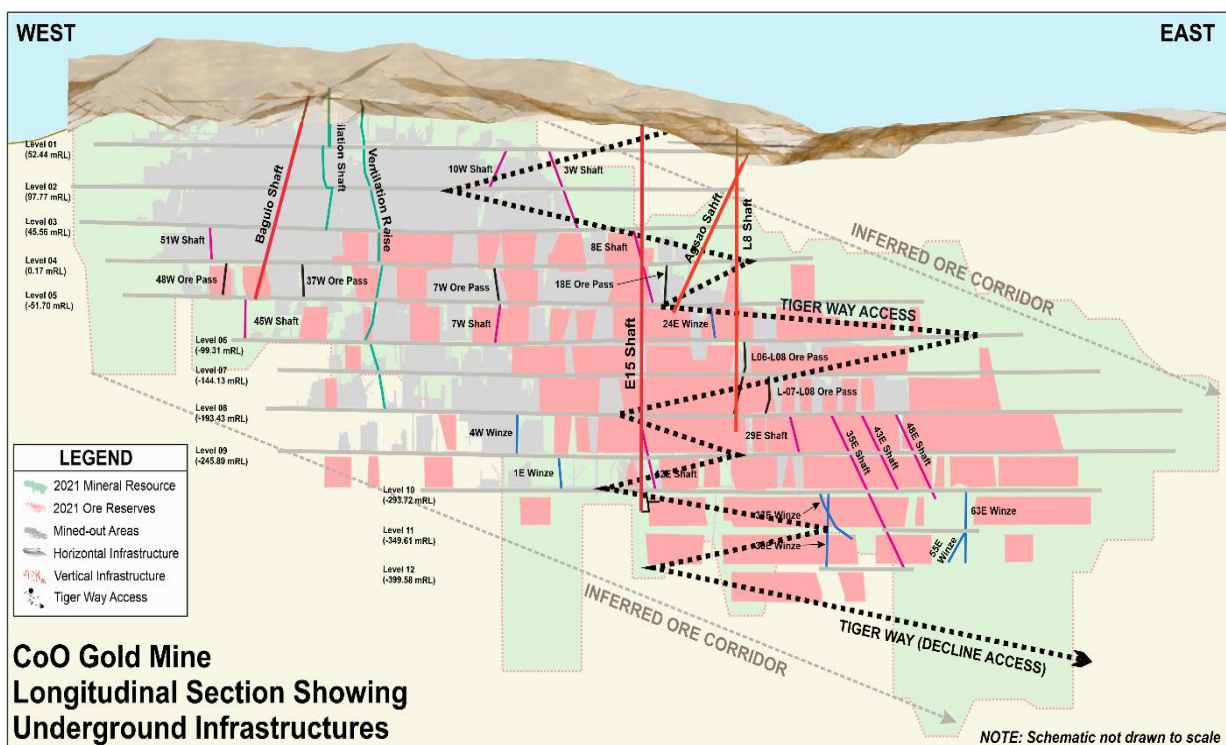
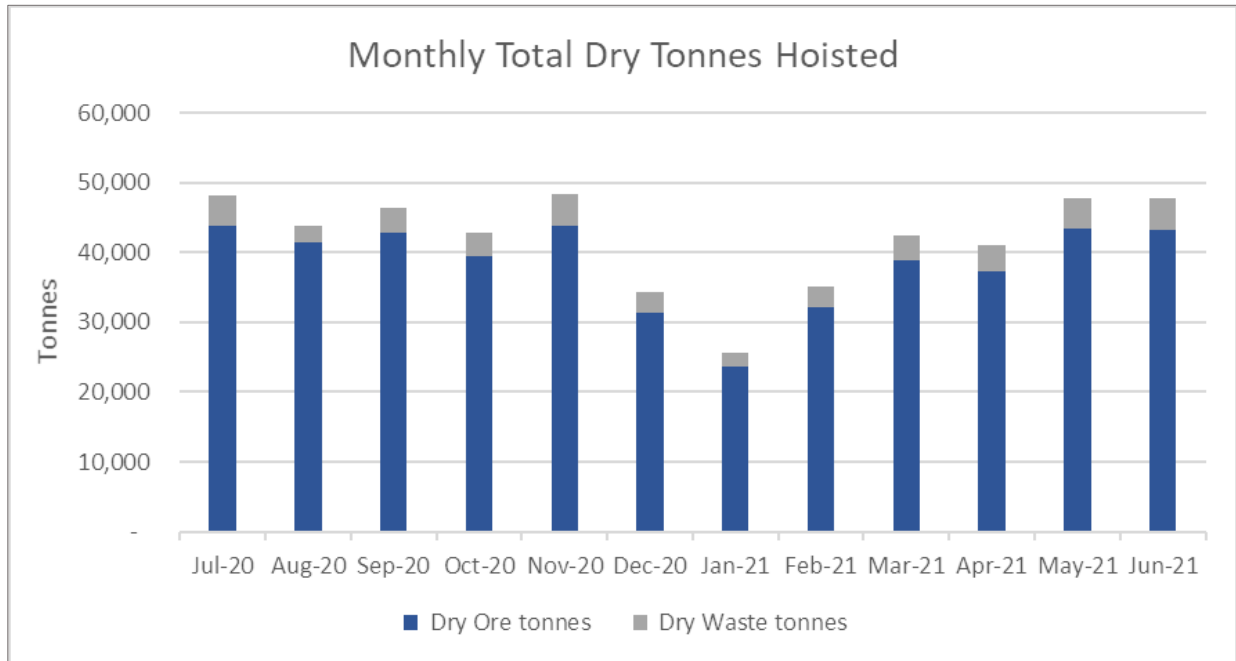


Diagram 2. Shows locations of major infrastructure of the Co-O Mine.

Several projects were progressed during the year to improve access to resources down to Level 12 and to gain the most from the hoisting system. Some of the key improvement projects were:

- Level 5 pumping station. Level 5 pumping station is completed and is now fully operational, accommodating the increased pumping requirements from working areas below Level 8;
- Development for the Level 10 pumping station. The level 10 pumping station is being developed to anticipate increased pumping requirements from working areas down to Level 12;
- L8 Shaft structure refurbishment. Annual major maintenance was completed at L8 Shaft Structure. Work was finished according to the plan to replace sections of the shaft structures. This work was done on selected weekends to ensure there is minimal disruption to hoisting operations; and
- Baguio Shaft Winder Refurbishment. Winder equipment in Baguio Shaft is planned for utilisation at the 43E Internal Shaft.

REVIEW OF OPERATIONS



Graph 1. Co-O Mine dry tonnes hoist for FY 20-21 by month.

The mine tonnes hoisted in the first half of the year has an average of 46,000 tonnes per month. It however, decreased in the second half of the fiscal year due to:

- In December and January, the perennial planned lower employee headcount reduced mine productivity over the Christmas and New Year holidays.
- Programmed downtime due to maintenance on the Agsao Shaft for the months of January and February.

Stoping methods

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

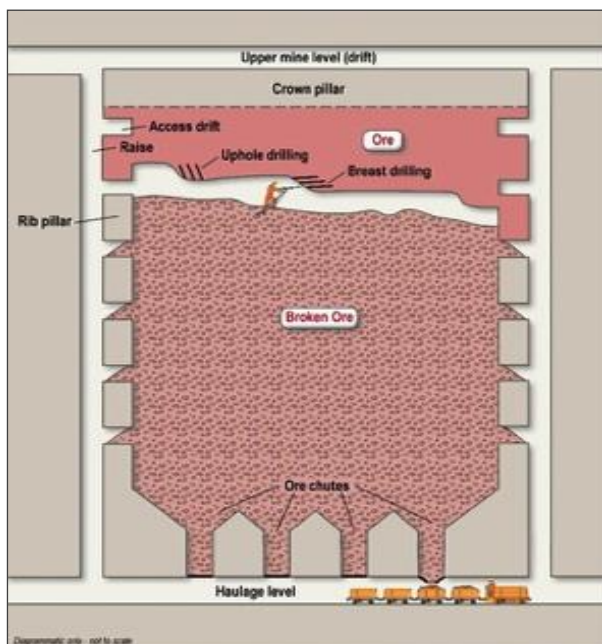


Diagram 3. Schematic diagram of a **shrink stope**.

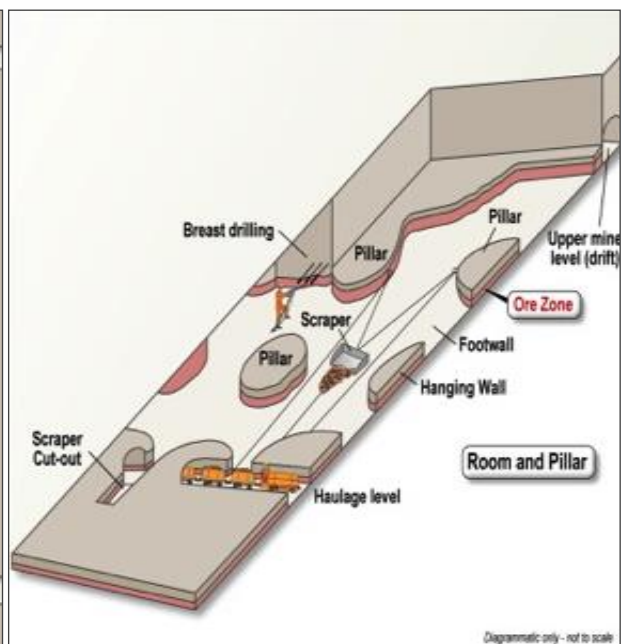


Diagram 4. Schematic diagram of a **room and pillar (slot) stope**.

REVIEW OF OPERATIONS

Stoping methods (continued)

(i) Shrink stope mining

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

(ii) Room and pillar (slot) mining

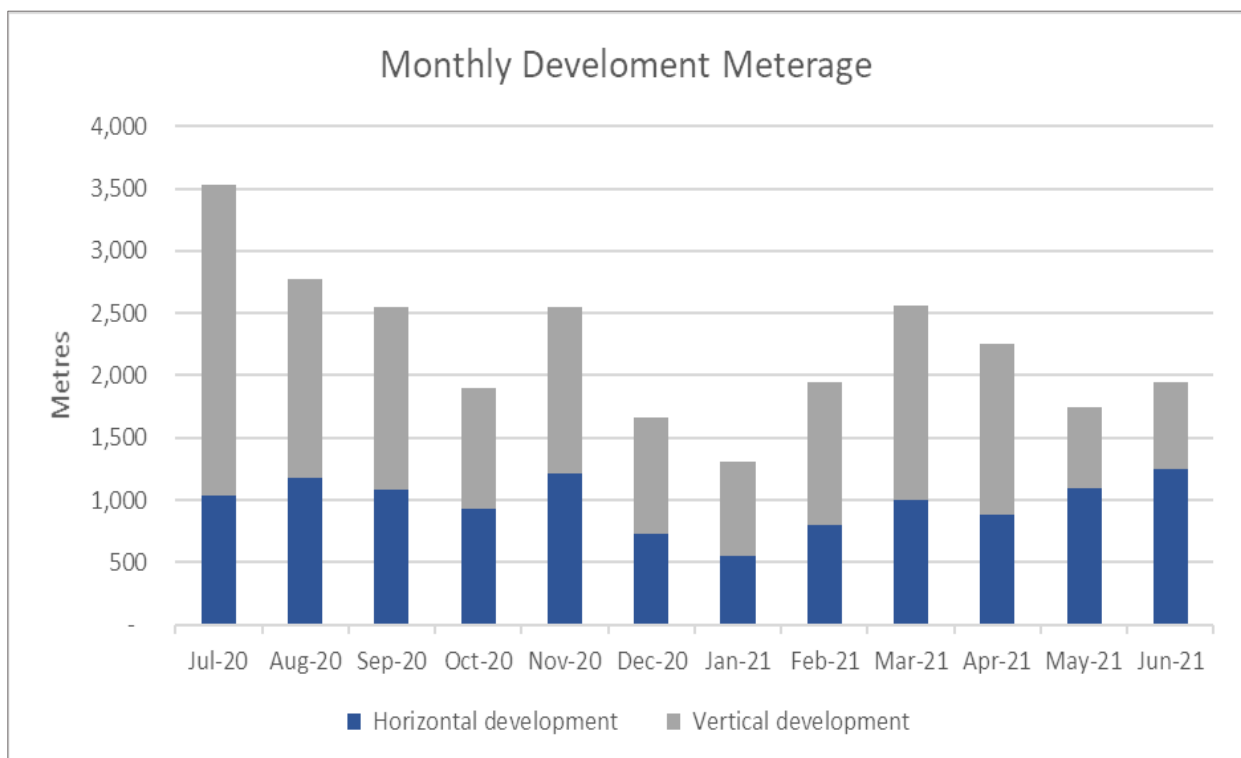
This method is used on the low-angle veins where the ore would not naturally flow to the draw points. (Diagram 4). The broken ore needs to be scraped to the haulage level by mechanical slushers, and pillars must be left behind for ground support. The minimum mining width for low angle veins is 1.5 metres.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

Development

Development and stoping continued at Levels 4 to 10 during the year and winzes (internal shafts) from Level 10 down to Level 12. Most development is conducted on ore, with waste development being confined to crosscuts, ventilation raises, internal shafts and infrastructure requirements.

A total of 26,720 meters of horizontal and vertical development was completed in FY2021. A decrease of 21% from the previous year was due to the reduction of manpower because of the pandemic.

Graph 2 shows the distribution of both horizontal and vertical development through the year.



Graph 2. FY20-21 mine development (horizontal and vertical) by month.

REVIEW OF OPERATIONS

L8 Shaft

With the completion of the E15 Shaft in 2018, the utilisation of the L8 Shaft for rock hoisting has increased and is expected to be maintained.

Internal Winzes (shafts) from Level 8 to Level 10

By the end of FY2021, five primary winzes (internal inclined shafts) were in operation hoisting to Level 8.

The 12E and 29E winzes service Level 9 while the 12E and 48E winzes service both Level 9 and 10. The 35E winze is currently servicing Levels 11 and 12.

The 43E internal shaft is currently in development down to L12. It is projected to provide additional support to the future development and production at Levels 11 and below.

Improved ore pass and skip loading arrangements were implemented on the 12E and 48E internal to augment the development of the 43E winze.

Diamond drill stations are currently operating at Level 10 and Level 12 and are utilised for resource drilling of the areas below Level 12. An additional crosscut is expected to commence for an additional Drill Station at Level 12 for future resource drilling.

The 35E internal shaft winder equipment is planned to be modified to support its continued development down to Level 14.

Primary Ventilation

Progress on the primary ventilation upgrade project has continued developing a cross-cut at Level 10, the completion of a raise development from Level 8 to Level 4, and the ongoing raise development at Level 9 to Level 8. The upgrade is designed to increase the airflow in the lower levels and move the primary ventilation circuit further east, allowing better ventilation around the working areas as the ore body plunges to the East.

Tigerway Decline Project (“Tiger Way”)

During April 2021, a local contractor, Mount Rock Powder Corporation was awarded the Tigerway Project contract. To date, mobilisation and additional site preparations have been completed, including heavy equipment transport, contractor personnel deployment, construction of site offices, ancillary buildings and primary and auxiliary infrastructure necessary for the development of the decline.

Following the installation of self drilling anchor bolts, preliminary portal breaking commenced on 2 August 2021 (refer photo 3).

REVIEW OF OPERATIONS

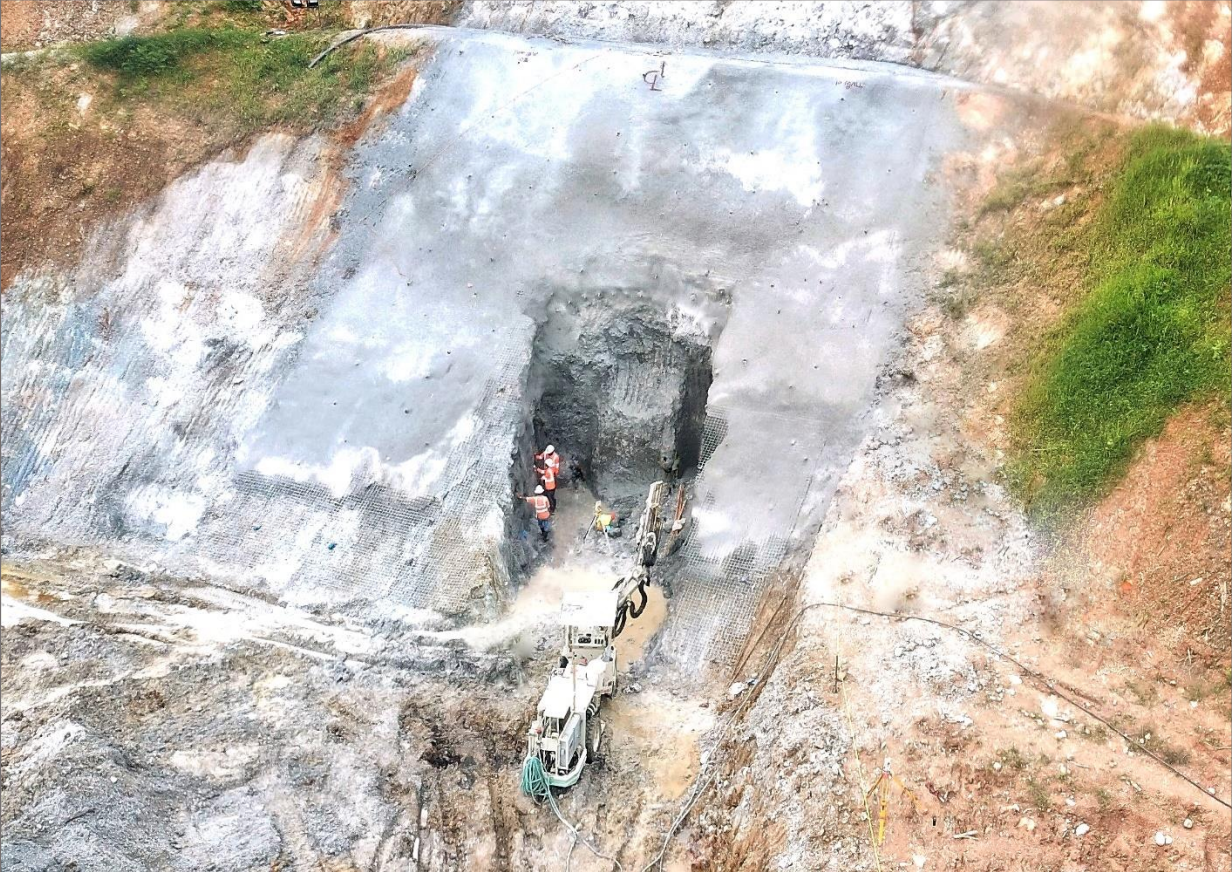


Photo 3: Platform Elevation at 145 mRL and the Expected Floor Elevation of the Portal at 141.

REVIEW OF OPERATIONS

Co-O MINE GEOLOGY

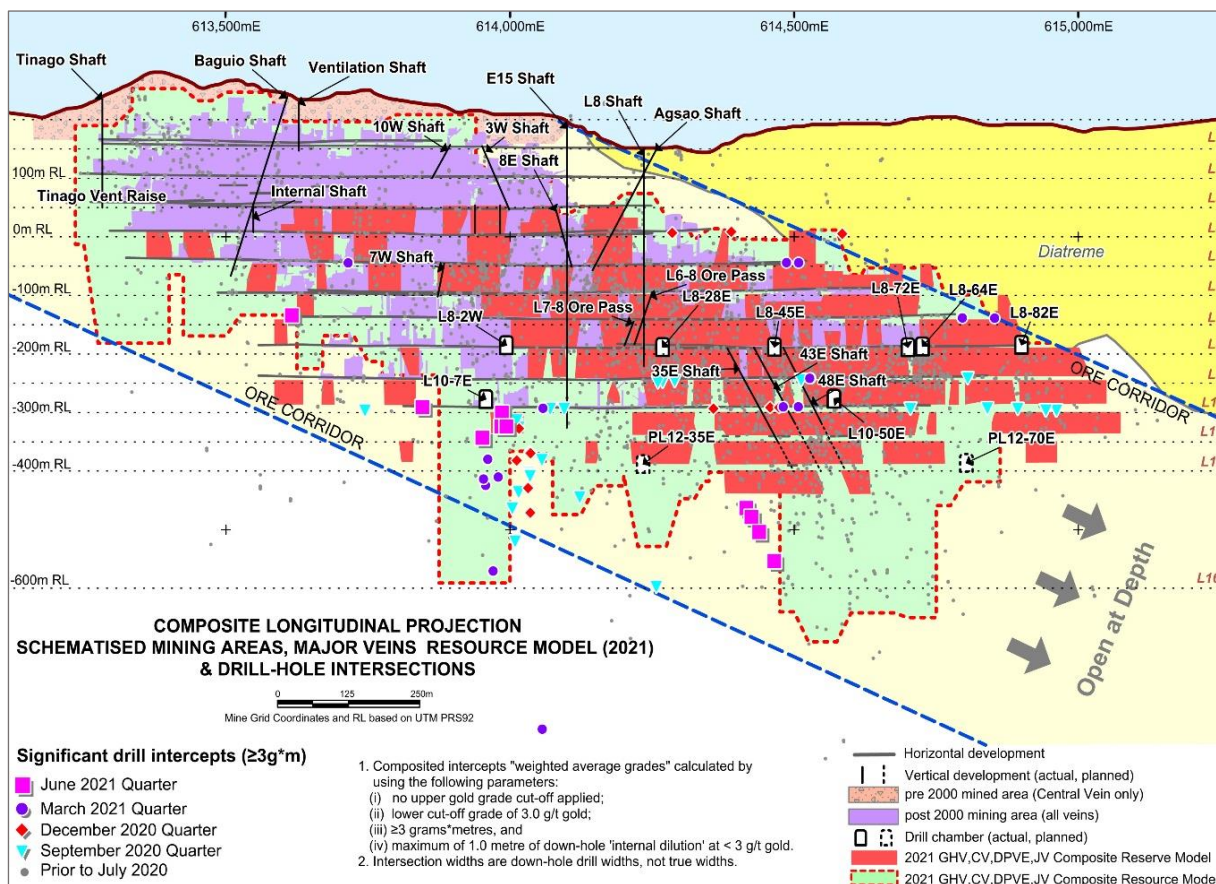


Figure 3: Co-O Mine composite longitudinal projection showing the locations of reported significant drill intercepts (since 2010), underground development, E15 Shaft. The 2021 Measured, Indicated and Inferred Resources model (light green) is also shown, demonstrating the potential for down-plunge extensions at depth.

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

- Maintained a high level of confidence in the Co-O resources as per the high conversion rate of Measured and Indicated Resource to Ore Reserves despite the depletion of high-grade broken stocks and pillars.
- Continue to define the eastern geologic extension to the main GHV between Levels 12 and 16;
- The GHV at Level 16 and below is returning economic intercepts open to the East and down-dip but with narrower widths; and
- Further drilling has shown that the addition of internal dilution can achieve an improved continuity of these veins.

The total Mineral Resources inclusive of the Ore Reserves is presented in the longitudinal section (Figure 3) above. In addition, drilling information revealed that there are ore shoots extension beyond the initially projected ore boundaries.

REVIEW OF OPERATIONS

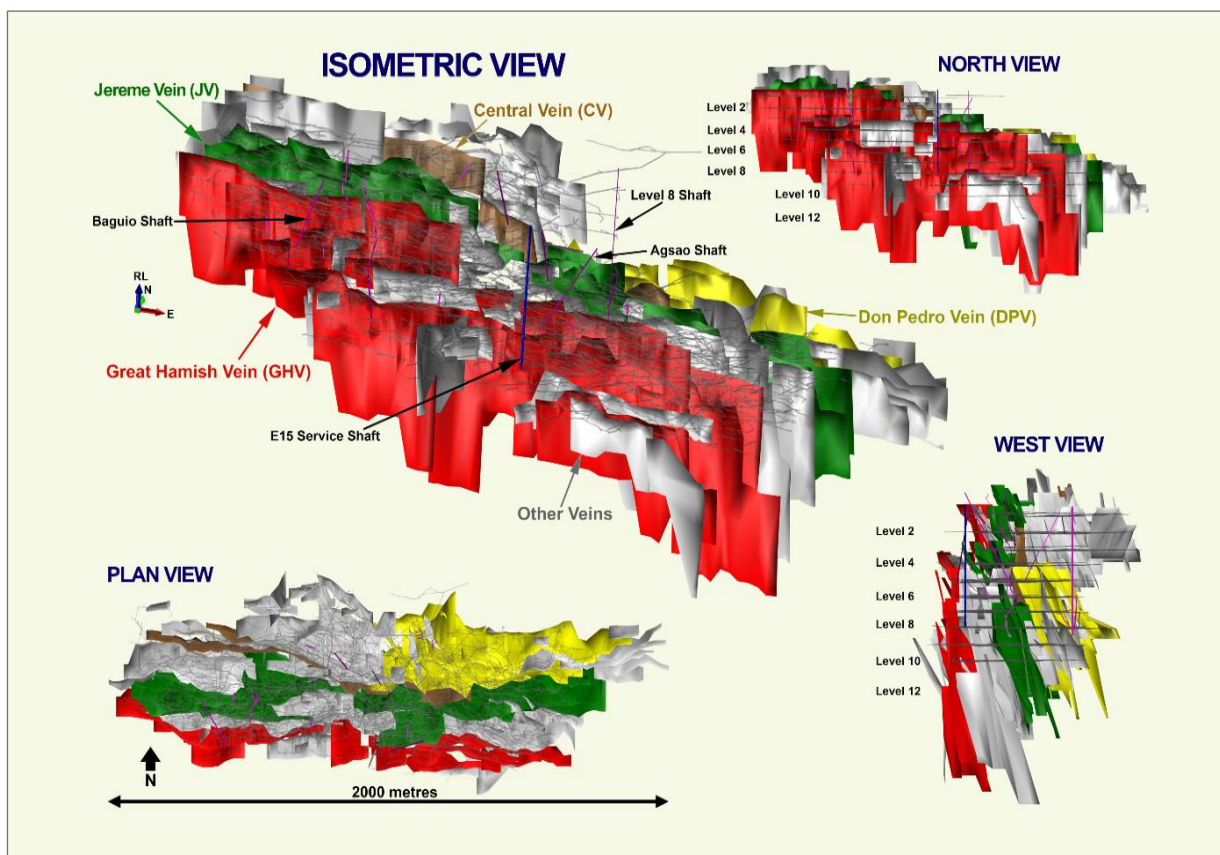


Figure 4: Isometric and Orthogonal views of the Co-O Mine's 2021 resource model, major veins (GHV, Jereme, Central and Don Pedro Veins) in colour and associated sub-parallel and link veins in translucent grey, plus underground development and production shafts.

GROUP ORE RESERVES AND MINERAL RESOURCES

The Annual Mineral Resources Update Statement and Annual Ore Reserves Update Statements for the Company were released on 13 April 2021, and include Material Information for the individual deposits, including a Material Information Summary pursuant to ASX Listing Rules 5.8 and 5.9 and the Assessment and Reporting Criteria in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC 2012").

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

Refer to the Company's Annual Update Statement of Mineral Resources and Ore Reserves dated 13 April 2021 for background information and material information relating to the resources and reserves estimates.

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

The Co-O Mine has a long history of Ore Reserve replacement by diamond drilling and conversion of Measured and Indicated Resources (Graph 3). The Company remains confident in the long-term future of the Co-O Mine given the current Mineral Resource inventory, the nature of the geology and mineralisation and the historical conversion rate (~68%), after allowance for mining recovery, of Measured and Indicated Mineral Resources to Ore Reserves. The Co-O Mine maintains a minimum plus three-year mine plan for Measured and Indicated Resources and more than a 5-year life, considering the resource endowment. This is typical of the way these types of narrow-vein, high-grade gold mines have operated for many years.

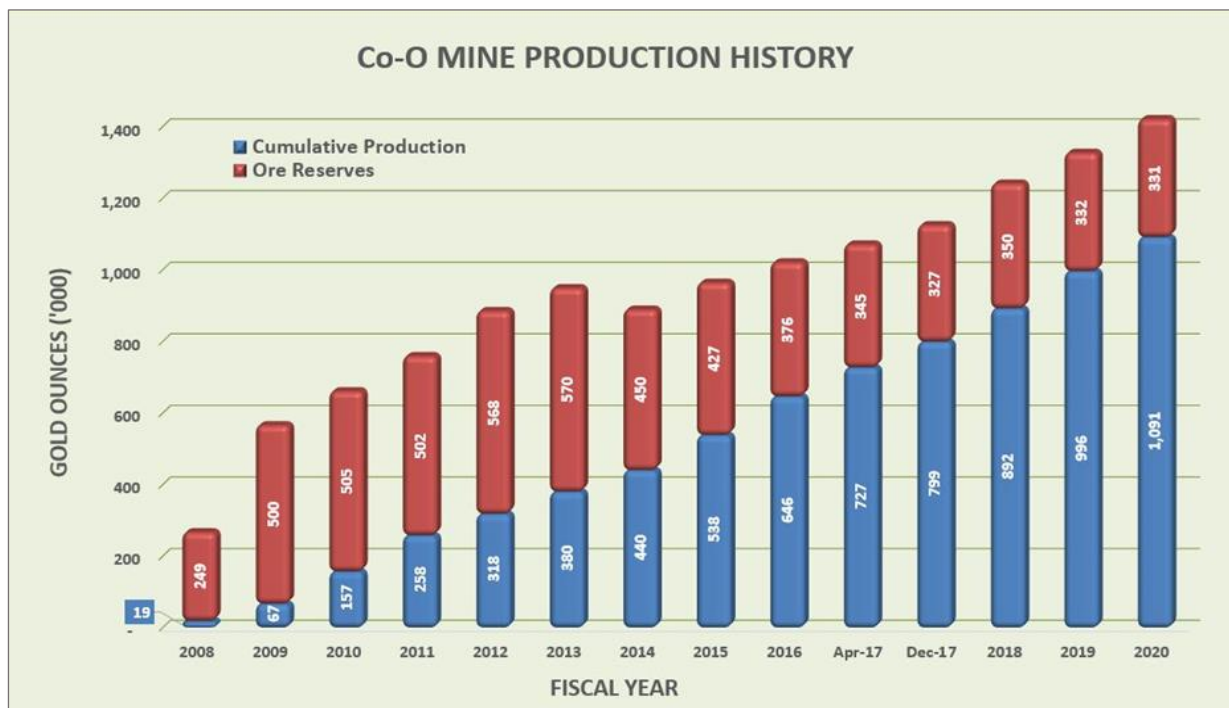
REVIEW OF OPERATIONS

Mineral Resource and Ore Reserve Assumptions

Mineral Resources are reported inclusive of Ore Reserves and includes all exploration and resource definition drilling information up to 31 December 2020 and has been depleted for mining to 31 December 2020.

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

- Mineral Resources: US\$1,750 per ounce gold;
- Ore Reserves: US\$1,750 per ounce gold.



Graph 3. Production, Ore Reserves and Mineral Resources status since 2007, demonstrating the Co-O Mine's history of increasing resources and replacing mine depletion.

Notes:

- FY2008 to FY2013 - Ore Reserve ounces are classified under JORC 2004 guidelines;
- FY2014 to FY2018 - Mineral Resource and Ore Reserve ounces are classified under JORC 2012 guidelines;
- FY2018 to FY2019 - Ore Reserves estimated using gold price of \$1,275 per ounce;
- FY2020 - Ore Reserves estimated using gold price of \$1,350 per ounce; and
- FY2021 - Mineral Resources and Ore Reserves using gold price of \$1,750 per ounce.

Co-O MINE MINERAL RESOURCES

Total Measured, Indicated and Inferred Mineral Resources for the Co-O Mine are now estimated at 2.31 million tonnes at a grade of 9.77 g/t gold for a total 725,900 ounces contained gold (Table III), compared to the 31 December 2019 estimate of 2.48 million tonnes at a grade of 9.85 g/t gold for a total 784,000 ounces contained gold (Table III).

There has been a decrease in the overall ounces in the Co-O Mine's Mineral Resources of 7%. This is attributable to mine depletion and lower than panned underground resource drilling during the period due to the unavailability of drilling chambers from COVID-19 operational constraints.

The total contained ounces in the Measured and Indicated Mineral Resource category has decreased by 5%, while grade has reduced by 3%. Overall, the total contained ounces and gold grade have decreased by 7% and 1% respectively. The reduction in contained Mineral Resource ounces is primarily the result of several factors:

- Aforementioned COVID-19 related operational constraints resulting in Inferred Mineral Resource definition drilling meterage being below budget;
- Mining depletion of 100,000 ounces (95,000 ounces recovered); and
- Internal dilution of previously interpreted narrow veins, where vein continuity was extended through drilling and mine development, leading to a resource more amendable to future mining.

Drilling which has also delineated additional lower grade veins (above cut-off grade) that were included in the estimate given their proximity to higher grade veins

REVIEW OF OPERATIONS

Table III: Comparison summary of total undiluted Co-O Mineral Resource estimates (31 Dec 2019 & 31 Dec 2020).

Mineral Resource Category ¹	31 Dec 2019			31 Dec 2020			Variance		
	Tonnes	Gold (g/t)	Gold (oz)	Tonnes	Gold (g/t)	Gold (oz)	Tonnes	Gold (g/t)	Gold (oz)
Measured	418,000	9.33	125,000	252,000	9.84	79,600	-39.71%	5.47%	-36.32%
Indicated	1,121,000	10.75	387,000	1,264,000	10.07	409,100	12.76%	-6.33%	5.71%
Inferred ²	938,000	9.00	271,000	794,000	9.30	237,200	-15.35%	3.33%	-12.47%
Total	2,477,000	9.85	784,000	2,310,000	9.77	725,000	-6.74%	-0.81%	-7.53%

Notes:

(1) Mineral Resources are reported inclusive of Ore Reserves;

(2) Resources are reported to Level 16 (-595m RL).

Co-O MINE ORE RESERVES

A detailed review of all Co-O Mine and milling production data, including mining and metallurgical performances to determine appropriate physical mining parameters, cut-off grades, and dilutions, has been completed for this latest update to the Mineral Resource and Ore Reserve statement (*refer ASX Announcement dated 13 April 2021*).

The drilling program and mine development, as at 31 December 2020 has resulted in a Proven and Probable Reserve of 331,300 ounces contained gold (Table IV).

The Co-O Mine Proven and Probable Ore Reserves are now estimated at 1.89 million tonnes at a grade of 5.45 g/t gold for a total 331,300 ounces contained gold, compared to the 31 December 2019 estimate of 1.648 million tonnes at a grade of 6.27 g/t gold for a total 332,000 ounces contained gold.

There has been a decrease in total Proven and Probable ounces of 0.21% when compared to the 31 December 2019 Probable Reserve of 332,000 ounces. The 31 December 2020 Proven and Probable Reserve grade has reduced by approximately 13% from a grade of 6.27 g/t to a grade of 5.45 g/t gold.

The Co-O Mine Ore Reserves changes are due to mining depletion; modified vein interpretations through increased geological knowledge of the different vein set obtained by further underground development, mapping, and drilling. The basal cost assumptions are from the previous year's actual costs. The conversion of Measured and Indicated Resource to Reserve stands at 68%. This conversion rate indicates high resource confidence when costs and schedules are applied to the Resource. The Co-O Ore Reserves are reported using a gold price of US\$1,750 per ounce.

Table IV: Comparison summary of Co-O Mine's Ore Reserve estimate (31 Dec 2019 & 31 Dec 2020).

Ore Reserve Category	31 Dec 2019			31 Dec 2020			Variance		
	Tonnes	Gold (g/t)	Gold (oz)	Tonnes	Gold (g/t)	Gold (oz)	Tonnes	Gold (g/t)	Gold (oz)
Proven	324,000	7.25	75,000	249,000	7.49	59,800	-23.15%	3.31%	-20.27%
Probable	1,324,000	6.03	257,000	1,641,000	5.14	271,500	23.94%	-14.76%	5.64%
Total	1,648,000	6.27	332,000	1,890,000	5.45	331,300	14.68%	-13.04%	-0.21%

Note:

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

REVIEW OF OPERATIONS

EXPLORATION ACTIVITIES

EXPLORATION - PHILIPPINES

Co-O UNDERGROUND EXPLORATION

"Underground drilling during FY2021 continued to focus on the definition and conversion of wide-spaced intersections between Levels 10 to 12 into resources, and to develop additional mineral resources down plunge below Level 14."

Resource and Definition Drilling

In FY2021, continued focus on the underground drilling and development was primarily to probe the eastern and downdip extensions of GHV, Jereme Vein as well as upgrade Inferred Resources, into the Indicated Resources category. During FY2021, drilling was carried out at Levels 4, 6,7, 9 and 10.

Significant drill intercepts are presented in Figure 3; this includes results from prior to July 2019 (grey dots).

Table V: Summary of Co-O Mine underground drilling for FY20-21.

Project	Purpose	Levels	Number of Holes	Meterage
Co-O Mine Underground	Resource drilling	10	44	23,475
	Definition drilling	4, 5, 7, 9, 10 and 12	83	16,761
	TOTAL DRILLING		127	40,236

Details of significant intersection results obtained during the FY2021 have been reported in the September 2020, December 2020, March 2021 and June 2021 quarterly reports. Table VI below summarises the more significant drill intersections obtained in FY2021.

Table VI: Co-O Mine - significant underground drill hole results of ≥3 gram-metres.

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
UNDERGROUND RESOURCE DRILLING - LEVEL 4											
L4-31E-001	614323	912872	12	220.90	190	0	181.65	182.25	0.60	5.50	3.30
L4-35E-006	614344	912909	13	500.10	43	1	347.55	348.60	1.05	15.13	15.89
							including		0.80	11.77	9.42
									0.25	25.90	6.47
L4-35E-007	614342	912905	13	150.00	134	-2	65.30	65.75	0.45	9.87	4.44
UNDERGROUND RESOURCE DRILLING - LEVEL 5											
L5-24W-001	613743	912927	-42	205.40	316	0	40.50	41.30	0.80	4.57	3.66
L5-51E-006	614483	912810	-42	72.80	140	1	4.20	4.75	0.55	7.72	4.25
							36.35	37.95	1.60	13.13	21.01
							including		1.00	10.93	10.93
		0.60	16.80	10.08							
UNDERGROUND RESOURCE DRILLING - LEVEL 7											
L7-34W-001	613618	912805	-133	240.60	358	-1	35.85	36.60	0.75	18.73	14.05
L7-77E-004	614746	912821	-134	255.30	13	-1	206.85	208.40	1.55	5.07	7.86
							including		0.55	5.93	3.26
									1.00	4.59	4.59
L7-77E-005	614747	912821	-134	250.10	26	-1	235.65	236.40	0.75	6.87	5.15
UNDERGROUND RESOURCE DRILLING - LEVEL 9											
L9-28E-001	614285	913010	-242	120.20	212	-1	29.50	30.50	1.00	90.18	90.18
							45.40	45.60	0.20	19.90	3.98
L9-28E-002	614286	913010	-242	43.40	171	-1	25.85	26.85	1.00	30.92	30.92

REVIEW OF OPERATIONS

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
L9-47E-001	614486	913035	-240	250.60	29	-1	52.55	53.00	0.45	26.10	11.75
							53.60	54.90	1.30	8.02	10.43
							including		0.60	7.36	4.42
									0.70	8.59	6.01
L9-57E-001	614532	912763	-240	75.60	339	0	8.25	8.70	0.45	12.10	5.44
							12.15	12.60	0.45	10.23	4.60
L9-80E-001	614781	912811	-237	224.80	28	-2	52.70	52.95	0.25	16.08	4.02
UNDERGROUND RESOURCE DRILLING - LEVEL 10											
L10-19W-001	613771	912800	-288	160.10	44	-1	108.05	108.50	0.45	9.93	4.47
L10-49E-001	614447	912709	-290	200.70	228	0	119.45	119.85	0.40	84.42	33.77
L10-49E-004	614452	912708	-290	200.30	147	0	9.45	10.45	1.00	10.01	10.01
							38.10	38.50	0.40	205.40	82.16
L10-51E-001	614505	912974	-288	100.40	324	-1	41.15	42.10	0.95	23.17	22.01
L10-51E-002	614506	912974	-288	80.90	3	0	16.65	17.45	0.80	18.53	14.82
L10-5W-006	613916	912830	-289	253.60	317	-2	249.85	250.85	1.00	5.79	5.79
L10-73E-001	614719	912926	-288	251.10	355	0	184.30	185.90	1.60	12.34	19.74
							including		1.00	9.08	9.08
									0.60	17.76	10.66
L10-73E-003	614722	912921	-288	300.60	125	0	207.30	207.50	0.20	21.17	4.23
L10-73E-004	614723	912924	-288	300.70	57	1	280.85	282.85	2.00	4.84	9.68
							including		1.00	4.12	4.12
									1.00	5.56	5.56
L10-75E-001	614732	912870	-288	300.60	44	0	154.00	154.70	0.70	5.46	3.82
							298.30	300.60	2.30	25.71	59.13
							including		0.95	56.11	53.30
		1.35	4.32	5.83							
L10-7E-005	613987	912950	-291	551.50	169	-62	189.15	189.35	0.20	14.99	3.00
							251.25	252.10	0.85	16.59	14.10
L10-7E-006	613988	912951	-290	284.50	132	-75	146.45	147.20	0.75	18.25	13.69
L10-7E-007	613989	912951	-291	560.10	117	-46	211.95	212.60	0.65	17.70	11.51
							428.20	429.20	1.00	14.89	14.89
L10-7E-008	613988	912950	-291	550.30	158	-24	64.00	64.85	0.85	31.47	26.75
							65.10	65.70	0.60	35.22	21.13
							76.70	77.55	0.85	5.01	4.26
L10-7E-009	613989	912951	-291	551.10	125	-35	33.25	33.75	0.50	151.67	75.83
L10-7E-010	613988	912950	-291	550.10	157	-42	19.70	20.00	0.30	31.49	9.45
							159.25	159.60	0.35	13.23	4.63
							164.00	164.70	0.70	24.15	16.90
							166.45	167.35	0.90	4.19	3.77
							167.90	168.80	0.90	13.66	12.29
L10-7E-011	613989	912951	-291	551.10	132	-44	125.70	126.40	0.70	10.08	7.06
L10-7E-013	613988	912951	-291	550.30	147	-63	99.35	100.25	0.90	4.00	3.60
							199.10	199.60	0.50	6.01	3.00
L10-7E-014	613989	912949	-291	551.10	151	-30	66.40	67.40	1.00	34.40	34.40
L10-7E-016	613988	912951	-291	551.10	120	-54	92.50	92.95	0.45	13.20	5.94
							95.20	95.95	0.75	12.55	9.41
L10-7E-018	613988	912951	-291	600.10	135	-63	150.30	151.30	1.00	4.77	4.77
L10-7E-021	613987	912951	-291	600.10	160	-73	587.10	587.35	0.25	24.43	6.11
L10-7E-022	613987	912951	-291	600.10	186	-64	129.65	130.30	0.65	10.33	6.71
							306.70	307.10	0.40	16.60	6.64
L10-7E-023	613986	912951	-291	551.10	205	-63	147.30	148.05	0.75	6.20	4.65
L10-7E-025	613986	912951	-291	551.10	202	-55	148.50	149.50	1.00	83.40	83.40
L10-7E-028	613986	912950	-291	545.10	197	-45	122.60	123.10	0.50	8.87	4.43
L10-7E-030	613987	912950	-291	551.10	182	-31	17.55	18.10	0.55	8.40	4.62
							62.50	63.50	1.00	11.47	11.47
L10-7E-032	613986	912950	-291	551.10	202	-29	102.60	103.60	1.00	4.89	4.89

REVIEW OF OPERATIONS

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
L10-7E-033	613987	912949	-291	551.10	172	-32	61.60	62.60	1.00	8.53	8.53
L10-8E-001	614065	912976	-290	300.20	6	-1	52.75	53.35	0.60	9.24	5.54
L10-8E-002	614066	912976	-290	301.60	30	0	58.50	60.00	1.50	11.42	17.13
							including		0.50	15.40	7.70
									1.00	9.43	9.43
L10-9E-001	614058	912873	-291	75.90	349	0	0.00	0.70	0.70	29.03	20.32
UNDERGROUND RESOURCE DRILLING - LEVEL 12											
L12-35E-001	614373	913066	-391	550.50	167	-22	188.10	188.60	0.50	12.93	6.46
							191.80	192.25	0.45	78.10	35.14
							230.30	231.10	0.80	5.13	4.10
							294.50	295.50	1.00	9.43	9.43
							423.15	424.15	1.00	4.14	4.14

Notes:

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

REVIEW OF OPERATIONS

Co-O SURFACE EXPLORATION

Exploration activities for FY2021 focused on the evaluation of prospects within the Co-O tenements, review of Philsaga Mining Corporation ("PMC") granted tenements and applications.

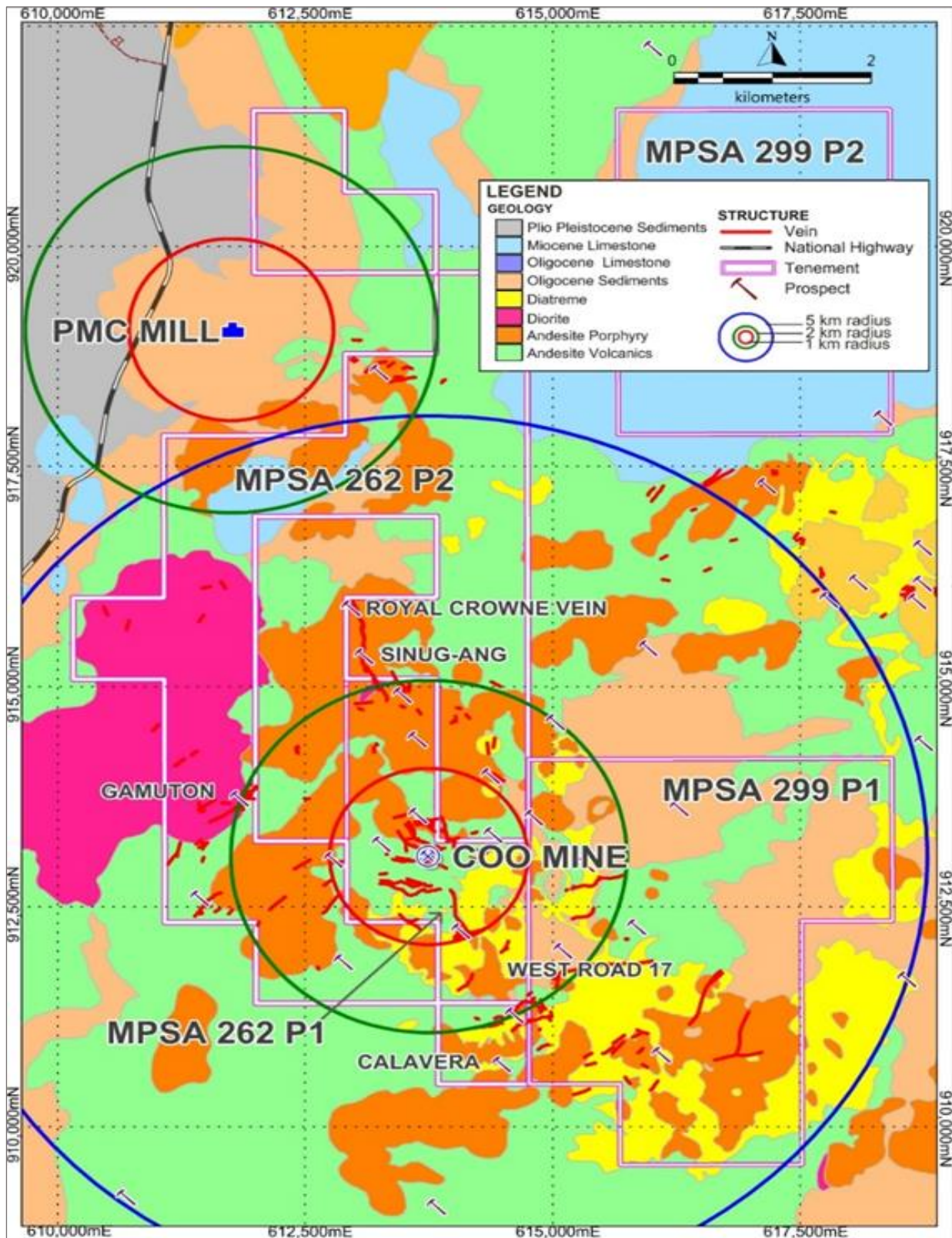


Figure 5. Active surface exploration projects within the company tenements.

REVIEW OF OPERATIONS

Royal Crowne Vein Project (MPSA 262-2008-XIII Parcel 2)

In FY2021, a total of 16 drill holes with a total meterage of 5,677 metres were successfully completed at the Royal Crowne Vein ("RCV") project in the old Sinugang area in the Phase 4 drilling program.

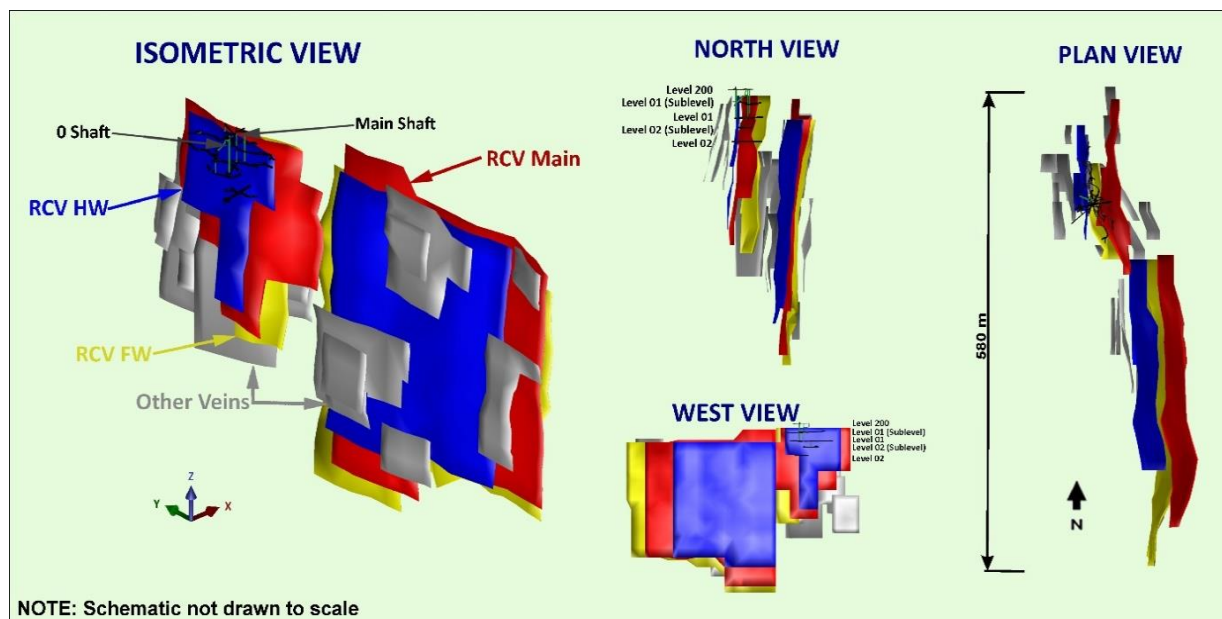


Figure 6. Isometric and Orthogonal views of the RCV Project 2021 resource model.

The drilling program further validated the continuity of mineralisation along the projected 500 metre+ long strike length of the RCV vein system and updated the JORC 2012 Mineral Resources with an Indicated Resource category of 9,000 ounces of gold and an Inferred Resource of 356,000 tonnes at 7.14 g/t gold. The total Mineral Resources as reported (*refer ASX announcement dated 27 Jul 2021*) is presented in the table below (Table VII).

Table IIIII: Comparison summary of total undiluted RCV Mineral Resource estimates (31 Dec 2020 & 7 May 2021).

Mineral Resource Category	31 December 2019			7 May 2020 Update			Variance %		
	Tonnes	Gold (g/t)	Gold (oz)	Tonnes	Gold (g/t)	Gold (oz)	Tonnes	Gold (g/t)	Gold (oz)
Indicated	61,000	4.93	10,000	54,000	5.45	9,000	(11)	11	(10)
Inferred	26,000	4.01	3,000	355,000	7.14	82,000	1,265	74	2,633
Total	87,000	4.65	13,000	409,000	6.92	91,000	370	49	600

Phase 4 drilling program was designed to increase the resource base and test the wide-spaced drilling continuity. A follow-up (Phase 5) resource drilling program is proposed to increase the current mineral resource down-dip extension. The drill program will target the strike length, and depth extensions will probably be from an underground approach.

TSF #1 Tailings Project

The Tailings Storage Facility ("TSF") #1 was utilised by the original processing plant since the 1980s. The TSF #1 material is from the earlier higher gold grade Co-O mine ore, which was processed using outdated extraction techniques that were relevant at that time. A previous assessment completed in October 2015 focused on metallurgical testing using samples collected from auger drill holes.

The drilling results were modelled in Surpac. A resource estimation using a lower cut-off grade of 0.85 g/t gold resulted in 510,169 tonnes at 1.72 g/t gold, containing 28,200 ounces of gold in the Indicated category (JORC 2012). The model reveals that higher grades are concentrated in the upper portion of the tailings section, simplifying mining and minimising disturbance to the lower grade base of TSF#1.

A detailed study is ongoing to determine the best option for gaining value from TSF #1 resource, including the feasibility of mining and processing this material.

REVIEW OF OPERATIONS

West Co-O Gold Project (MPSA 299-2009-XIII)

Geological evaluation at the West Co-O prospect indicates the possible presence of a potential bulk-minable high sulfidation epithermal deposit, and the potential extension of the western most segment of the Co-O Mine. A 5-hole 1,635 metres scout drilling programme was subsequently implemented and completed on 24 June 2021 (Figure 7)

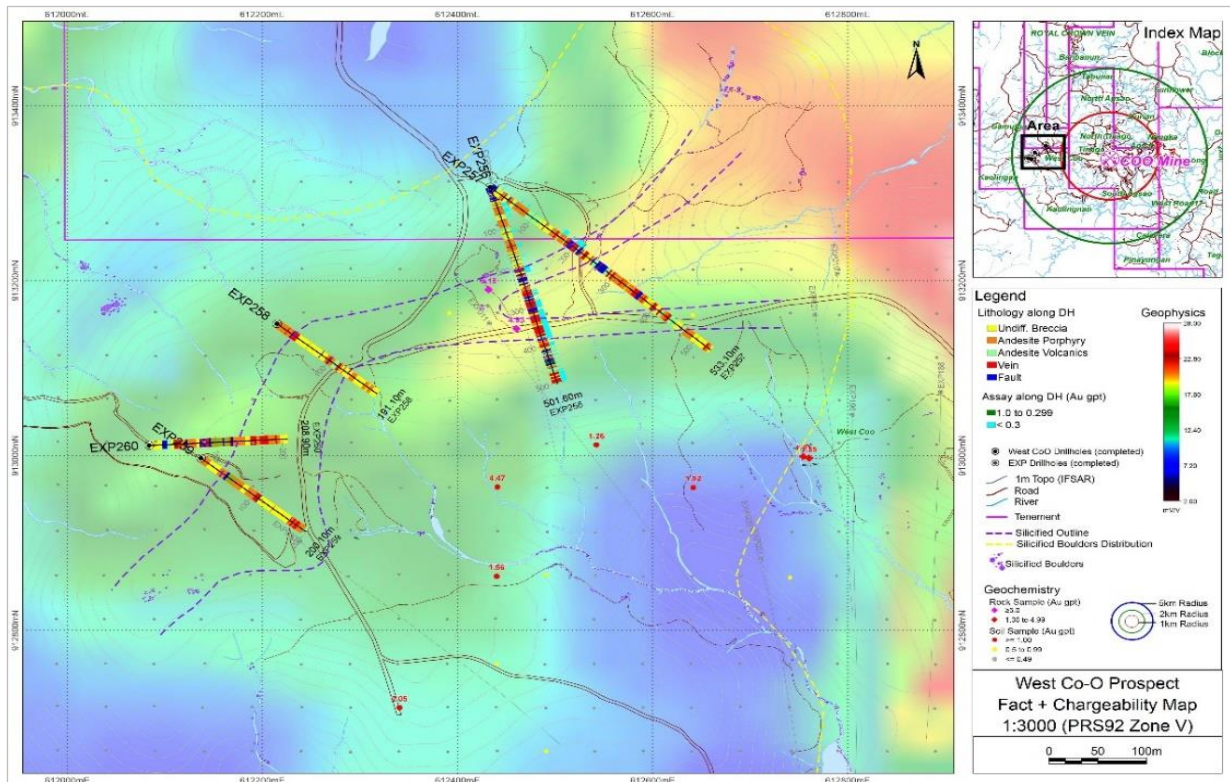


Figure 7. Map showing location of completed drill holes in the West Co-O prospects with IP chargeability anomaly (i.e. at the 15 metre depth slice) and topography as background.

Drilling successfully intercepted the vein-stockwork zone previously identified by historical drill hole EXP-016. Unfortunately, assay results for these five holes consisting of 850 primary samples were all below 1.0 g/t gold ranging from below detection limit to peak grade of 0.53 g/t gold. These assay results suggest that the hydrothermal event associated with the deposition of the logged vein-stockworks were relatively metals-poor, particularly concerning gold. This interpretation also suggests that the Co-O Mine high-grade ISE narrow vein deposit does not extend west into the West Co-O area. No further work will be undertaken in the area.

REGIONAL PROJECTS

Bananghilig Gold Deposit

There has been no Company development on the Bananghilig Mineral Resource since it was estimated in 2016. The Company first reported the details of the study in September 2016.

Since 2016 the gold price has increased substantially, and the number of artisanal miners at the Bananghilig site has also increased, resulting in increased excavations and gold resource depletion. An updated 2020 Mineral Resource (refer ASX announcement dated 13 April 2021) was undertaken to allow for gold removed by artisanal miners since 2016.

The Company was able to map most of the more recent developments, and together with the existing historic underground mapping, details of the depletion could be defined. This was not exhaustive, however, due to the difficulty of accessing several of the workings.

REVIEW OF OPERATIONS

Bananghilig Gold Deposit (continued)

As a result of the non-exhaustive information, a decision was taken by Carras Mining Pty Ltd (Auditors) to reduce the existing Bananghilig Resource by removing all blocks in the block model with grade >4 g/t gold to a depth of approximately 80 to 100 metres (depending on topography) regardless of their spatial location in the resource area. This approach guaranteed removal of the highest grade, near-surface material and is considered more than adequate to account for gold depleted since 2016.

The total Indicated and Inferred Mineral Resources for the Bananghilig Gold Deposit, at a block cut-off grade of 0.75 g/t gold for Indicated (open-pit Resource) and 3.0 g/t gold for Inferred (underground) Mineral Resource, is re-estimated at 7.63 million tonnes at a grade of 1.61 g/t gold for 395,000 ounces contained gold. The new estimate decreases the total Mineral Resources by 2% and 9% in tonnes and gold ounces, respectively.

Bananghilig is a low-grade gold deposit amenable to open-pit mining. However, due to the ban on open-pit mining (DAO No. 2017-10: Banning the Open Pit Method of Mining for Copper, Gold, Silver and Complex Ores in the Philippines), delays with the approval of a mining permit, cost management and the relative position of the deposit in the Company's forward mine plans, the Company now no longer considers Bananghilig to be a core asset and has accordingly withdrawn from the project (*refer ASX announcement dated 23 Aug 2021*).

Saugon Gold Deposit

The Saugon Inferred Mineral Resource (81,500 tonnes at a grade of 5.97 g/t gold for a total of 15,700 ounces contained gold) has remained unchanged from 2013. This information was prepared and initially disclosed under JORC 2004. There have been no material changes since it was last reported.

EXPLORATION - OTHER AREAS

Other Areas

The Company continues to evaluate opportunities within the Asia Pacific Region to grow the Company's portfolio.

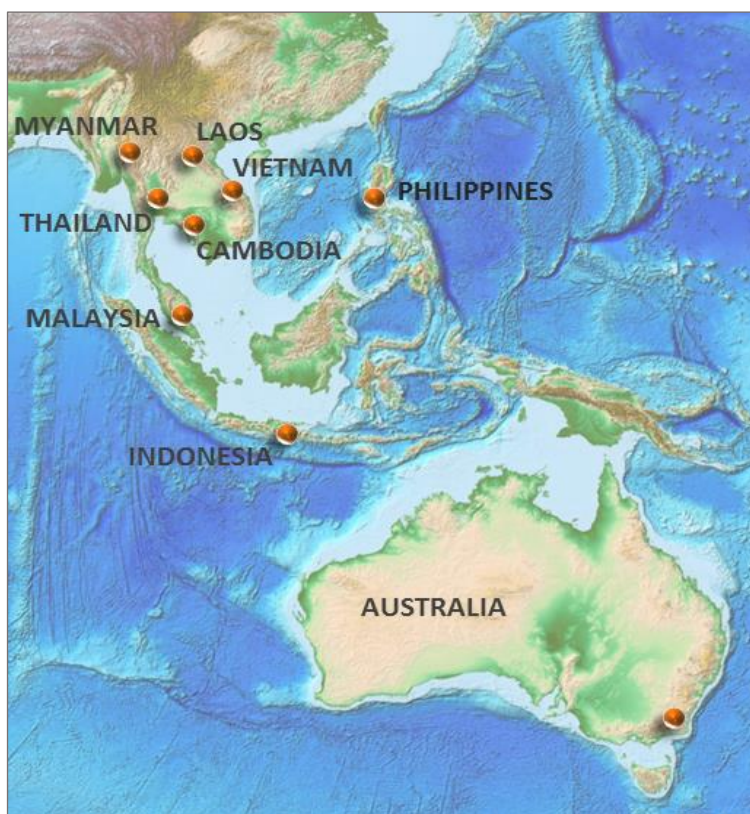


Figure 8. Country and regional area of interest considered in project generation.

REVIEW OF OPERATIONS

TENEMENTS

At the end of FY2021, the Company's tenement holdings were reduced by 2 to 13, with a combined area of approximately 270 km² (Figure 9 & Tenement Schedule at last page).

The tenement holdings removed relate to the joint venture agreement between Medusa and Corplex Resources Incorporated covering APSA-00056-XIII and EPA-000186-XIII. A technical review of data relating to these tenements suggested the areas were generally non-prospective and the decision to cease activities was made. Additionally, the exploration joint venture agreement covering EPA 114-XIII was formally terminated by tenement owner - Neptali Salcedo.

At present, the Company has 4 granted tenements and 9 tenements under application. Of the granted tenements, 3 are currently in the exploration stage, and 1 covering the Co-O Mine is in the operation stage.

All approved tenements are current except for EP 00017-XIII (EP-17), which has a renewal application under review by the Mines and Geosciences Bureau.

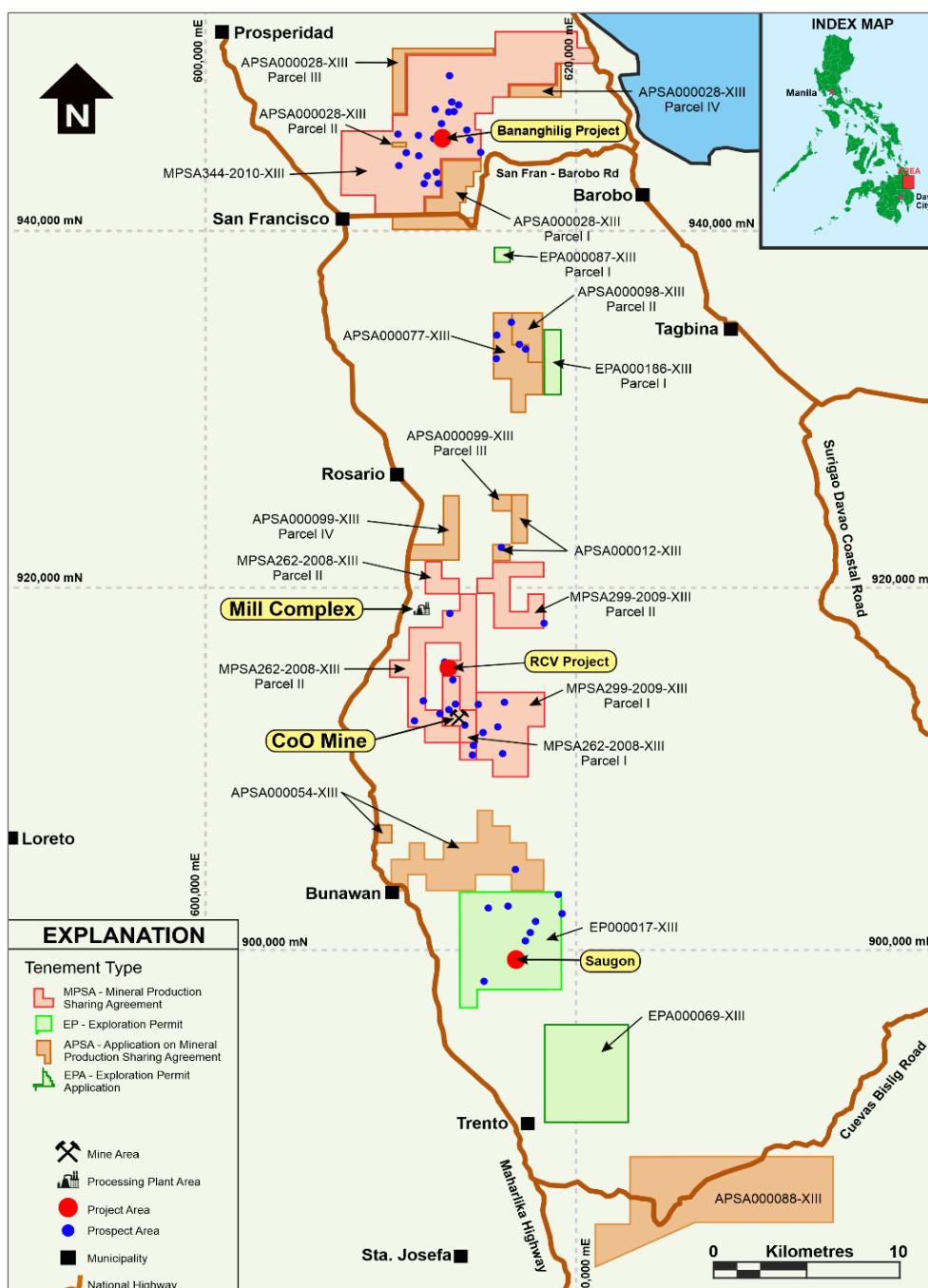


Figure 9. Status of tenement holdings at end June 2021.

REVIEW OF OPERATIONS

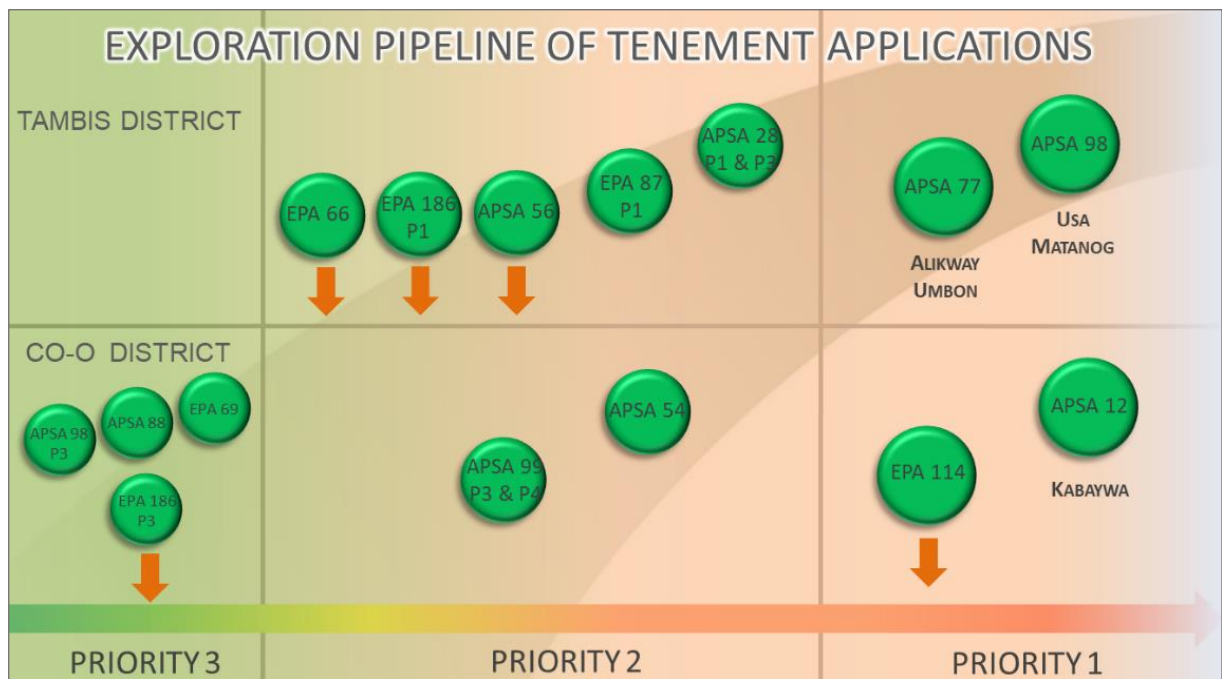


Figure 10. The Company's exploration pipeline of tenement application for CY 2021.

AP5A-56 and EPA-186 are covered by a Memorandum of Agreement between PMC and Corplex Resources Inc. (CRI). EPA-66 is exclusively owned by PMC. A technical review of these 3 tenement applications noted that areas covered are underlain by generally un-mineralised sedimentary rocks that are deemed non-prospective (Figure 10).

Other tenement applications reviewed during the Quarter include AP5A 77, AP5A 88, AP5A 98, AP5A 54 and EPA 69.

REVIEW OF OPERATIONS

SUSTAINABILITY

The Company believes that its business is be founded on four key components encompassing our commitment to all stakeholders. Continuous improvements to organisational coherence, proper internal procedures, regular checks and balances, performance, and efficiencies are in place. The four key components are:

- Health and Safety;
- Environmental Protection, Management and Monitoring;
- Community Participation, Development Programmes and Benefits; and
- Employment, Local Suppliers and Payment of Local Taxes and Wages.

HEALTH AND SAFETY

Safety and Health Programs have been implemented at all our sites to manage the Safety and Health of all personnel, most of which are involved in the Company's operations and projects based at the Philsaga Mining Corporation sites.

These Safety and Health programs include;

- comprehensive and continued safety awareness;
- comprehensive emergency preparedness planning and training and programs at mine and mill sites, including fire, earthquake, and chemical spill responsiveness drills;
- regular comprehensive health checks for all employees;
- expanded mining and safety training activities for all underground personnel, including bi-annual refresher training;
- hazard prevention and control, through improved hazard awareness training, program of workplace inspections, conducting job hazard analysis & development of safe work instructions, thorough investigation of incidents, permitting system of nonroutine tasks & hot works, continual communication with the workforce and the implementation of corrective/improvement actions;
- continued regular training for the Emergency Response Team like chemical spill, mine rescue and firefighting, with the teams participating in annual national competitions;
- development and implementation of a system and operational audits;
- implementation of more systematic planned inspections;
- greater focus on completion of improvement action plans; and
- proactive health and safety measures against the spread of COVID-19 at all sites.

The 12-month Total Injuries for FY2021 was down 23% from FY2020 and down a total of 48% from FY2019. Meanwhile, the Total Injury Frequency Rate for FY2021 was down by 29% compared to FY2020.

Unfortunately, 3 people were fatally injured at the Co O mine due to electrocution while working in the sumps. As a result of this incident, a system of audits is being implemented, and greater emphasis is placed on education, communication and training for all employees and contractors. In addition, administrative control on the issuance of a specialised permit, and engineering controls such as substitution to small non-electric (diaphragm) pumps, alternate silt-collector sumps, and electric overcurrent relay installations to large electric pumps, were among the controls established to prevent recurrence of this type of incident.

The Company hospital has been operating as a fully staffed and functional hospital during the year, with services available for all Company personnel, their families, and local residents. In the fight against the COVID-19 pandemic, the Company hospital was supplied with the necessary detection tools/equipment and its staff with personal protective equipment. Mutual support was established between the Company and the local government in supplementing each other's anti-COVID-19 operations.

Whilst the pandemic halted mass gatherings, the Company continued facilitating safety meetings and training by conducting teleconferences and webinars.

REVIEW OF OPERATIONS



Photo 4. Fire Brigade Training conducted by the local Bureau of Fire Protection - Bunawan Station at the Co-O Mine before the onset of nationwide lockdowns.



Photo 5. Chemical Safety and Response Training conducted at the Co-O Mine before the onset of nationwide lockdowns

REVIEW OF OPERATIONS



Photo 6. Basic Life Support Training conducted at the Co-O Mine before the onset of nationwide lockdowns.



Photo 7. Supervisors' Safety Sub-Committee Meeting conducted at the Co-O Mine after lifting of lockdowns however, still following minimum health protocols to control the spread of COVID-19.

REVIEW OF OPERATIONS

ENVIRONMENTAL PROTECTION, MANAGEMENT AND MONITORING

The Company is committed to its environmental protection, management, and compliance with all applicable statutory and environmental regulatory obligations.

Code of Conduct

Environmental responsibility forms an important part of the Company's Code of Conduct. The Code of Conduct outlines the Company's commitment to appropriate and ethical corporate practices. It describes how the Company expects its directors and employees to behave in the Company's business activities.

In accordance with the Code of Conduct, the Company:

- is fully aware of its obligations to comply with relevant statutory and regulatory requirements concerning the environment; and
- monitors appropriately its environmental management and performance and is committed to ensuring proper rehabilitation of the sites where the Company has been conducting its exploration or operational activities.

Safety, Health and Environment Committee

On 27 August 2010, as part of its commitment to environmental performance, the Board approved establishing a Safety, Health and Environment Committee. The role and responsibility of the Safety, Health and Environment Committee are set out in a formal charter adopted by the Board, which is summarised in the Corporate Governance Statement of this Annual Report.

The charter reflects the Company's commitment to achieving continuous improvement targeted at high environmental outcomes and best practices.



Photo 8. Seedlings.

Co-O Gold Project Environmental Conditions

The Company's flagship Co-O Gold Mine has established processing facilities subject to regular inspections by various authorities and has achieved a high level of recognition for adherence to statutory requirements.

The Company's mining operations are underground, resulting in very small surface footprints for each operation. Rehabilitation of any disturbed areas around new operations is part of the Company's normal operating procedure. Water samples are taken daily to monitor water quality in and around the Company's facilities. The samples collected were analysed, with the results submitted to the relevant authorities.

REVIEW OF OPERATIONS



Photo 9. Composting.

In compliance with the conditions set in the Environmental Compliance Certificate (ECC), the Company has crafted and implemented an Environmental Protection and Enhancement Program (EPEP), which covers the management of the land and water resources, air and noise quality, management of solid and hazardous wastes generated from the operation. The program also embodies activities that will support ecosystem conservation and relevant training and capacity enhancement of the personnel overseeing the EPEP implementation.

To support the Company's continuous reforestation activities, a one-hectare Agro – forest Nursery is maintained with a seedling capacity of 150,000. Various forest trees and fruit trees were raised within the facility with a stock balance of 88,485 at the end of June 2019. The facility includes potting shed, transplanting chambers, herbal gardens and vermicomposting facility producing organic fertiliser for in-house plantation.

The Company has an established 10 hectares of enhancement area at the mine site and 5 hectares in the mill site during the year. The existing vegetation at the mine site were intercropped with indigenous forest trees such as lauan (*Shorea contorta*), bagtikan (*Shorea palosapis*), molave (*Vitex parviflora*), narra (*Pterocarpus indicus*) and kamagong (*Diospyrus blancoi*) while in the mill site Palawan Cherry, bagras (*Eucalyptus deglupta*) and agoho (*Casuarina equisetifolia*) were planted.

The Company engaged with the local communities to establish agroforest at the open cultivated areas. Assistance with seedlings, technical support, and financial support were provided to establish fruit tree plantations within their cultivated lands. Grafted Rambutan (*Nephelium lappaceum*), Lansones (*Lansium domesticum*), Durian (*Durio zebithenus*) were planted at the 100 hectares land area covering Brgy, Bunawan Brook in the Municipality of Bunawan and Brgy. Wasian in the Municipality of Rosario. Support will continue for three years, after which the plantations should be self-sufficient. Since the commencement of this program in 2015, a total of 450 hectares has been planted, assisting 260 beneficiaries.

The Company continued to support the Philippine Government's National Greening Program and continued to provide forest trees and fruits tree for planting. The company also continued the mangrove reforestation located at Barangays Wakat and Talisay Surigao del Sur.

The Company is also involved in supporting the Rubber Plantation program by providing budded rubber seedlings to the locals with legitimate and suitable areas for planting.

REVIEW OF OPERATIONS



Photo 11. Mangrove Reforestation at Brgy. Wakat and Talisay, Surigao del Sur.

Adopt-a-Creek Program

In support of the Environmental Management Bureau's flagship program in the protection of the water bodies, the Company subscribes to its Adopt-a-Creek Program by adopting three water bodies traversing within the mill and mine operation as well as to its adjacent area, namely- Agsao Creek, Bayugan 3 Creek and Co-O Creek. Activities to maintain and enhance water quality include creek clean up and riparian enhancement by planting narra and bamboo along the embankment or the waterbody. In addition, Information Education Communication (IEC) campaigns were conducted for the community and/residents near the water body to reiterate the value of water resources.

The Company working in close collaboration with Government Departments (Local and National) and local Tribal groups, has prepared a program for the preservation, protection, and enhancement of Linayapan - Timay Waterfalls. This area is one of the major water sources in the area and is a potential tourist destination. The program includes the enhancement of a 20-hectare buffer zone by planting indigenous forest trees.

Regional Wildlife Rescue Centre

The Company has supported the Department of Environment and Natural Resources - Caraga Region, launching its program to restore the Regional Wildlife Rescue Centre, located at Kitcharao, Agusan del Sur. The objective of this program is to preserve, restore, extend and multiply our inhabiting and remaining wildlife in the area.

ISO 14001

On 29 March 2018, Medusa's operating entities, Philsaga Mining Corporation ("PMC") and Mindanao Mineral Processing and Refining Corporation ("MMPRC"), renewed their ISO 14000 commitment.

Both PMC and MMPRC were issued Certificates of compliance with the standards of ISO 14001:2015, demonstrating continued compliance with good environmental management systems as well as good environmental controls and protection.

REVIEW OF OPERATIONS

COMMUNITY PARTICIPATION, DEVELOPMENT PROGRAMMES AND BENEFITS

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

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

EDUCATION

Scholarships

The Company continued its commitment to provide opportunities to less privileged students who wish to pursue their tertiary courses from its host and neighbouring communities. The program assists scholars through Full Scholarship grants, Half Scholarship grants and Educational Assistance.

Several scholars who graduated have already begun working in Philsaga Mining Corporation or teaching at Philsaga High School Foundation, excellent results for the individual, the local communities and the Company.

Company schools and Adopt-a-School programme

In past years, the Company supported the Philsaga High School Foundation at the Mill and the Upper Co-O Elementary School at the Co-O Mine. In addition, its "Adopt-a-School" program launched in July 2018 has been extended to support 13 additional schools in the Rosario and Bunawan municipalities until 2021.



Photo 12. MOA signing and launching of "Adopt-a-School" program in July 24, 2018.

HEALTH

Supplemental Feeding

Philsaga Mining Corporation, through its Social Development and Management Program, conducted Supplemental Feeding, which caters to 60 malnourished children aged between 6 – 12 months old who benefited from the feeding program. The activity was conducted with the Co-Ordination of the Municipal Nutrition Officer of Bunawan and the Rural Health Unit Office of the municipality.

REVIEW OF OPERATIONS

Medical Mission

Philsaga Mining Corporation provided medical support to different barangays of Bunawan, Agusan del Sur. The activity was conducted with the Co-Ordination of the Municipal Nutrition Officer of Bunawan and Rural Health Unit Office of the municipality.

MMPRC continued to support the Annual Medical Outreach Activities conducted in Barangays Bayugan 3 and Wasian. These services included providing Medical Consultation, Dental Extraction, Circumcision or Operation Tuli, Blood Letting and Health Profiling in partnership with the Rural Health Unit of Rosario and the Philippine Red Cross. More than 950 people are benefiting from this support. In addition, further support is provided with health supplies, i.e., medicines & equipment, to Barangay Cabawan, with 300 individuals served.

LIVELIHOOD AND SKILLS DEVELOPMENT PROGRAM

PMC's and MMPRC's Livelihood Programs are focused on building partnerships, empowering individuals, and promoting stakeholder accountability to help build self-reliant and sustainable communities. Projects implemented under the Livelihood Program varies from animal husbandry, and agronomy to establishing Co-Operatives to small-scale trading. This allows stakeholders to live their dreams of entrepreneurship while being supported by the Company's technical expertise provided or facilitated.

These programs involve working with Local, Regional and National authorities, local Associations and local people to assist them in developing knowledge and skills and setting up and establishing small businesses.

This includes training in value formation, business enterprise development, project management, simple bookkeeping and specialised production and business training.

This year, new businesses assisted include coconut oil production, expanding water distribution networks, ballot production, tilapia production, goat meat production, cacao production, abaca production, bakery, amakan weaving, fashion and jewellery design and beauty care saloon.

INFRASTRUCTURE/FACILITY CONSTRUCTION AND IMPROVEMENT

PMC and MMPRC have supported programs that have improved the infrastructure and facilities within the communities surrounding their operations. In addition to previously mentioned projects, the Company has assisted in;

- the improvement and expansion of water of Purok 5, 5A and 6. Since the facility is being improved, water service expansion will serve at least 800 households. Other households not connected have been provided access to stand posts for water are installed in every Puroks.
- Installation of seven solar-powered streetlights being installed in Barangays Tagbayagan & Sta. Cruz. This will assist boost their economy and maintain their safety and peaceful order in the community.

EMPLOYMENT, LOCAL SUPPLIERS & PAYMENT OF LOCAL TAXES AND WAGES

The Company is one of the largest taxpayers in the district and the province of Agusan del Sur. The annual local government budgets of the Municipality of Bunawan, Municipality of Rosario, and the Province of Agusan del Sur support the operating companies' annual taxes and fees.

The Company has a strong policy of "buy and manufacture locally" whenever possible to provide goods and services to the projects and operations to maximise the multiplier effect locally.

REVIEW OF OPERATIONS

JORC 2012 COMPLIANCE - CONSENTS OF COMPETENT PERSONS

Medusa Mining Limited

Information in this report relating to Exploration Results and all geological work on Co-O Mineral Resources and Bananghilig Mineral Resources, Saugon and TSF #1 Tailings Project has been reviewed by Mr James Llorca and is based on information compiled by Philsaga Mining Corporation's Co-O mine-site and technical exploration personnel.

Mr Llorca is a Fellow of The Australian Institute of Geoscientists (AIG), a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), and a Chartered Professional in Geology with the AusIMM. Mr Llorca is General Manager of Geology and Resources, and is a full-time employee of Medusa Mining Ltd, and is entitled to participate in the Company's incentive plans, details of which are included in Medusa's 2021 Remuneration Report. Mr Llorca has 40 years of sufficient experience, which is relevant to the styles of mineralisation and type of deposit under consideration and to the activities for which he is undertaking to qualify as a "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves."

Mr Llorca consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Carras Mining Pty Ltd

Information in this report relating to Co-O Mineral Resources, Co-O Ore Reserves and Bananghilig Mineral Resources is based on information compiled by Dr Spero Carras of Carras Mining Pty Ltd, who worked at the Co-O mine-site with Philsaga geologists and engineers.

Dr Carras is a Fellow of the Australasian Institute of Mining & Metallurgy and has more than 30 years of experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Dr Carras consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Since 2016, Dr Carras was retained by Medusa Mining Ltd to assist in defining the requirements of Co-O underground infrastructure and its implementation.

FORWARD LOOKING STATEMENTS

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

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

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

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

CORPORATE GOVERNANCE

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

The Board of Directors of the Company ("Board") is committed to achieving and maintaining high standards of corporate governance. The Board operates in accordance with a set of corporate governance principles that take into account relevant practice recommendations, having regard to the particular circumstances of the Company's business, operations and the interests of its shareholders and other stakeholders. These include the ASX Corporate Governance Council's ("ASXCGC") fourth edition of the Corporate Governance Principles and Recommendations ("ASX Principles") that came into force in respect of the Company for the first time for the financial year ended 30 June 2021.

The Company's practices are largely consistent with the recommendations set out in the ASX Principles and, except as disclosed below, the Company believes it complied with each of those recommendations throughout the financial year ended 30 June 2021 and to the date of this statement. Details of the Company's compliance with the ASX Principles are set out below, including details of specific disclosures required by the ASX Principles. Where the Company has not followed a particular recommendation in the ASX Principles, the Company has identified this and the reasons for not following, along with what (if any) alternate corporate governance practices the Company has adopted in lieu of the particular recommendation.

This statement is current as at 17 September 2021 and has been approved by the Board. Further information on the Company's corporate governance policies and practices is publicly available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

1. BOARD OF DIRECTORS

Role and Responsibilities of the Board

ASX Principles, Recommendation 1.1

The Board has adopted a Board Charter that sets out, among other things, its specific powers, duties and responsibilities, as well as matters delegated to the Chief Executive Officer or Managing Director (as applicable) and those specifically reserved for the Board.

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

In addition to matters required by law to be approved by the Board, there are certain duties and responsibilities reserved for the Board under the Board Charter. These include:

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

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

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

CORPORATE GOVERNANCE

Agreements with Directors and Senior Executives

ASX Principles, Recommendation 1.3

The Board Charter provides that:

- a new Director will receive a formal letter of appointment setting out the key terms and conditions relative to their appointment;
- the Managing Director/Chief Executive Officer must have a formal employment agreement describing their term of office, duties, rights and responsibilities, among other things; and
- the Company also has formal employment agreements with each senior executive of the Company, setting out the terms of their employment, including duties, rights and responsibilities, among other things.

Composition of the Board

ASX Principles, Recommendations 2.2 and 2.5

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

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

For the time being, the Board has determined that the number of Directors on the Board shall be four, currently comprising three Non-Executive Directors (Jeffery McGlenn, Roy Daniel and Simon Mottram) and one Executive Director (Andrew Teo).

The Board reviews its size and composition annually to ensure that it has the appropriate balance of skills, qualifications, expertise and experience. When a vacancy exists, or where the Board considers that it would benefit from the services of a new Director with particular skills, qualifications, expertise and experience, the Board will endeavour to select and appoint appropriate candidates with the relevant skills, qualifications, expertise and experience.

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

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

Section 1 and Section 2 of this Corporate Governance Statement provides further information on the mix of skills and diversity the Board seeks to achieve in membership of the Board.

Collectively, the Directors have a broad range of skills, qualifications, expertise and experience relevant to the business and operations of the Company, as identified above - details relevant to the position of each Director who is in office at the date of this statement, and the period of office held by each Director, is included in the Directors' Report on pages 57 to 58.

Directors appointed by the Board are subject to election by shareholders at the next annual general meeting following their appointment. All Directors (other than the Managing Director, if applicable) are subject to re-election in accordance with the Company's constitution.







CORPORATE GOVERNANCE





Board Skills Matrix





A Board skills matrix is designed to show each Director's self-assessment of their skills and experience considered relevant to the Company.


The matrix ensures there is a balance of skills, experience, expertise and diversity on the Board and highlights skills that may require strengthening.

Combined Board Rating Per Skill:

					
5. Highest level of skills & experience	4. Advanced level of skills & experience	3. Acceptable level of skills & experience	2. Some refinement to lowest level of skills & experience	1. Lowest level of skills & experience	0. Immediate strengthening of skills necessary

Executive Leadership	Financial Acumen	Environmental, Social & Governance values	People & Culture
Demonstrates effective leadership that aligns with Company objectives & values. Experience of senior leadership in a public listed company.	Experience in financial accounting reporting, internal financial & risk controls and ability to address financial issues.	Aligning and integrating environmental, social & governance values into company framework, policy design and decision making.	Experience in building workforce & remuneration framework to attract & retain desired personnel. Experience in developing the right corporate culture.
			

Health & Safety	Information Technology	International Expertise	Technical skills in Mining
Experience in workplace health and safety practices. Implementing health & safety strategies and mitigating risks.	Experience in the use of technology to support value creation & maximise operational efficiency.	Experience in building businesses in regions & countries relative to the Company's strategy & activities.	Understanding of the technical aspects within the gold mining industry.
			

Industry Knowledge	Board Experience	Risk Management & Compliance	Strategy
Knowledge & experience of the international gold mining industry.	Executive experience of a listed entity with varied experience relating to global operations.	Strategic & operational experience in risk management in local & foreign jurisdictions.	Experience in developing & implementing successful strategies to achieved planned outcomes.
			

Ethics & Integrity
Demonstrating behaviour that supports the ethical and integrity principles of the organisation at the highest level.


CORPORATE GOVERNANCE

Board independence and length of service

ASX Principles, Recommendations 2.3, 2.4 and 2.5

The Board has determined that Jeffery McGlinn, Roy Daniel and Simon Mottram are independent Non-Executive Directors. The Board has made this determination (after considering all facts and circumstances) having regard to the criteria set out below and confirms that none of its independent Directors has any interest, position or relationship of the type described below. In addition, the length of service of each Director is set out in pages 57 to 58 of the Company's Directors' Report, which forms part of the Annual Report.

The Board is, therefore, comprised of a majority of independent Directors. Further, the Board is chaired by Jeffery McGlinn, an independent Non-Executive Director.

The Board considers that a Director will be independent if he or she is a person who:

- is not a substantial shareholder of the Company, represents, or is or has been within the last three years an officer or employee of, or professional adviser to a substantial shareholder of the Company;
- has not, within the last three years, been employed in an executive capacity by the Company or any of its child entities;
- does not receive performance-based remuneration (including options or performance rights) from, or participate in an employee incentive scheme of, the Company;
- is not, and has not within the last three years been, in a material business relationship (eg as a supplier, professional adviser, consultant or customer) with the Company or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- does not have close personal ties (eg family, friendship or other social or business connections) with any person who falls into a category listed directly above; and
- has not been a Director of the Company for such a period that his or her independence from management and substantial holders may have been compromised.

In each case, the materiality of the interest, position or relationship is assessed by the Board to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole, rather than in the interests of an individual shareholder or other party.

The Board does not consider Andrew Teo as an independent Director because he is currently employed in an executive capacity by Medusa as a Managing Director, and receives performance-based remuneration from, and may participate in, the Company's employee incentive scheme from time to time.

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

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

Chairperson, Managing Director and Company Secretary

ASX Principles, Recommendations 1.4 and 2.5

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

The Chairperson, Jeffery McGlinn, is responsible for, among other things, leadership and effective performance of the Board and overseeing the provision of information by management to the Board and ensuring the adequacy of that information. The Managing Director (if applicable) is responsible for the day-to-day management of the Company.

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

The Company Secretary, Peter Alphonso, is responsible for the corporate secretarial functions of the Company. The decision to appoint or remove the Company Secretary is to be made by the Board, as set out in the Board Charter, and the Company Secretary reports and is accountable to the Board (through the Chairperson).

CORPORATE GOVERNANCE

Training and performance evaluation

ASX Principles, Recommendations 1.6, 1.7 and 2.6

Under the terms of the Company's Nomination Committee Charter, the Nomination Committee reviews potential Board candidates' skills, knowledge, and expertise with a view to ensuring that they can add value to the Board.

The Company's Nomination Committee Charter also requires the Nomination Committee to establish evaluation methods of rating the performance of the Directors and to conduct assessments of Directors as to whether they have devoted sufficient time in fulfilling their duties as Directors.

The Director evaluation methods established by the Company's Nomination Committee included a review of the performance of the Board and each of its committees against the requirements of their respective charters and the individual performances of the Non-Executive Chairperson and each Director.

During the reporting period, the Nomination Committee met on one occasion to evaluate the performance of the Board, its committees and individual Directors in accordance with the above evaluation process.

Details of the process for evaluating the performance of Senior Executives and Directors, and the conduct of that process in the reporting period, are included in the Remuneration Report, which forms part of the Directors' Report on pages 62 to 80.

The Company has a program for inducting new Directors and for periodically reviewing whether there is a need for existing Directors to undertake professional development to maintaining the skills and knowledge needed to perform their role as Directors effectively

Board access to independent advice

Each Director is entitled to seek such independent professional advice as they consider necessary in the furtherance of his or her duties as a Director at the Company's expense. Any Director seeking independent advice must first discuss the request with the Chairperson, who will facilitate obtaining such advice.

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

2. BOARD COMMITTEES

Nomination Committee

ASX Principles, Recommendations 1.2 and 2.1

The Board has established a Nomination Committee, which operates under a Nomination Committee Charter approved by the Board. A copy of the Nomination Committee Charter is available on the Corporate Governance page of the Company's website at www.medusamining.com.au, and includes details of, among other things, the role and responsibilities, composition and structure of the Nomination Committee.

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

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

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

CORPORATE GOVERNANCE

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

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

Such information is also provided by way of ASX announcement when any appointment is made by the Board.

The Nomination Committee consists of Roy Daniel, (as Chairperson of the Nomination Committee), Andrew Teo and Simon Mottram. The Nomination Committee, therefore, comprises a majority of independent Directors and is chaired by an independent chair as recommended by Recommendation 2.1 of the ASX Principles.

The Company undertakes appropriate checks before appointing a senior executive to the Company.

The number of times the Nomination Committee met during the reporting period, and the individual attendance of each Nomination Committee member at each meeting are set out in the Directors' Report on page 59.

Remuneration Committee

ASX Principles, Recommendations 8.1, 8.2 and 8.3

The Board has established a Remuneration Committee, which operates under a Remuneration Committee Charter approved by the Board. A copy of the Remuneration Committee Charter is available on the Corporate Governance page of the Company's website at www.medusamining.com.au, and includes details of, among other things, the role and responsibilities, composition and structure of the Committee.

The role of the Remuneration Committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations on:

- the remuneration packages of Executive Directors, Non-Executive Directors and Senior Executives;
- employee incentive plans and benefit programs, including the appropriateness of performance hurdles and total payments proposed;
- remuneration, recruitment, retention and termination policies and procedures;
- superannuation arrangements;
- employee equity-based plans and schemes; and
- remuneration by gender.

The members of the Remuneration Committee are Roy Daniel (as Chairperson), Jeffery McGlenn and Andrew Teo. The Remuneration Committee, therefore, comprises a majority of independent Directors and is chaired by an independent chair as recommended by Recommendation 8.1 of the ASX Principles.

The number of times the Remuneration Committee met during the reporting period, and the individual attendance of each Committee member at each meeting are set out in the Directors' Report on page 59.

The Board's policy is that reviews of remuneration packages and policies applicable to Executive Directors, Non-Executive Directors and Senior Executives are to be conducted on an annual basis by the Committee.

Details on the Company's remuneration policies, including how the structure of the remuneration of Non-Executive Directors is distinguished from that of Executive Directors and Senior Executives, are included in the Remuneration Report, which forms part of the Directors' Report on pages 62 to 80. No schemes for the provision of retirement benefits, other than the provision of superannuation, are provided by the Company for the benefit of Non-Executive Directors.

Consistent with section 206J of the Corporations Act, it is the Company's policy to prohibit Directors and Senior Executives from dealing in financial products issued or created over or in respect of the Company's securities (eg hedges or derivatives), where that dealing has the effect of reducing or eliminating the risk associated with any equity incentives that the Company may offer from time to time.

CORPORATE GOVERNANCE

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

Audit Committee

ASX Principles, Recommendation 4.1

The Board has established an Audit Committee, which operates under an Audit Committee Charter approved by the Board. A copy of the Audit Committee Charter is available on the Corporate Governance page of the Company's website at www.medusamining.com.au, and includes details of, among other things, the role and responsibilities, composition and structure of the Audit Committee.

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control framework and audit functions.

The Audit Committee's role also includes assessing the performance of the external auditor and, as appropriate, making recommendations to the Board on the appointment, re-appointment or replacement of the external auditor.

The members of the Audit Committee, who are all Non-Executive Directors, are Roy Daniel (Chairperson of the Audit Committee), Jeffery McGlenn and Simon Mottram. The composition of the Audit Committee is entirely made up of independent Directors and is chaired by an independent chair, who is not the chair of the Board, as recommended by Recommendation 4.1 of the ASX Principles.

Details of the qualifications of each member of the Audit Committee are included in the Directors' Report on page 57 to 58.

The number of times the Audit Committee met during the reporting period, and the individual attendance of each Audit Committee member at each meeting are set out in the Directors' Report on page 59.

Safety, Health and Environmental Committee

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

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

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

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

The Safety, Health and Environmental Committee Consists of Raul Villanueva (President of the Company's Philippine entities and Chairperson of the Safety, Health and Environmental Committee), Andrew Teo, Roy Daniel and Simon Mottram.

CORPORATE GOVERNANCE

3. PROMOTING ETHICAL AND RESPONSIBLE DECISION MAKING

Values

ASX Principles, Recommendation 3.1

The Core Values of the Company that links our business activities to our environmental, social and governance responsibilities are:

- Respect the Law;
- Respect each other;
- Respect the Environment;
- Respect stakeholders;
- Uphold honesty;
- Aim for the highest standards;
- Be accountable for our actions; and
- Value diversity.

Code of Conduct

ASX Principles, Recommendation 3.2

The Company has a formal Code of Conduct, which outlines the Company's commitment to appropriate ethical and responsible decision making and corporate practices.

The Code of Conduct describes how the Company expects its Directors and employees to behave in the conduct of the Company's business activities. The Code of Conduct covers matters including:

- general principles;
- compliance with laws and regulations;
- political contributions;
- unacceptable payments;
- giving or receiving gifts;
- protection of Company assets;
- proper accounting;
- dealing with auditors;
- unauthorised public statements;
- conflict of interest;
- the use of confidential information;
- trading of the Company's shares;
- alcohol and drug abuse;
- equal opportunity and employee discrimination,
- environmental responsibilities;
- occupational health and safety; and
- economy and efficiency.

All employees are required to comply with the Code of Conduct. Any breach of applicable laws, prevailing business ethics or other aspects of the Code of Conduct will result in disciplinary action, which may include, depending on the severity of the breach, termination of employment.

Under the Code of Conduct, all employees are requested to report immediately any circumstances which may involve deviation from the Code of Conduct to the Managing Director or Company Secretary of the Company, who are responsible for investigating and reporting any unethical practices to the Board.

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

CORPORATE GOVERNANCE

Whistle Blower Policy

ASX Principles, Recommendation 3.3

The Company has a formal Whistle Blower Policy, which encourages and supports the reporting of suspected wrongdoing as soon as possible.

The Whistle Blower Policy covers matters including:

- making protected disclosures under relevant Australian legislation;
- how disclosures can be made;
- protections available to people that make protected disclosures;
- support and practical protections provided by the Company;
- how the Company will handle and investigate disclosures; and
- other general information.

All employees are required to comply with the Whistle Blower Policy at all times. Any breach of the Whistle Blower Policy by an employee of the Company may be regarded as misconduct and may lead to disciplinary action up to and including termination of employment. The Board, or a committee of the Board (as applicable), will be informed of material incidents reported under the Whistle Blower Policy.

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

Anti-Bribery and Corruption Policy

ASX Principles, Recommendation 3.4

The Company's Code of Conduct addresses the issues of anti-bribery and corruption.

The Code of Conduct relevantly covers matters including:

- compliance with laws and regulations;
- political contributions;
- unacceptable payments; and
- giving or receiving gifts.

All employees are required to comply with the Code of Conduct. Any breach of applicable laws, prevailing business ethics or other aspects of the Code of Conduct will result in disciplinary action, which may include, depending on the severity of the breach, termination of employment. Under the Code of Conduct, all employees are requested to report immediately any circumstances which may involve deviation from the Code of Conduct to the Managing Director or Company Secretary of the Company, who are responsible for investigating and reporting any unethical practices to the Board.

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

Diversity Policy

ASX Principles, Recommendations 1.5 and 2.2

Recommendation 1.5 of the ASX Principles provides that a company should establish a policy concerning diversity and disclose that policy or a summary of it. Such a policy is to include requirements for the Board to establish measurable objectives for achieving gender diversity in the composition of its Board, Senior Executives and workforce generally, and for the Board to assess and disclose annually in respect of both the objectives and progress in achieving them.

The Board is committed to engaging directors, management and employees with the highest qualifications, skills and experience to develop a cohesive team that is best placed to achieve business success regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Board has not adopted a formal diversity policy as recommended by Recommendation 1.5 of the ASX Principles as it believes its current processes and policies for recruitment and appointment are appropriate and adequately take into account diversity among a number of factors considered by the Company in ensuring its directors and workforce have an appropriate mix of qualifications, experience and expertise. The Board does, however, recognise that diversity makes an important contribution to corporate success and the Company considers diversity as one of a number of factors when seeking to appoint Directors, filling Senior Management roles and positions and reviewing recruitment, retention and management practices, notwithstanding the absence of a formal diversity policy.

CORPORATE GOVERNANCE

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

While the Company considers diversity is important, the priority for the Company when recruiting is ensuring an appropriate mix of qualifications, experience and expertise regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background, however, generally makes it clear when seeking to appoint additional Directors, senior management and employees that women are encouraged to apply for roles and that the Company is an equal opportunity employer

In accordance with Recommendation 1.5(c)(3)(A) of the ASX Principles, the Medusa workforce gender profile is set out in the following table:

Role type	Female	Female %	Male	Male%
Technical	28	6%	22	5%
Supervisory / professional	50	11%	265	58%
Middle management	23	5%	60	13%
Senior Management	1	-	11	2%
Total	102	22%	358	78%
Board members	-	-	4	100%

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

Share Trading Policy

Whilst the Board encourages its Directors and employees to own securities in the Company, it is also mindful of the responsibility of the Company, its Directors and employees not to contravene the Corporation Act's "insider trading" provisions.

The Board has approved a Share Trading Policy that applies to all Directors and all employees of the Company.

In summary, the Share Trading Policy prohibits Directors and employees from trading in the Company's securities:

- when aware of non-public price sensitive information, until such time as that information has become generally available; and
- as part of active trading with a view to deriving profit related income.

A Director or employee wishing to deal in the Company's shares must first notify the Chief Executive Officer or Managing Director (as applicable) and confirm that the employee is not aware of any non-public price sensitive information.

The Share Trading Policy is subject to the overriding application of the insider trading laws.

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

4. RISK MANAGEMENT

ASX Principles, Recommendations 7.1, 7.2, 7.3 and 7.4

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

Having regard to the size of the operations of the Company, the nature of its activities and the composition of the Board, a "Risk Committee" has not been established. As noted above, the Board's responsibilities include reviewing and ratifying systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies.

The Board has approved a Risk Management Policy that outlines the Company's policies for the oversight and management of material business risks and the design, implementation and monitoring of an internal compliance and control framework.

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

CORPORATE GOVERNANCE

The Board is ultimately responsible for the oversight and management of material business risks, as contemplated by the Board Charter. However, the design and implementation of the risk management policy and the day-to-day management of risk is the responsibility of the Chief Executive Officer or Managing Director (as applicable), with the assistance of Senior Management. In addition, the Chief Executive Officer or Managing Director (as applicable) also undertakes the monitoring of business activities to periodically reassess risks and the effectiveness of controls to manage such risks.

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

The Board reviews the effectiveness of the Company's system of internal control and risk management framework, including a review of financial, operational, compliance and risk controls, on a continual basis to satisfy itself that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board. During the reporting period, the Company conducted such a review.

The Company does not have an Internal Audit Department. However, strategy meetings at both corporate and operational level comprising the Board and Executives and Executives and Divisional Managers respectively, are held to discuss and review amongst many items, risk management and the Company's internal control framework. Any agreed changes to processes are subsequently implemented and reported back. The Board will continue to periodically review whether there is a need for an Internal Audit Department.

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

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

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

- **Economic risks:** The Company may be exposed to general economy wide risks, which include the state or health of the industry sector, foreign exchange and interest rates, equity and commodity prices and a nation's economic well-being. These risks are specifically contemplated by, and set out in, the Company's Risk Management Policy.
- **Environmental risks:** The Company's activities are expected to have an impact on the environment, and the Company may be responsible for environmental liabilities associated with its mining activities. The Company aims to monitor environmental risks and obligations so as to remain compliant with applicable environmental laws. The Company also has a Safety, Health and Environmental Committee that aims to assist with monitoring and reporting on environmental-related risks and issues.
- **Social sustainability risks:** The Company is exposed to social sustainability risks. The risks could include the potential breakdown of business relations of the Company and the possibility that the safety of the Company's employees is adversely impacted. The Board has a focus on maintaining strong communications with its key stakeholders and ensuring that key business relations are maintained. In addition, the Company has a Safety, Health and Environmental Committee that aims to assist with monitoring and reporting on safety and health-related risks, as well as a Code of Conduct for employees dealing with stakeholders and ensures integrity and fair dealing in business affairs.

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

Chief Executive Officer or Managing Director (as applicable) and Chief Financial Officer assurance

ASX Principles, Recommendations 4.2, 7.2 and 7.3

Before the adoption by the Board of the Company's financial statements for a financial reporting period, the Board receives written declarations from the Chief Executive Officer or Managing Director (as applicable) and Chief Financial Officer, in accordance with section 295A of the Corporations Act, that the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act and that the Company's financial statements and notes comply with the accounting standards and present a true and fair view of the consolidated entity's financial position and performance for the financial reporting period.

The Chief Executive Officer or Managing Director (as applicable) and the Chief Financial Officer also have to state in writing to the Board that the above declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. In addition, during the reporting period the Chief Executive Officer or Managing Director (as applicable) and the Chief Financial Officer report to the Board as to the effectiveness of the Company's management of its material business risks.

CORPORATE GOVERNANCE

Periodic Corporate Reports

ASX Principles, Recommendation 4.3

Where a periodic corporate report that is released to the market is not required to be audited or reviewed by an external auditor, the Company conducts a comprehensive internal verification process to verify the integrity of the report and ensure that the content of such report is materially accurate, balanced and provide investors with appropriate information to make informed investment decisions

5. CONTINUOUS DISCLOSURE

ASX Principles, Recommendations 5.1, 5.2 and 5.3

The Company is subject to continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. Subject to limited exceptions, the Company must immediately notify the market, through ASX, of any information that a reasonable person would expect to have a material effect on the price or value of its securities. The Board has approved a Continuous Disclosure Policy to reinforce the Company's commitment to complying with its continuous disclosure obligations and outline management's accountabilities and the processes to be followed for ensuring compliance. A copy of the Continuous Disclosure Policy is available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

The Chief Executive Officer or Managing Director (as applicable) and Company Secretary are responsible for ensuring that the Continuous Disclosure Policy is implemented and enforced, and that the Company complies with its continuous disclosure obligations.

In accordance with the Continuous Disclosure Policy, the Board receives copies of all material market announcements promptly after they are made. This is to ensure that the Board has timely visibility of the nature and quality of the information being disclosed to the market and the frequency of such disclosures.

The Company ensures that copies of new and substantive investor or analyst presentations are released on the ASX Market Announcements Platform ahead of the presentation, in accordance with the Continuous Disclosure Policy.

6. SHAREHOLDER COMMUNICATION

ASX Principles, Recommendations 6.1, 6.2, 6.3, 6.4 and 6.5

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

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

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

- information about its Directors;
- a copy of its constitution, Board and other applicable Charters, and other corporate governance documentation referred to in this Corporate Governance Statement;
- company announcements released to ASX for disclosure and related information (including presentations and briefings to analysts and media);
- notices of meetings and explanatory materials;
- quarterly reports, containing details of the Company's activities and consolidated statements of cash flows;
- half-yearly reports, containing consolidated financial information and a brief overview of the Company's activities;
- annual reports, which include a review of the Company's operations and financial results for the year; and
- general information about the history of the Company, an overview of its projects and high-level summaries of some concepts fundamental to its business.

CORPORATE GOVERNANCE

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

Annual reports are distributed in hard copy to shareholders who have registered their election with the Company's share registry to receive the annual report in hard copy.

The Board encourages attendance and participation of shareholders at general meetings of the Company, by providing reasonable opportunity for communication and questions at general meetings. In addition, the Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

As in previous years, decisions on all substantive resolutions at general meeting of the Company will continue to be decided by a poll to ensure that the true will of shareholders is ascertained (rather than by a show of hands, which is inconsistent with the "one security one vote" principle in the ASX Listing Rules).

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

DIRECTORS' REPORT

for the year ended 30 June 2021

1. DIRECTORS

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

Name of Director	Period of Directorship
Non-Executive Directors:	
Mr Jeffery McGlinn (Chairperson)	since 16 February 2021 (appointed Chairperson on 19 March 2021)
Mr Roy Philip Daniel	since 25 November 2015
Mr Simon Mottram	since 11 June 2020
Executive Directors:	
Mr Andrew Boon San Teo (Managing Director)	since 15 February 2010 (appointed Managing Director on 19 March 2021)
Mr Raul Conde Villanueva	since 24 January 2013 (retired 28 October 2020)

Each of the Directors, unless otherwise stated above, has been in office since the start of the financial year to the date of this report.

2. DIRECTORS' INFORMATION

Mr Jeffery McGlinn

Independent Non-Executive Chairperson

Mr McGlinn was appointed Non-Executive Director on 16 February 2021 and Chairperson on 19 March 2021.

Mr McGlinn is an entrepreneur and has over four decades of experience in the mining and mining services sectors. He has established trusted relationships with governments, major industry leaders and entrepreneurs in Australia and internationally.

Mr McGlinn was the founding Managing Director and Chief Executive Officer of ASX listed NRW Holdings Limited (NWH), one of Australia's leading mining service providers. He was instrumental in establishing NRW in 1994 and played a major role in the Company's growth and development over 16 years until his resignation.

Prior to NRW, Mr McGlinn was the Managing Director of Conclad and Trustek Australia, which provided innovative construction technology throughout Australia and South-East Asia for both commercial and domestic applications.

Mr McGlinn currently manages a number of privately held business interests across the globe in the fields of construction, mining, marketing, manufacturing, industrial lighting and horse breeding. Caballus Mining, 100% owned by Jeff was recently chosen by the Panguna Tangku'urang as their preferred partner for the future reopening of the famed Panguna Copper Mine in Bougainville.

Medusa is Mr McGlinn's only current ASX listed directorship.

Mr McGlinn is a member of the Audit and Remuneration Committees.

Mr Andrew Boon San Teo

B.Com, UWA, (CPA)

Managing Director

Mr Teo was appointed Non-Executive Director on 15 February 2010 and Chairperson on 22 November 2013. On 19 March 2021, Mr Teo relinquished the role of Chairperson following his appointment as Managing Director.

Mr Teo is an accountant with over 40 years of extensive and diversified experience in accounting, treasury, corporate, legal and business administration across several industries, including the mining industry. He was, until his retirement in March 2018, Chief Financial Officer/Executive Director of BGC (Australia) Pty Ltd., one of Australia's largest privately-owned companies. Mr Teo worked in BGC in excess of 35 years and remains a Non-Executive Director of BGC.

On 9 June 2020 Mr Teo was appointed a Non-Executive Director of Myanmar Metals Limited. During the past three years, Mr Teo has not served as a Director of any other ASX listed entities.

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

DIRECTORS' REPORT

for the year ended 30 June 2021

2. DIRECTORS' INFORMATION (continued)

Mr Roy Philip Daniel

B.Com, UWA

Independent Non-Executive Director

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

Mr Daniel has been associated with the resource and mining industry for 40 years and has held various senior management and accounting positions at corporate level with overseas and Australian companies. His association with the Company since its formative years has proven invaluable, and his financial business acumen and corporate experience has complemented and strengthened the Board.

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

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

Simon Jon Mottram

B.Sc (Applied Geology). F.AusIMM

Independent Non-Executive Director

Mr Mottram was appointed Non-Executive Director on 11 June 2020.

Mr Mottram is a geologist with over 25 years' experience predominantly in base and precious metals. Mr Mottram was instrumental in taking Avanco Resources Limited, an Australian listed copper company, through discovery to production, and subsequently being acquired by OZ Minerals Limited. Mr Mottram has held both executive and senior management roles with several successful mining companies both in Australia and abroad, has seen a number of discoveries advanced through to commercial mine development, and has been central to several significant exploration successes.

Mr Mottram is a graduate of Melbourne RMIT University and a Fellow of the AusIMM.

Mr Mottram is currently a director of ASX listed companies Odin Metals Ltd, and Fin Resources Ltd. During the past three years Mr Mottram was a Director of Avanco Resources Limited.

Mr Mottram is a member of the Audit, Nomination and Safety Health and Environment Committees.

Attorney Raul Conde Villanueva

LL.B., Attorney and Counselor-at-Law

Executive Director (retired 28 October 2020)

Attorney Raul Villanueva was appointed an Executive Director of Medusa on 24 January 2013 following his appointment as President of the Company's Philippines operating company, Philsaga Mining Corporation ("Philsaga") in December 2012. Attorney Villanueva retired as an Executive Director on 28 October 2020.

Attorney Villanueva who has Bachelor's degrees in Economics, Military Science & Tactics, and Law has been a member of the Integrated Bar of the Philippines and an Attorney and Counselor-at-Law since 1994. He brings a focused approach to improving the operating systems and professionalism of the Company, based on his education and several years of experience in law as well as managing companies and will further align the objectives of the Medusa Group of Companies.

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

Attorney Villanueva continues as Chairperson of the Safety, Health and Environment Committee and retired as a member of the Nomination Committee on 28 October 2020

3. COMPANY SECRETARY

Mr Peter Stanley Alphonso

B.Com, UWA, (CPA)

Mr Peter Alphonso was appointed Company Secretary on 11 December 2007 and as Chief Financial Officer on 01 July 2013. Mr Alphonso retired as Chief Financial Officer on 7 September 2020.

Mr Alphonso has over 40 years of experience with the auditing, engineering and communications industries, with the majority of his experience centred on the gold and nickel sectors of the mining industry. Mr Alphonso's experience has included appointments with Coopers and Lybrand, Western Mining Corporation, Great Central Mines and Ti-west Joint Venture.

As Company Secretary Mr Peter Alphonso is responsible for the corporate secretarial functions of the Company.

DIRECTORS' REPORT

for the year ended 30 June 2021

4. MEETINGS OF DIRECTORS

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

Name of Director	Board Meetings		Audit Committee		Remuneration Committee		SHE Committee		Nomination Committee	
	Number ⁽¹⁾	Attended	Number ⁽¹⁾	Attended	Number ⁽¹⁾	Attended	Number ⁽¹⁾	Attended	Number ⁽¹⁾	Attended
Jeffery McGlenn ⁽²⁾	4	4	-	-	2	2	-	-	-	-
Andrew Teo ⁽³⁾	8	8	2	2	4	4	2	2	2	2
Roy Daniel	8	8	2	2	4	4	2	2	2	2
Raul Villanueva ⁽⁴⁾	2	2	-	-	-	-	2	2	-	-
Simon Mottram	8	8	2	2	-	-	2	2	2	2

Notes:

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

(2) Mr Jeffery McGlenn was appointed a Non-Executive Director on 16 February 2021, and is a member of the Audit and Remuneration Committees;

(3) Mr Andrew Teo stepped down as a member of the Audit Committee upon his appointment as Managing Director on 19 March 2021; and

(4) Mr Raul Villanueva retired from the Board and Nomination Committee on 28 October 2020. Mr Villanueva remains a member of the SHE Committee.

5. PRINCIPAL ACTIVITIES

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

6. OPERATING RESULTS

The net consolidated profit for the financial year attributable to members of Medusa Mining Limited after provision of income tax was US\$47.3 million [2020: Consolidated profit of US\$29.7 million].

Key financial results:

Description	Unit	30 June 2021	30 June 2020	Variance	(%)
Revenues	US\$	\$179.0M	\$147.8M	\$31.2M	21%
EBITDA	US\$	\$97.7M	\$61.6M	\$36.1M	59%
NPAT	US\$	\$47.3M	\$29.7M	\$17.6M	59%
EPS (basic)	US\$	\$0.23	\$0.14	\$0.09	64%

Medusa recorded earnings before interest, tax depreciation and amortisation ("EBITDA") of US\$97.7 million for the year to 30 June 2021. EBITDA for the previous year was US\$61.6 million.

Revenues increased by approximately 21% from US\$147.8 million in the previous year to US\$179.0 million.

Medusa is an un-hedged gold producer and received an average price of US\$1,856 per ounce from the sale of 94,619 ounces of gold for the year (previous year: 95,142 ounces at US\$1,581 per ounce).

At year end, the Company had total cash and cash equivalent in gold on metal account of US\$72.2 million (2020: US\$47.1 million).

During the year,

- depreciation of fixed assets and amortisation of capitalised mine development, right of use asset and mine exploration was US\$34.6 million (2020: US\$27.3 million);
- US\$11.0 million was expended on capital works associated with the Tigerway Decline Project, infrastructure, mine expansion and sustaining capital at the mine and mill (2020: US\$6.5million);
- exploration expenditure, inclusive of underground diamond drilling was US\$5.8 million (2020: US\$5.6million);
- capitalised mine development costs totalled US\$24.3 million for the year (2020: US\$23.7 million); and
- corporate overheads of US\$6.0 million (2020: US\$7.1 million).

DIRECTORS' REPORT

for the year ended 30 June 2021

6. REVIEW OF OPERATIONS

Description	Unit	30 June 2021	30 June 2020	Variance	(%)
Ore mined	WMT	517,739	572,666	(54,927)	(10%)
Ore milled	DMT	463,948	513,945	(49,997)	(10%)
Gold head grade	g/t	6.48	5.99	0.49	8%
Gold recovery	%	95.73	95.30	0.43	0%
Gold produced	ounces	95,193	95,057	136	0%
Cash costs ⁽¹⁾	US\$/oz	\$738	\$684	(\$54)	(8%)
All-in-Sustaining Cost	US\$/oz	\$1,231	\$1,132	(\$99)	(9%)
Gold sold	ounces	94,619	95,142	(523)	(1%)
Average gold price received	US\$/oz	\$1,856	\$1,581	\$275	17%
Cash & cash equivalent	US\$M	\$72.2	\$47.1	\$25.1	53%

Note

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

The Company produced 95,193 ounces of gold for the year, compared to 95,057 ounces from the previous corresponding period, at an average recovered grade of 6.48 g/t gold (2020: 5.99 g/t gold).

Average cash costs were US\$738 per ounce, inclusive of royalties and local business taxes, which was higher than the previous year's average cash costs of US\$684 per ounce, and All-in-Sustaining-Costs ("AISC") for the year was US\$1,231 per ounce of gold (2020: US\$1,132 per ounce).

During the year the Company continued to improve on its Anti-Covid protocols which included mandatory face masks/shields. The introduction of Rapid Antibody Testing as well as enhancement to Rapid Antigen Testing for better identification of possible infected cases incorporates isolation and quarantine for those infected. The high standard of protocols has resulted in local governments of host municipalities granting the operations authority to continue operating with minimal restrictions. To date the impact of the effects of Covid-19 has not been significant.

The Company has undertaken the usual assessments of impairment of its assets and the going concern assumptions as the basis for preparing the financial report as at 30 June 2021, and no issues have been identified.

A full review and summary information concerning the Group's operations and exploration activities for the financial year and the results of those operations will be available in the Review of Operations section of the Annual Report.

7. DIVIDENDS

On 31 March 2021 the Company paid an interim dividend of A\$0.05 per ordinary share.

8. SIGNIFICANT CHANGE IN STATE OF AFFAIRS

- Chief Executive Officer ("CEO") Mr David McGowan ceased employment on 20 July 2020. Non-Executive Chairman Mr Andrew Teo assumed the role of Interim CEO;
- On 7 September 2020, Mr Patrick Warr was appointed Chief Financial Officer following the retirement of Mr Peter Alphonso, who continued with the Company in the role of Company Secretary;
- At the Company's Annual General Meeting on 28 October 2020, Mr Raul Villanueva retired from the Board of Directors. Mr Villanueva continued in an executive capacity as President of Medusa's affiliated operating entitled in the Philippines, a role he has held since December 2012;
- On 16 February 2021, Mr Jeffery McGlenn was appointed a Non-Executive Director;
- On 19 March 2021, Mr Andrew Teo relinquished his role of Non-Executive Chairman to become Managing Director of the Company. Mr Jeffery McGlenn was subsequently appointed Non-Executive Chairman;
- On 25 February 2021, the Board declared an unfranked interim dividend of A\$0.05 per fully paid ordinary share, which was paid to shareholders on 31 March 2021;
- On 26 March 2021, The Philippine Government enacted "The Republic Act No 11534", known as the Corporate Recovery and Tax Incentives for Enterprises ("CREATE" Law) retroactive to 1 July 2020. Included in the provisions of this law, was a reduction in the rate of corporate tax from 30% to 25%;

DIRECTORS' REPORT

for the year ended 30 June 2021

8. SIGNIFICANT CHANGE IN STATE OF AFFAIRS *(continued)*

- On 24 June 2021 at a General Meeting shareholders voted in favour of issuing 2 million and 1.5 million Performance Rights to Andrew Teo and Raul Villanueva respectively, as well as the adoption of the Company's Performance Rights Plan. The shareholders voted against adopting a new Constitution.

In the opinion of the Directors, there were no other significant changes in the state of the affairs of the Group that occurred during the financial year.

9. EVENTS SUBSEQUENT TO BALANCE DATE

- The Company announced to the ASX on 23 August 2021 that it had withdrawn from the tenement covering the Bananghilig Gold Deposit.
- The Company announced to the ASX on 24 August 2021, production guidance for FY22 of between 90,000 ounces to 95,000 ounces at All-In-Sustaining-Costs ("AISC") of between US\$1,250 to US\$1,300 per ounce.

The above-mentioned AISC does not include any expenditure relating to the construction of the Tigerway Decline Project ("Tigerway") and the Company expects to incur US\$15 million on Tigerway for the forthcoming year. The total cost for Tigerway as reported is estimated to be US\$54 Million (*Refer ASX announcement 16 April 2021*).

Except for the above, subsequent to Balance Date, 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.

10. FUTURE DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

The Group continues its focus on organic growth within its landholdings in the Philippines and source mineral properties within the Asia Pacific region with a view to developing properties capable of economic production.

11. DIRECTORS' INTEREST

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

Name of Director	No. of fully paid ordinary shares	No. of options over ordinary shares	No. of performance rights over ordinary shares
Jeffery McGlenn ⁽¹⁾	-	-	-
Andrew Teo	170,000	-	2,000,000
Roy Daniel	1,000,000	-	-
Raul Villanueva ⁽²⁾	50,000	-	-
Simon Mottram	100,000	-	-

Note:

(1) Mr Jeffery McGlenn was appointed a Director on 16 February 2021; and

(2) Mr Raul Villanueva retired as a Director on 28 October 2020.

DIRECTORS' REPORT

for the year ended 30 June 2021

12. REMUNERATION REPORT (Audited)

The Directors present the FY2021 Remuneration Report for Medusa Mining Ltd ("the Company") which sets out the remuneration information for the Directors and other key management personnel ("KMP") for the year ended 30 June 2021.

The information provided in this remuneration report has been prepared in accordance with the requirements of the *Corporations Act 2001* and its regulations.

Introduction

This report outlines the Company's approach to remuneration for its executives.

The Board recognises that the success of the business depends on the quality and engagement of its people. To ensure the Company continues to succeed and grow, it must attract, motivate and retain skilled Directors, Executives and employees. The Board delegates responsibility in relation to remuneration to the Remuneration Committee to ensure that people and performance are a priority.

(a) Details of Key Management Personnel

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

Directors:

Non-Executive -

Jeffery McGlinn ⁽¹⁾ (Chairperson);

Roy Daniel;

Simon Mottram.

Executive -

Andrew Teo ⁽²⁾ (Managing Director).

Executive Officers:

Raul Villanueva (President of Philsaga Mining Corporation);

Peter Alphonso ⁽³⁾ (Company Secretary);

Patrick Warr ⁽⁴⁾ (Chief Financial Officer);

James Llorca (General Manager, Geology & Resources).

Notes:

(1) Mr McGlinn was appointed a Non-Executive Director 16 February 2021 and assumed the role of Chairperson on 19 March 2021;

(2) Mr Teo relinquished the Chairperson & interim CEO (21 Jul 2020 - 18 Mar 2021) roles to become Managing Director on 19 March 2021;

(3) Mr Alphonso retired as CFO on 7 September 2020; and

(4) Mr Warr was appointed CFO on 7 September 2020.

DIRECTORS' REPORT

for the year ended 30 June 2021

12. REMUNERATION REPORT (Audited) (continued)

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

The following tables provides the details of the remuneration of all Directors and Executive Officers of the Group and the nature and amount of the elements of their remuneration (in US\$'s) for the year ended 30 June 2021 and the previous financial year.

Name	Year	Short term benefits					Post-employment benefits	Long-term benefits			Termination benefits	TOTAL	Proportion of remuneration performance related
		Salary/ fees	Directors' fees	STI - Cash ⁽¹⁾	STI - PRs ⁽¹⁾	Other ⁽²⁾	Super	LSL ⁽³⁾	LTI - PRs ⁽⁴⁾	Options ⁽⁵⁾			
Directors:													
<u>Non-Executive</u>													
Jeffery McGlinn ⁽⁶⁾	2021	-	27,293	-	-	-	-	-	-	-	-	27,293	-
	2020	-	-	-	-	-	-	-	-	-	-	-	-
Roy Daniel	2021	30,056	60,326	-	-	-	-	-	-	-	-	90,382	-
	2020	25,612	50,766	-	-	-	-	-	-	-	-	76,378	-
Simon Mottram ⁽⁷⁾	2021	-	60,326	-	-	-	-	-	-	-	-	60,326	-
	2020	-	3,747	-	-	-	-	-	-	-	-	3,747	-
<u>Executive</u>													
Andrew Teo ⁽⁸⁾	2021	262,500	89,712	-	-	-	-	-	96,124	-	-	448,336	21.4%
	2020	-	98,152	-	-	-	-	-	-	-	-	98,152	-
Executive Officers:													
Raul Villanueva	2021	440,000	-	-	-	-	-	-	125,988	-	-	565,988	22.3%
	2020	432,092	-	-	-	-	-	-	-	-	-	432,092	-
Peter Alphonso ⁽⁹⁾	2021	50,617	-	17,282	28,214	-	3,415	-	32,659	2,156	-	134,343	-
	2020	260,832	-	13,728	11,599	6,358	17,160	8,367	8,909	5,797	-	332,750	10.3%
Patrick Warr ⁽¹⁰⁾	2021	174,123	-	-	-	14,187	15,370	-	23,085	-	-	226,765	10.2%
	2020	-	-	-	-	-	-	-	-	-	-	-	-
James Llorca	2021	260,360	-	15,028	24,925	20,230	18,785	-	32,659	6,535	-	378,522	19.2%
	2020	230,668	-	13,728	10,218	7,781	17,160	-	8,909	17,566	-	306,030	10.7%
David McGowan ⁽¹¹⁾	2021	37,043	-	-	-	-	2,311	-	-	-	-	39,354	-
	2020	308,880	-	20,592	-	22,749	17,160	-	-	(9,709)	-	359,672	5.7%
Total	2021	1,254,699	237,657	32,310	53,139	34,417	39,881	-	310,515	8,691	-	1,971,308	-
	2020	1,258,084	152,665	48,048	21,817	36,888	51,480	8,367	17,818	13,654	-	1,608,821	-

Notes:

- (1) Short Term Incentive Plan ("STI") detailed in note 13 (e)(iv);
- (2) Comprises Annual Leave accrued during the year but not paid;
- (3) Comprises Long Service Leave accrued during the year but not paid;
- (4) KMP Performance Rights granted under the Long-Term Incentive Plan are expensed over the performance period. Refer LTI Plan detailed in note 13 (e)(i);
- (5) Comprises value of options granted and expensed in the period. Refer note 13 (i);
- (6) Mr McGlinn was appointed a Non-Executive Director on 16 February 2021 and assumed the role of Chairperson on 19 March 2021;
- (7) Mr Mottram was appointed a Non-Executive Director on 11 June 2020;
- (8) Mr Teo was Chairperson until his appointment as Managing Director on 19 March 2021. Mr Teo also assumed the role of Interim Chief Executive Officer ("CEO") from 21 July 2020 to 18 March 2021;
- (9) Mr Alphonso retired as the Company's Chief Financial Officer ("CFO") on 7 September 2020;
- (10) Mr Warr was appointed CFO on 7 September 2020; and
- (11) Mr McGowan ceased employment as CEO on 20 July 2020. Pursuant to his incentive plans, the Performance Rights granted were forfeited as vesting conditions were not met.

DIRECTORS' REPORT

for the year ended 30 June 2021

12. REMUNERATION REPORT (Audited) (continued)

(c) Executive Remuneration Governance

The information contained within this section provides an overview of executive remuneration governance at Medusa Mining.

(i) Remuneration Philosophy

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

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

(ii) Remuneration Committee

The Remuneration Committee is a sub-committee of the Board, which operates in accordance with the Remuneration Committee Charter and the requirements of the Corporations Act 2001 and its regulations. The Remuneration Committee is responsible for making recommendations to the Board on:

- The Company's remuneration policy and structure;
- Executive remuneration policy for Key Management Personnel ("KMP");
- Remuneration levels of the Managing Director (if applicable) and KMP;
- Operation of incentive plans and key performance hurdles for KMP;
- Equity based remuneration plans for KMP; and
- Non-Executive Director ("NED") remuneration.

The Remuneration Committee's objective is to ensure remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. The Remuneration Committee periodically obtains independent remuneration information to ensure NED fees and executive remuneration packages are appropriate and in line with the market.

In FY2019, the Remuneration Committee appointed BDO Reward WA Pty Ltd as its external remuneration advisor to assist with the review of the overall executive remuneration framework resulting in some changes to the Company's approach to executive pay in FY2020.

DIRECTORS' REPORT

for the year ended 30 June 2021

12. REMUNERATION REPORT (Audited) (continued)

(d) Non-Executive Remuneration

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

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

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

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

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

- Jeffery McGlenn (Chairperson): A\$100,000 per annum;
- Roy Daniel: A\$80,000 per annum; and
- Simon Mottram: A\$80,000 per annum.

(e) Executive Remuneration

Below is a summary of the key elements the executive remuneration approach and the at-risk remuneration structure.

(i) Fixed and Total Remuneration Approach

Total Fixed Remuneration ('TFR') acts as a base level reward for a competent level of performance. It includes cash, compulsory superannuation contributions and any non-monetary benefits. TFR will be targeted at the market median (50th percentile) with flexibility based on:

- the size and complexity of the role;
- the criticality of the role to successful execution of the business strategy;
- role accountabilities;
- skills and experience of the individual; and
- market pay levels for comparable roles.

The Total Remuneration Package (being TFR, STI and LTI) is positioned at the median of the market (50th percentile), with the opportunity to earn a total remuneration up to the upper quartile (75th percentile) in the event that both the individual and the business exceed performance targets.

When determining the relevant market for each role, the Company will consider companies which are similar in size, complexity of operations, sector and risk profile from which it sources talent, and to whom it could potentially lose talent.

DIRECTORS' REPORT

for the year ended 30 June 2021

12. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(i) Executive Remuneration Framework

The total remuneration package will consist of the following elements of pay.

Remuneration Elements	Purpose	Category	Definition of Pay Category
Total Fixed Remuneration ("TFR")	Pay for meeting role requirements	Fixed pay	Pay linked to the present value or market rate of the role.
Short Term Incentive ("STI")	Incentive for the achievement of annual objectives	Short term incentive pay	Pay for delivering the annual operational plan for the Company. Short Term Incentive pay is linked to the achievement of short term 'line-of-sight' performance goals. It reflects 'pay for short term performance'
Long Term Incentive ("LTI")	Incentive for achievement of sustained business long term strategies (non-market measures)	Long term incentive pay	Pay for delivering long-term business sustainability for the Company. Long Term Incentive pay is linked to the achievement of long term 'line-of-sight' performance goals. It reflects 'pay for long term performance'
	Reward for executive performance over the long term (market measures)	Long term reward pay	Pay for creating value for shareholders. Reward pay is linked to shareholder returns. It reflects 'pay for results'.

(ii) KMP Remuneration at Risk in FY21

The relative portions of target remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration	At Risk: Short Term Incentives (STI)	At Risk: Options/Performance Rights (LTI)
Directors:			
<i>Non-Executive -</i>			
Jeffery McGlenn	100%	-	-
Roy Daniel	100%	-	-
Simon Mottram	100%	-	-
<i>Executive -</i>			
Andrew Teo	41%	17%	42%
Executive Officers:			
Raul Villanueva	44%	12%	44%
Patrick Warr	61%	23%	16%
James Llorca	61%	24%	15%

DIRECTORS' REPORT

for the year ended 30 June 2021

12. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(iii) Clawback and other Provisions of Incentive Plans

The Company has a clawback provision that allows the Board, at its absolute discretion, to reduce or clawback unvested and vested entitlements in certain circumstances, including in the case of fraud, dishonesty, gross misconduct and breach of obligations to the Group.

Where a participant to a plan ceases employment for a specified reason, including death or disablement or redundancy, the Board may, at its absolute discretion, determine that unvested Performance Rights shall vest.

In a Change of Control Event, the Board may, at its absolute discretion, determine that unvested Performance Rights shall vest to a participant to the Plan.

(iv) Short Term Incentive Plan Outline

An outline of the key elements of the Short-Term Incentive Plan as it relates to the Company's KMP is provided below.

Purpose	Motivate and reward employees for contributing to the delivery of annual business performance.
STI opportunity	The STI opportunity offered to each Executive as a percentage of TFR will depend on Company and individual performance but can range from zero to a maximum of 40% for Executives. STI payments will be awarded 40% cash and 60% zero exercise price options (ZEPO's) on above threshold performance against a range of Company and individual performance objectives.
Performance targets	The payment of a short-term incentive to Executives is an at-risk component of the individual's total remuneration given that a set of performance targets must be met prior to payment. These targets are based on metrics that are measurable, transparent and achievable, designed to motivate and incentivise the recipient to achieve high performance aligned with Company objectives and near-term shareholder value creation.
Performance assessment	The Company employs a system of continuous performance feedback to drive performance throughout the year, however, a final performance assessment occurs annually following the completion of the financial year for each Executive. Executives are assessed on their contribution to the achievement of Company performance objectives and individual performance objectives.
Measurement period	The STI will be an annual plan that operates from 01 July to 30 June each year.
STI deferral component	The equity component of the STI will vest on the twelve (12) month anniversary date of the STI award date. Vesting of the equity component of the STI granted to Executive KMP is based on a continuous service condition being met and is designed to act as a driver of retention and medium-term value creation.
Cessation of employment	In the event that the Executive's employment with the Company terminates prior to vesting of all ZEPO's, outstanding unvested ZEPO's will be reviewed by the Board and may or may not vest depending on the circumstances of the Executive's cessation of employment.
Board discretion	The payments of all STI's are subject to Board approval. The Board has the discretion to adjust remuneration outcomes higher or lower to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI payment.

DIRECTORS' REPORT

for the year ended 30 June 2021

12. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

As part of the annual business planning process the Board determines the key performance indicators to reflect targets for the key performance objectives of the business for the following year. At the end of the year, the Board makes a rigorous assessment, taking into account quantitative and qualitative measures. For FY21 these include:

Key Result Area	Annual Measure and Rationale for Inclusion
Individual performance	<p><u>Measures</u> Each Executive KMP agrees an individual scorecard of performance objectives at the start of the year against which their performance is assessed. A maximum of 4 key individual performance objectives will be set based on the specific responsibilities of each role annually.</p> <p><u>Rationale</u> Designed to specifically focus individual Executives on key performance elements that align to the Company's strategic plan and profitability drivers that are within the Executives control.</p> <p><u>Results</u> Partially achieved.</p>
Company financial performance	<p><u>Measures</u> Key financial measure meeting targeted All In Sustaining Cost</p> <p><u>Rationale</u> Reflects the alignment of business strategy to create sustainable value for shareholders.</p> <p><u>Results</u> Not achieved.</p>
Company safety and environmental performance	<p><u>Measures</u> KPI for Total Injury Frequency Rate over 12 months</p> <p><u>Rationale</u> Highlights performance on metrics to effectively manage the risks inherent in the Company's operations and to ensuring activities do not have an adverse impact on the environment.</p> <p><u>Results</u> Not achieved.</p>
Company operational performance	<p><u>Measures</u> Key physical measure meeting targeted Gold Production</p> <p><u>Rationale</u> Delivering strong production performance is a key enabler to funding the achievement of the Company's strategic plan and ensures management delivers on core initiatives relating to Company strategy and operating model.</p> <p><u>Results</u> Not achieved.</p>
Growth of Company future opportunities	<p><u>Measures</u> Meeting mining inventory targets as determined by the Board of Directors.</p> <p><u>Rationale</u> Demonstrates the Company's performance in achieving the organic growth of current assets.</p> <p><u>Results</u> Not achieved.</p>

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

The STI award comprises amounts up to a cash component of 40% and a Performance Right component of 60%. Each Performance Right awarded incorporates a vesting condition that requires each KMP to remain an employee of the Company for a period of twelve months from date of grant, being 30 November 2020 in FY20. Each Performance Right is a right to acquire one share in the Company for nil consideration. The fair value of the Short-term Performance Rights which has been recognised at grant date and based on the share price of the Company is \$0.54 per right in accordance with AASB 2 share based payments.

The STI award is determined following a review of the FY20 results and typically occurs in the second quarter of the subsequent financial year. No amount is provided for or included in the financial report and remuneration report until such a review has taken place.

Based on the assessment, the STI awarded for the 2020 financial year which were paid, and Performance Rights ("PRs") granted in FY21, are detailed in the following table:

Name	Position	Total Opportunity STI US\$	Achieved STI (Cash) US\$	Opportunity STI (Performance Rights) US\$	Vesting Outcome STI (Performance Rights)
Peter Alphonso	Chief Financial Officer	124,000	17,282	23,760	Note 27
James Llorca	GM, Geology & Resources	110,000	15,028	21,060	Note 27

Notes:

- (1) The remaining vesting condition is subject to continuous employment for 12 months from date of grant to 30 November 2021.

In FY20, based on the assessment, the STI awarded for the 2019 financial year which were paid, and Performance Rights ("PRs") granted are detailed in the following table:

Name	Position	Total Opportunity STI US\$	Achieved STI (Cash) US\$	Opportunity STI (Performance Rights) US\$	Vesting Outcome STI (Performance Rights)
David McGowan	Chief Executive Officer	140,000	20,592	36,043	Note 27
Peter Alphonso	Chief Financial Officer	112,000	13,728	25,658	25,658
James Llorca	GM, Geology & Resources	98,000	13,728	22,603	22,603

Notes:

- (1) Mr McGowan ceased employment on 20 July 2020 and is not entitled to Performance Rights as the 12 months vesting condition will not be met.
- (2) The remaining vesting condition was subject to continuous employment for 12 months from date of grant to 17 January 2021, which has been met.

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(i) Long-term Incentive Plan Outline

An outline of the key elements of the Long-Term Incentive ('LTI') Plan as it relates to the Company's KMP is provided below.

Purpose	Focus Executive attention on driving sustainable long-term growth and align the interests of Executives with those of shareholders.
LTI opportunity	The LTI opportunity is determined by the Executives role within the business and is awarded by the offer of a number of performance rights or zero exercise price options ('ZEPO's') based on a percentage of TFR.
Performance hurdles	In FY2020 and going forward, the Company will use a combination of non-market and market equally weighted performance hurdles utilising the following measures: <ol style="list-style-type: none"> 1. Non-market measures to be determined by the Board of Directors (50% weighting) 2. Market Measures (50% weighting): <ol style="list-style-type: none"> (a) Relative Total Shareholder Return ('TSR'); and (b) Absolute Total Shareholder Return
Vesting	Vesting of the performance rights ZEPO's granted to Executive KMP is based on a continuous service condition and performance conditions as detailed below
Service conditions	The LTI award is subject to a service condition. This condition is met if the KMP's employment with the Company is continuous for three years commencing on or around the grant date and is aimed at the retention of KMP's.
Performance conditions	<p><u>Financial and Strategic measures</u></p> <p>The Board will determine financial and strategic measures that align with the Company's long-term objectives.</p> <p><u>Relative TSR</u></p> <p>The TSR scorecard for the three-year measurement period is determined based on a percentile ranking of the Company's TSR results relative to the TSR of each of the companies in the peer group over the same three-year measurement period.</p> <p>The Board considers relative TSR an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is linked to the comparative return received by shareholders from holding shares in a Company in the peer group for the same period.</p> <p><u>Absolute TSR</u></p> <p>The increase in the Company's absolute TSR will be measured over a three-year period.</p> <p>The Board considers absolute TSR an appropriate performance hurdle because it ensures KMP performance is rewarded when a year-on-year improvement in shareholder value is achieved.</p>
Vesting schedule	The number of ZEPO's vested after 3 years is subject to achievement of performance conditions as shown above.
Measurement period	Testing occurs three years from 01 July of the relevant financial year.
Cessation of employment	In the event that the KMP's employment with the Company terminates prior to the vesting of all rights/options, outstanding unvested rights/options will be reviewed by the Board and may or may not vest depending on the circumstances of the cessation of employment.
	In the case of changes of control incentives will be awarded at the absolute discretion of the Board.
Peer group	The Company's TSR performance for rights/options to be issued will be assessed against a peer group comprised of members of the ASX 300 Metals and Mining Index.

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(i) Long-term Incentive Plan Outline (continued)

On 24 June 2021 the shareholders of the Company approved the issue of 2 million Long Term Performance Rights and 1.5 million Long Term Performance Rights to Messrs A Teo and R Villanueva respectively. Under the terms of the issue, these Executives will be required to remain in employment of the Company for a three-year vesting period, until 19 March 2024 and 1 January 2024 and expiry of 19 March 2025 and 1 January 2025 respectively.

Each Performance Right is a right to acquire one share in the Company for nil consideration.

The value at grant date of Performance Rights granted as part of remuneration is calculated in accordance with AASB2 Share Based Payments. The value for a Performance Right granted has been calculated as \$0.59 each.

The terms and conditions of the long-term performance rights include the following:

Long Term Incentive Measures	Weighting relative to Total PR issued	Targets		Score mechanism
		Range of growth/change	Percentage allocation of weighting	
Financial measure: Earnings per share growth	20%	<ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3-year period
Company growth: Increase in ore reserves	10%	<ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	Based on JORC compliant reports 2020 and 2023.
Long-term Infrastructure target: Tigerway decline development	20%	<ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline developed. 	Zero Pro rata 0% to 100% 100%	Percentage of weighting is based on achievement of programmed Tigerway Decline Project development. 1st year - 10% 2nd year - 15% 3rd year - remaining 75%
Relative total shareholder returns: Measure of Company return compared to peer group.	10%	<ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile 	Zero 50% Pro rata 50% to 100% 100%	Measured against Peer Group based on 30-day VWAP at grant date and three-year anniversary date.
Absolute total shareholder return: Measure of Company return	10%	<ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% 	Zero Pro rata 50% to 100% 100%	Measure by comparing 30-day VWAP at grant date and three-year anniversary date.
Safety: Total Injury frequency rate.	30%	<ul style="list-style-type: none"> Negative 20% improvement 20%-40% improvement Greater than 40% improvement 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	Measured by comparison of rates for lost time and non-lost time injuries over the vesting period.

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(i) Long-term Incentive Plan Outline (continued)

On 4 June 2021, the Company issued 350,000 Long Term Performance Rights to its CFO, Mr P Warr. Under the terms of the issue, Mr Warr would be required to remain in employment of the Company for a three-year vesting period, until 1 January 2024, and expire on 1 January 2025.

Each Performance Right is a right to acquire one share in the Company for nil consideration.

The value at grant date of Performance Rights granted as part of remuneration is calculated in accordance with AASB2 Share Based Payments. The value for a Performance Right granted has been calculated as \$0.57 each.

The terms and conditions of the long-term performance rights include the following:

Long Term Incentive Measures	Weighting relative to Total PR issued	Targets		Score mechanism
		Range of growth/change	Percentage allocation of weighting	
Financial measure: Earnings per share growth	20%	<ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3-year period
Company growth: Increase in ore reserves	20%	<ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	Based on JORC compliant reports 2020 and 2023
Long-term Infrastructure target: Tigerway decline development	10%	<ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline 	Zero Pro rata 0% to 100% 100%	Based on the decline metres developed at relative measurement periods.
Relative total shareholder returns: Measure of Company return compared to peer group.	20%	<ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile 	Zero 50% Pro rata 50% to 100% 100%	Measured against Peer Group based on 30-day VWAP at the relative measure points at 30 June 2020 and 30 June 2023
Absolute total shareholder return: Measure of Company return	20%	<ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% 	Zero Pro rata 50% to 100% 100%	Measure by comparing 30-day VWAP at 30 June 2020 to 30 day VWAP at 30 June 2023
Safety: Total Injury frequency rate	10%	<ul style="list-style-type: none"> Negative 20% improvement 20%-40% improvement Greater than 40% improvement. 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	Measured by comparison of rates for lost time and non-lost time injuries over the vesting period.

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(i) Long-term Incentive Plan Outline (continued)

On 13 March 2020, the Company issued Long Term Performance Rights of 1,400,000 to its KMP Executive Officers, excluding Directors of the Company. Under the terms of the issue, KMP's would be required to remain in employment of the Company for a three-year vesting period, until 13 March 2023.

Each Performance Right is a right to acquire one share in the Company for nil consideration.

The value at grant date of Performance Rights granted as part of remuneration is calculated in accordance with AASB2 Share Based Payments. The value for a Performance Right granted has been calculated as \$0.26 each.

The terms and conditions of the Long-term performance rights include the following:

Long Term Incentive Measures	Weighting relative to Total PR issued	Targets		Score mechanism
		Range of growth/change	Percentage allocation of weighting	
Financial measure: Earnings per share growth	17%	<ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3-year period
Company growth: Increase in ore reserves	16%	<ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	Based on JORC compliant reports 2019 and 2022
Long-term Infrastructure target: Decline development	17%	<ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline 	Zero Pro rata 0% to 100% 100%	Based on the decline metres developed at end of June 2022, based on plan to access level 14. 70% = 3,450 metres of decline, 85% = 4,190 metres.
Relative total shareholder returns: Measure of Company return compared to peer group.	25%	<ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile 	Zero 50% Pro rata 50% to 100% 100%	Measured against Peer Group based on 30-day VWAP at the relative measure points as at 30 June 2019 and 30 June 2022
Absolute total shareholder return: Measure of Company return	25%	<ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% 	Zero Pro rata 50% to 100% 100%	Measure by comparing 30-day VWAP at 30 June 2019 to 30 day VWAP at 30 June 2022

The following companies have been identified by the Company to comprise the Peer Group. The Remuneration Committee may recommend to the Board to either include or exclude gold mining organisations available on this list to reflect changes in the industry:

Company	ASX Code
Austral Gold Limited	AGD
Dacian Gold Limited	DCN
Emerald Resources Limited	EMR
Kingrore Mining Limited	KRM
Oceana Gold Limited	OGC
Pantoro Limited	PNR
Perseus Mining Limited	PRU
Ramelius Resources Limited	RMS
Red 5 Limited	RED
Resolute Mining Limited	RSG
Troy Resources Limited	TRY

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(f) Company Performance

The Company aims to align executive remuneration to strategic and business objectives and the creation of shareholder wealth. The following table illustrates the Company performance indicators over the last five years as required by the Corporations Act:

Metric	Unit	2021	2020	2019	2018	2017
Net Profit/(Loss) after tax (\$'000)	US\$	47,256	29,691	36,489	(55,554)	(56,676)
Basic earnings per share (cents)	US\$	22.7	14.3	17.6	(26.7)	(27.3)
Dividends paid per share (cents)	A\$	5.0	-	-	-	-
Share price at year end 30 June (cents)	A\$	84	69	57	50	28

(g) Remuneration options

No options or other equity-based instruments or rights over any of them, were granted by the Company or any entity controlled by the Company as remuneration during or since the end of the financial year.

(h) Shares issued on exercise of options granted as remuneration

During the financial year, no fully paid ordinary shares were issued on the exercise of options previously granted as remuneration to Directors and Executives.

(i) Option holdings

Financial year 2020/2021:

Name	Balance 01/07/20	Options granted as remuneration	Options exercised	Options not exercised and lapsed/forfeited	Balance held 30/06/21	Vested & exercisable 30/06/21 ⁽¹⁾	Total not exercisable 30/06/21 ⁽²⁾
Executive Officers:							
James Llorca	500,000	-	-	-	500,000	500,000	-
David McGowan ⁽³⁾	500,000	-	-	(200,000)	300,000	300,000	-
Peter Alphonso ⁽⁴⁾	165,000	-	-	-	165,000	165,000	-

Notes:

- (1) Options vested and exercisable are all the options vested at the reporting date;
- (2) Options that are not exercisable have not vested at the reporting date;
- (3) Mr David McGowan, CEO ceased employment on 20 July 2020; and
- (4) Mr Alphonso retired as CFO on 7 September 2020.

The above-mentioned options were issued to the Key Management Personnel on 8 January 2018 with an expiry date of 8 January 2022 on the following terms:

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

The options hold no voting or dividend rights. When exercisable, each option is convertible into one ordinary share of the Company.

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(j) Share Holdings

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

Financial year 2020/2021:

Name	Balance 1/07/20	Shares held at appointment	Compensation shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/21
Directors:							
<i>Non-Executive -</i>							
Roy Daniel	815,875	-	-	184,125	-	-	1,000,000
Simon Mottram	-	-	-	100,000	-	-	100,000
<i>Executive -</i>							
Andrew Teo	120,000	-	-	50,000	-	-	170,000
Executive Officers:							
Raul Villanueva	50,000	-	-	-	-	-	50,000
Peter Alphonso ⁽¹⁾	127,500	-	42,000	-	-	-	169,500

Notes:

(1) Mr Alphonso retired as CFO on 7 September 2020.

Financial year 2019/20:

Name	Balance 1/07/19	Shares held at appointment	Compensation shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/20
Directors:							
<i>Non-Executive -</i>							
Andrew Teo	120,000	-	-	-	-	-	120,000
Roy Daniel	815,875	-	-	-	-	-	815,875
<i>Executive -</i>							
Raul Villanueva	50,000	-	-	-	-	-	50,000
Executive Officers:							
Peter Alphonso	127,500	-	-	-	-	-	127,500

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(k) Performance Rights

The movement during the year in the number of Performance Rights over ordinary shares in Medusa Mining Limited held directly, indirectly or beneficially, by each Executive, including their personally related entities is as follows:

Financial year 2020/2021:

Name	Year Granted	Balance 01/07/20	Rights granted ⁽⁴⁾	Rights Vested	Rights Forfeited	Balance held 30/06/21 (unvested)	Max value yet to vest ⁽¹⁾
Executive Directors:							
Andrew Teo	2021	-	2,000,000	-	-	2,000,000	1,032,587
Executive Officers:							
Raul Villanueva	2021	-	1,500,000	-	-	1,500,000	783,223
Peter Alphonso ⁽²⁾	2021	-	44,000	-	-	44,000	10,981
	2020	42,000	-	(42,000)	-	-	-
	2020	350,000	-	-	-	350,000	55,576
James Llorca	2021	-	39,000	-	-	39,000	9,733
	2020	37,000	-	(37,000)	-	-	-
	2020	350,000	-	-	-	350,000	55,576
Patrick Warr	2021	-	350,000	-	-	350,000	166,229
David McGowan ⁽³⁾	2020	59,000	-	-	(59,000)	-	-
	2020	700,000	-	-	(700,000)	-	-

Notes:

- (1) The maximum value of deferred performance rights yet to vest has been determined as the amount of the grant date fair value of the Performance Rights that is yet to be expensed. The value at grant date is calculated in accordance with AASB2 Share Based Payments.
- (2) Mr Alphonso ceased as a KMP on 7 September 2020.
- (3) Mr McGowan ceased employment on 20 July 2020. Pursuant to his incentive plans, the Performance Rights granted are forfeited as vesting conditions were not met.
- (4) The Terms and conditions relating to the Long Term Performance Rights are outlined in Note 13 (f)(i) of the Remuneration Report.
- (5) Fair values at grant date are determined using a Monte Carlo Simulation pricing model. Further information is set out in Note 27 to the financial statements.

Financial year 2019/2020:

Name	Balance 01/07/19	Rights granted	Rights Vested	Rights Forfeited	Balance held 30/06/20 (unvested)	Max value yet to vest ⁽¹⁾
Executive Officers:						
David McGowan - STI ⁽²⁾	-	59,000	-	-	59,000	-
David McGowan - LTI ⁽²⁾	-	700,000	-	-	700,000	-
Peter Alphonso - STI	-	42,000	-	-	42,000	25,658
Peter Alphonso - LTI	-	350,000	-	-	350,000	89,501
James Llorca - STI	-	37,000	-	-	37,000	22,603
James Llorca - LTI	-	350,000	-	-	350,000	89,501

Notes:

- (1) The maximum value of deferred performance rights yet to vest has been determined as the amount of the grant date fair value of the Performance Rights that is yet to be expensed. The value at grant date is calculated in accordance with AASB2 Share Based Payments.
- (2) Subsequent to 30 June 2020, Mr McGowan ceased employment on 20 July 2020. Pursuant to his incentive plans, the Performance Rights granted are forfeited as vesting conditions will not be met
- (3) The Terms and conditions relating to the Long-term Performance Rights are outlined in Note 13 (f)(i) of the Remuneration Report.
- (4) Fair values at grant date are determined using a Monte Carlo Simulation pricing model. Further information is set out in Note 27 to the financial statements.

(l) Statutory Remuneration Disclosures

(i) Executive Contracts

Remuneration and other terms of employment for the Executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the Boards discretion. Other major provisions of the agreements relating to remuneration are set out below.

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(I) Statutory Remuneration Disclosures (continued)

(i) Executive Contracts (continued)

Andrew Teo (Managing Director - appointed on 19 March 2021)

Contract:	Employment contract between the Company and Andrew Teo ("Employee").
Term:	Commencement date of 19 March 2021 for a three-year term.
Services:	The Employee is employed as Managing Director ("MD") of the Company and is responsible for all operational aspects within the Group.
Remuneration:	<p><u>Fixed remuneration:</u> A\$500,000 per annum (inclusive of a superannuation), subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short-term incentive ("STI"):</u> The Employee may be entitled to participate in the STI Plan as detailed in this report.</p> <p><u>Variable remuneration - Long-term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's share option and performance rights plans, or as approved by shareholders, as detailed in this report.</p>
Termination:	<p><u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee 6 month's written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice. The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of obligations and does not remedy that default in addition to other standard default situations.</p> <p><u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 6 months' written notice.</p> <p><u>Termination by reason of Material Diminution:</u> A "Material Diminution" is a change in the Employee's status as Managing Director of the Company, including a material change in his authority in respect of the business of the Company or a change in his reporting relationship with the Board. If a Material Diminution occurs, within 3 months of this occurring, the Employee may give the Company 2 weeks' written notice of termination of this agreement. Subject to the Corporations Act, the Company must make a payment to the Employee in lieu of a notice period equal to 12 months.</p>

James Llorca (General Manager, Geology & Resources)

Contract:	Employment contract between the Company and James Llorca ("Employee").
Term:	Commencement date of 10 October 2016 until employment is terminated.
Services:	The Employee is employed as General Manager, Geology & Resources and is responsible all matters pertaining to geology in the Company.
Remuneration:	<p><u>Fixed remuneration:</u> A\$375,000 per annum (inclusive of a superannuation), subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short-term incentive ("STI"):</u> The Employee may be entitled to participate in the STI Plan as detailed in this report.</p> <p><u>Variable remuneration - Long-term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's share option and performance rights plans as detailed in this report.</p>
Termination:	<p><u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee 3 month's written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice. The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of obligations and does not remedy that default in addition to other standard default situations.</p> <p><u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.</p>

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(I) Statutory Remuneration Disclosures (continued)

(i) Executive Contracts (continued)

Patrick Warr (Chief Financial Officer - appointed on 7 September 2020)

Contract:	Employment contract between the Company and Patrick Warr ("Employee").
Term:	No set term and the agreement will continue until employment terminates.
Role:	The Employee as Chief Financial Officer is responsible for the day-to-day management of all financial functions of the Group.
Remuneration:	<p><u>Fixed remuneration:</u> A\$325,000 per annum (inclusive of superannuation), subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short-term incentive ("STI"):</u> The Employee may be entitled to participate in the STI Plan as detailed in this report.</p> <p><u>Variable remuneration - Long-term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's share option and performance rights plans, as detailed in this report.</p>
Termination:	<p><u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee 3 month's written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice. The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of obligations and does not remedy that default in addition to other standard default situations.</p> <p><u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.</p> <p><u>Termination by reason of Material Diminution:</u> A "Material Diminution" is a change in the Employee's status as Chief Financial Officer of the Company, including a material change in his authority in respect of the business of the Company or a change in his reporting relationship with the Board. If a Material Diminution occurs, within 3 months of this occurring, the Employee may give the Company 2 weeks' written notice of termination of this agreement. Subject to the Corporations Act, the Company must make a payment to the Employee in lieu of a notice period equal to 6 months.</p>

David McGowan (Chief Executive Officer - ceased employment on 20 July 2020)

Contract:	Employment contract between the Company and David McGowan ("Employee").
Term:	Commencement date of 01 February 2017 until employment is terminated.
Services:	The Employee is employed as Chief Executive Officer ("CEO") of the Company and is responsible for all operational aspects within the Company
Remuneration:	<p><u>Fixed remuneration:</u> A\$500,000 per annum (inclusive of a superannuation), subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short-term incentive("STI"):</u> The Employee may be entitled to participate in the STI Plan as detailed in this report.</p> <p><u>Variable remuneration - Long-term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's share option and performance rights plans as detailed in this report.</p>
Termination:	<p><u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee 3 month's written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice. The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of obligations and does not remedy that default in addition to other standard default situations.</p> <p><u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.</p>

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(I) Statutory Remuneration Disclosures (continued)

(i) Executive Contracts (continued)

Peter Alphonso (Company Secretary/Chief Financial Officer - retired as CFO on 7 September 2020).

Contract:	Employment contract between the Company and Peter Alphonso ("Employee").
Term:	No set term and the agreement will continue until employment is terminated.
Role:	The Employee as Company Secretary/Chief Financial Officer was responsible for the day-to-day management of all financial, administrative and corporate functions of the Company.
Remuneration:	<p><u>Fixed remuneration:</u> A\$412,000 per annum (inclusive of superannuation), subject to annual review by the Board. During the review, the Board to consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short-term incentive ("STI"):</u> The Employee may be entitled to participate in the STI Plan as detailed in this report.</p> <p><u>Variable remuneration - Long-term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's share option and performance rights plan as detailed in this report.</p>
Termination:	<p><u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason (other than as set out below in relation to a "Material Diminution" or default by the Employee) by giving the Employee 3 month's written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice.</p> <p>The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of obligations and does not remedy that default in addition to other standard default situations.</p> <p><u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.</p> <p><u>Termination by reason of Material Diminution:</u> A "Material Diminution" is a change in the Employee's status as Company Secretary/Chief Financial Officer of the Company, including a material change in his authority in respect of the business of the Company or a change in his reporting relationship with the Board.</p> <p>If a Material Diminution occurs, within 3 months of this occurring, the Employee may give the Company 2 weeks' written notice of termination of this agreement. Subject to the Corporations Act, the Company must make a payment to the Employee in lieu of a notice period equal to 12 months.</p>

Raul Villanueva (Executive Officer of Medusa Mining Limited and President of Philsaga Mining Corporation)

On 10 December 2012, Philsaga Mining Corporation ("PMC"), the Group's operating affiliate in the Philippines executed an employment contract with Raul Villanueva.

Under the terms of the contract, PMC primarily engaged Mr Villanueva to the position of President of PMC. His role as President, involves managing the business affairs of PMC, implementing administrative and operational policies, attending to industrial relation matters and any other mining activities and associated complimentary services.

Mr Villanueva receives an annual salary of \$440,000 which is subject to annual reviews by the Board. During the review, the Board will consider the progress of the Company and comparable industry standards. The Company may invite Mr Villanueva to participate in its short term and long-term incentive plans.

PMC will additionally reimburse Mr Villanueva for all reasonable expenses incurred in the performance of his services including entertainment, accommodation, meals, telephone and travelling.

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

DIRECTORS' REPORT

12. REMUNERATION REPORT (Audited) (continued)

(l) Statutory Remuneration Disclosures (continued)

(ii) Board policy in relation to limiting exposure to risk in securities.

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

(m) Related Parties

Related parties:	Jeffery McGlinn, Andrew Teo, Roy Daniel, Simon Mottram, Raul Villanueva, David McGowan, Peter Alphonso, Patrick Warr and James Llorca.
Type of transaction:	Director and Officers Protection Deed ("Deed")
Transaction details:	<p>The Deed entered into by the Company with each of the Directors of the Company, indemnifies the Directors to the extent permitted by law, against any liability, which he may incur whilst carrying out his duties as a Director of the Company and against any costs and expenses incurred in defending legal proceedings brought against him as a Director.</p> <p>The Deed requires the Company to maintain in force Directors' and Officers' Liability Insurance, with an agreed cover level, for the duration of the Directors' term of office and a period of 7 years thereafter.</p> <p>The Deed also provides for the Directors to have access to the Company's documents (including Board papers) for a period of 7 years after he ceases to be a Director, subject to certain confidentiality and other requirements being observed.</p>

(n) Voting of Shareholders at Last Year's Annual General Meeting

At the Annual General Meeting of shareholders held on 20 October 2020, a majority of 99.18% voted in favour of adopting the Remuneration Report.

End of Remuneration Report

DIRECTORS' REPORT

(o) Un-issued shares under options/rights

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

Options Expiry date	Exercise price	No. of options	No. of shares issued if options exercised
<u>Employee options</u>			
8 January 2022	A\$1.00	366,250	366,250
8 January 2022	A\$1.25	366,250	366,250
8 January 2022	A\$1.50	366,250	366,250
8 January 2022	A\$1.75	366,250	366,250
Total employee options		1,465,000	1,465,000
Performance Rights (PRs) vesting date	Exercise price	No. of PRs	No. of shares issued if PRs criteria met and exercised
<u>Performance Rights</u>			
13 March 2023	N/A	4,040,000	4,040,000
30 November 2021	N/A	83,000	83,000
1 January 2024	N/A	350,000	350,000
1 January 2024	N/A	1,500,000	1,500,000
19 March 2024	N/A	2,000,000	2,000,000
Total performance rights	N/A	7,973,000	7,973,000
GRAND TOTAL		9,438,000	9,438,000

(p) Shares issued on exercise of options/rights

During the financial year 79,000 Performance Rights were exercised.

Since the end of the financial year no options or Performance Rights were exercised.

13. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

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

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

Insurance premiums

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

14. INDEMNIFICATION OF AUDITORS

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

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

DIRECTORS' REPORT

15. ENVIRONMENTAL REGULATIONS

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

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

16. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

17. NON-AUDIT SERVICES

During the year, affiliated entities of BDO Audit (WA) Pty Limited ("BDO"), the Company's auditors, performed certain other services in addition to their statutory duties.

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

- a) all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor;
- b) the nature of the non-audit services provided do not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board;
- c) The services of the affiliated entities of the BDO Group have not involved reviewing or auditing BDO's own work or acting in a managerial or decision-making capacity within the Group; and
- d) There is no reason to question the veracity of BDO's Independence Declaration.

The following fees were paid affiliated entities of BDO (Audit) Pty Ltd for non-audit services provided during the year ended 30 June 2021:

Item description	Unit	2021	2020
Taxation	US\$	24,648	29,363
Remuneration consulting	US\$	-	3,129
IFRS Advisory	US\$	-	10,950
Total	US\$	24,648	43,442

18. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2021 has been received and can be found on page 83 of this Report.

19. ROUNDING OFF AMOUNTS

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191 and accordingly, amounts in the Financial Report and Directors' Report have been rounded to the nearest \$1,000 or in certain cases, to the nearest dollar to reflect where rounding in '000 is not permitted.

Signed in accordance with a resolution of the Board of Directors



Andrew Teo
Managing Director

Dated at Perth this 26th day of August 2021

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

As lead auditor of Medusa Mining Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 26 August 2021

CONTENTS OF FINANCIAL STATEMENTS

For the year ended 30 June 2021

	Note	Consolidated	
		2021 US\$000	2020 US\$000 Restated (*)
Revenue	2	179,037	147,828
Cost of sales		(105,116)	(91,278)
Gross Profit		73,921	56,550
Other income	2	107	209
Exploration & Evaluation expenses		(1,412)	(1,583)
Administration expenses		(7,667)	(9,691)
Other expenses	3	(2,514)	(12,438)
Profit before income tax expense		62,435	33,047
Income tax expense	4	(15,179)	(3,356)
Profit for the year after income tax expense		47,256	29,691
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Movement in other reserves (net of tax)		(83)	(1,269)
Exchange differences on translation of foreign operations (net of tax)		653	405
Total comprehensive profit/(loss) attributable to the owners		47,826	28,827
Basic profit per share	5	0.227	0.143
Diluted profit per share	5	0.221	0.141

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

(*) Restated - refer Note 28 for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Note	Consolidated	
		2021 US\$000	2020 US\$000 Restated (*)
CURRENT ASSETS			
Cash & cash equivalents	6 (a)	51,074	38,852
Trade & other receivables	7	25,412	9,682
Inventories	8	16,697	15,479
Other current assets		657	732
Total Current Assets		93,840	64,745
NON-CURRENT ASSETS			
Trade & other receivables	7	20,869	19,307
Property, plant & equipment	9	17,675	15,070
Intangible assets		525	445
Mine Rehabilitation		1,036	1,425
Development expenditure	10	62,248	58,797
Deferred tax assets	4 (b)	18,921	23,080
Right-of-use assets	11	1,415	1,899
Total Non-current Assets		122,689	120,023
Total Assets		216,529	184,768
CURRENT LIABILITIES			
Trade & other payables	13	14,212	16,011
Borrowings	15	1,503	5,457
Provisions	14	245	466
Lease Liabilities	11	579	532
Total Current Liabilities		16,539	22,466
NON-CURRENT LIABILITIES			
Borrowings	15	200	296
Deferred tax liability	4 (b)	806	257
Provisions	14	4,999	7,590
Lease Liabilities	11	914	1,432
Total Non-current Liabilities		6,919	9,575
TOTAL LIABILITIES		23,458	32,041
NET ASSETS		193,071	152,727
EQUITY			
Issued capital	16	102,902	102,902
Reserves	17	7,438	6,157
Retained profits/(accumulated losses)	18	82,731	43,668
Total equity		193,071	152,727

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

(*) Restated - refer Note 28 for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

		Share capital ordinary	Retained profits/ Accumulated losses	Share based payment reserves	Other reserves US\$000	Foreign currency translation reserve US\$000	Total US\$000
Note	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
CONSOLIDATED							
Balance at 30 June 2019		102,902	14,061	202	310	6,267	123,742
Net profit/(loss) after tax		-	29,691	-	-	-	29,691
Other comprehensive profit/(loss)		-	-	-	(1,269)	405	(864)
Total comprehensive profit/(loss) for the year		-	29,691	-	(1,269)	405	28,827
<i>Transactions with owners, in their capacity as owners, and other transfers</i>							
Share options expensed	27	-	-	158	-	-	158
Transfer from option reserve		-	(84)	84	-	-	-
Balance at 30 June 2020 *(Restated)		102,902	43,668	444	(959)	6,672	152,727
Balance at 01 July 2020		102,902	43,668	444	(959)	6,672	152,727
Net profit/(loss) after tax		-	47,256	-	-	-	47,256
Other comprehensive profit/(loss)		-	-	-	(83)	653	570
Total comprehensive profit/(loss) for the year		-	47,256	-	(83)	653	47,826
<i>Transactions with owners, in their capacity as owners, and other transfers</i>							
Share options expensed	27	-	-	534	-	-	534
Transfer from option reserve		-	(177)	177	-	-	-
Dividend paid		-	(8,016)	-	-	-	(8,016)
Balance at 30 June 2021		102,902	82,731	1,155	(1,042)	7,325	193,071

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

(*) Restated - refer Note 28 for further details.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Note	Consolidated	
		2021 US\$000	2020 US\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		164,660	147,829
Payments to suppliers & employees		(85,531)	(84,456)
Payments for exploration & evaluation activities		(1,412)	(1,583)
Other income		73	79
Interest received		34	130
Income tax paid		(13,388)	(5,230)
Net cash provided by operating activities	6(b)	64,436	56,769
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	9	(10,795)	(6,624)
Payment for development activities	10	(28,640)	(27,723)
Net cash provided by/(used in) investing activities		(39,435)	(34,347)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for lease liabilities	11	(579)	(532)
Payments for dividends		(8,016)	-
(Payment of)/receipt from bank loans		(4,049)	(1,076)
Net cash (used in)/provided by financing activities		(12,644)	(1,608)
Net increase/(decrease) in cash held		12,357	20,814
Cash and cash equivalent at the beginning of the year		38,852	18,109
Exchange rate adjustment		(135)	(71)
Cash and cash equivalent at the end of the year	6(a)	51,074	38,852

The above Consolidated Statement of Cash Flows should be used in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

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for the year ended 30 June 2021

BASIS OF PREPARATION

Medusa Mining Limited (“Medusa” or the “Company”) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

A description of the nature of operations and principal activities of Medusa and its subsidiaries (collectively, the “Group”) is included in the Directors Report, which is not part of these financial statements.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 25 August 2021.

The financial report is a general-purpose financial report which:

- has been prepared in accordance with the requirements of the Corporations ACT 2001, Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and complies with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”);
- has been prepared on historical costs basis except for assets and liabilities and share based payments which are required to be measured at fair value. The basis of measurement is discussed further in the individual notes;
- is presented in US dollars with all values rounded to the nearest thousand dollars (\$'000), unless otherwise stated, in accordance with ASIC instrument 2016/191;
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of Medusa and effective for reporting periods beginning on or after 1 July 2020. There has been no new accounting standards or policies adopted this financial year.

(a) Principles of Consolidation

The Group’s financial statements consolidate those of the Parent Company and all of its subsidiaries as at 30 June 2021. 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 2021 is presented in note 25.

(b) Covid-19

Judgement has been exercised in considering the impacts of that the Coronavirus (Covid-19) pandemic has had, or may have, on the Group based on known information. This consideration includes the annual assessment of impairment of assets and the continued assumption of the going concern basis for the preparation of the financial statements. Based on information available at the time of signing this financial report, there is no known significant impact on the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Covid-19 pandemic.

(c) Key Estimates and Judgments

In the process of applying the Group’s accounting policies, management has made a number of judgments and applied estimates of future events. Judgement and estimates which are material to the financial report are found in the following notes:

- Note 4. Income Tax
- Note 7. Trade & Other Receivables
- Note 10. Development Expenditure
- Note 11. Leases
- Note 12. Impairment of Non-Current Assets
- Note 14. Provisions
- Note 27. Share Based Payments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR

This section of the notes includes segment information and provides further information on key line items relevant to the financial performance of the Group. It includes relevant accounting policies, key judgments and estimates relevant to understanding these items.

1. SEGMENT INFORMATION

(i) Identification of Reportable Segments

The Group has identified its reportable operating segments based on the internal management reports that are reviewed and used by the Managing Director (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 Mining, Exploration and Other. Currently the only operational mine is the Co-O mine. Other incorporates the Parent Entity's activities

(ii) 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; and

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; and
- intercompany receivables and payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

1. SEGMENT INFORMATION (continued)

(ii) Segment Result, Segment Assets and Segment Liabilities (continued)

12 months to June 2021:	Mining	Exploration	Other	Total
	US\$000	US\$000	US\$000	US\$000
Segment Revenue	179,037	-	-	179,037
Reconciliation of segment revenue to group revenue				
<i>add:</i>				
Interest revenue	-	-	34	34
Other income	-	-	73	73
Group revenue				179,144
Segment Result				
Reconciliation of segment result to group result:	16,624	(1,412)	(20,251)	(5,039)
<i>add back:</i>				
Forex realised	-	-	409	409
Forex unrealised	-	-	166	166
Interest revenue	-	-	34	34
Depreciation	8,330	-	5	8,335
Amortisation	26,109	-	125	26,234
Bad debts write off	28	-	-	28
Other write off	593	-	-	593
Share based expense	-	-	534	534
Retirement expense	758	-	-	758
Income tax expense	15,179	-	-	15,179
Asset write off	11	-	14	25
Group profit/(loss)				47,256
Segment Assets				
Reconciliation of segment asset to group assets:	194,478	72	3,058	197,608
<i>plus:</i> Deferred tax assets	18,921	-	-	18,921
Total group assets	-	-	-	216,529
Segment Liabilities				
Reconciliation of segment liabilities to group liabilities:	22,014	17	621	22,652
<i>plus:</i> Deferred tax liabilities	806	-	-	806
Total group liabilities				23,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

1. SEGMENT INFORMATION (continued)

(ii) Segment Result, Segment Assets and Segment Liabilities (continued)

12 months to June 2020 Restated (*):	Mining	Exploration	Other	Total
	US\$000	US\$000	US\$000	US\$000
Segment Revenue	147,829	-	-	147,829
Reconciliation of segment revenue to group revenue				
<i>add:</i>				
Interest revenue	-	-	130	130
Forex realised	-	-	79	79
Group revenue				148,038
Segment Result				
Reconciliation of segment revenue to group result:	(5,156)	(1,583)	(6,914)	(13,653)
<i>add back:</i>				
Forex realised	-	-	79	79
Interest revenue	-	-	130	130
Depreciation	7,177	-	9	7,186
Amortisation	20,156	-	-	20,156
Bad debts write off	16	-	143	159
VAT write off	11,546	-	-	11,546
Share based expense	-	-	158	158
Retirement expense	573	-	-	573
Income tax expense	3,356	-	-	3,356
Asset write off	1	-	-	1
Group profit /(loss)				29,691
Segment Assets				
Reconciliation of segment asset to group assets:	148,749	50	12,889	161,688
<i>plus:</i> Deferred tax assets	23,080	-	-	23,080
Total group assets				184,768
Segment Liabilities				
Reconciliation of segment liabilities to group liabilities:	30,766	36	982	31,784
<i>plus:</i> Deferred tax liabilities	257	-	-	257
Total group liabilities				32,041

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

12 months to June 2021:

Segment Revenue	-	-	178,462	178,462
Non-Current Assets	271	101,549	-	101,820

12 months to June 2020:

Segment Revenue	-	-	147,829	147,829
Non-Current Assets	404	106,005	-	106,409

All gold and silver sales have been produced from the Co-O Mine in the Philippines and are recognised in the mining segment as there has been no active trading of gold in the current year. Sales revenues in the mining segment represent sales of refined product from the Co-O Mine.

In accordance with AASB 8 Operating segments 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 spot market. Selection of a customer is at the Group's discretion and there is no commitment to exclusive sales to any particular customer. During the financial year ended 30 June 2021, all of the Group's revenues were derived from sales to a single customer (2020:100%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

	Consolidated	
	2021 US\$000	2020 US\$000
Note		
2. REVENUE AND OTHER INCOME		
<u>Operating activities:</u>		
Gold and silver sales	179,037	147,829
<u>Non-operating activities:</u>		
Interest income	34	130
Other income	73	-
Foreign exchange	-	79
Total revenue and other income	179,144	148,038
(a) Recognition and Measurement		
Sale of refined gold & silver		
Revenue is recognised when control of the goods has passed to the buyer based upon agreed delivery terms. The Company's metal sales represent sales of refined gold and silver, when control passes to the customer which is when legal title to the refined metal transfers to the customer. The sales price is based on prevailing market metal prices.		
Judgement is required to determine when transfer of control occurs relating to the sale of the goods to customers. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of payment, and whether the significant risks and rewards and legal title have transferred to the customer.		
3. EXPENSES		
Profit/(loss) before income tax expense/(income) has been determined after charging/(crediting) the following items:		
<u>Depreciation & amortisation:</u>		
- Depreciation expense	8,335	7,186
- Amortisation expense	25,361	19,316
- Mine rehabilitation and right of use assets amortisation	873	839
Total depreciation & amortisation	34,569	27,341
Employee benefits expense	19,483	18,015
Interest expense & unwinding of discount on provisions ⁽ⁱ⁾	661	1,209
<u>Other expenses:</u>		
- VAT impairment/write off ⁽ⁱⁱ⁾	593	11,546
- Forex realised	409	-
- Forex unrealised	166	-
- Defined benefit plans	758	574
- Assets impaired	25	1
- Share-based payment expense	534	158
- Bad debts write off	29	159
Total other expenses	2,514	12,438

Notes:

(i) Disclosure for rehabilitation and lease expense; and interest on loans;

(ii) Included in the FY20 amount of US\$11.5 million is an amount of approximately \$9.5 million relating to VAT Receivables (refer Note 7) reported in a Philippine controlled entity which has been de-recognised as an asset as the timing of utilising this amount could not be determined at balance date. Under existing Philippine tax law, this amount continues to be available to offset future VAT liabilities indefinitely, dependent on future VAT transactions. The remaining balance mainly comprises a provision for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

3. EXPENSES (continued)

(a) Recognition and Measurement

(i) 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	20.0% to 33%
Office furniture and fittings	Straight line	7.5% to 20%
Building	Straight line	5.0% to 20%

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

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

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

(ii) Amortisation

The Group uses the unit-of-production basis when amortising life-of-mine specific assets which results in an amortisation charge proportionate to the depletion of the anticipated remaining life-of-mine production. Each item's economic life, which is assessed annually, has due regard for both its physical life limitations and to present assessments of the available reserve of the mine property at which it is located. Refer Note 10 for further detail.

(iii) Exploration and Evaluation Expenses

Exploration and Evaluation expenditure incurred by or on behalf of the Group is reported 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.

The Group expenses all costs incurred in respect of the acquisition of exploration and evaluation activities and ongoing exploration activities in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

	Consolidated	
	2021	2020
	US\$000	US\$000 Restated (*)
4. INCOME TAX		
(a) Income Tax Expense		
(i) The components of tax expense comprise:		
Current tax	10,680	7,999
Deferred tax	4,638	(4,627)
Prior year adjustment	(139)	(16)
	15,179	3,356
(ii) The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Operating (loss)/profit before income tax	62,435	33,047
Prima facie tax expense/(credit) at 30% (2020: 30%) on operating profit	18,731	9,914
<i>less - tax effect of:</i>		
difference of effective foreign income tax rates	(3,111)	(100)
Interest income	80	360
amortisation and depreciation adjustment	(7,400)	(2,822)
VAT write off	227	(3,334)
share based payments expense	160	48
Impact of change in tax rate in Philippines	6,602	-
foreign exchange	42	145
expiry of tax credits	484	-
other	(128)	(360)
deferred tax assets not brought to account	(508)	(495)
Income tax expense/(benefit)	15,179	3,356
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 4(c) occur:		
- Temporary differences	17,306	17,306
- Australian tax losses	2,406	2,747
Total	19,712	20,053
The benefit of tax losses will only be obtained if:		
- the Group derives future assessable income of a nature & of an amount sufficient to enable the benefit to be realised;		
- the Group continues to comply with the conditions for deductibility imposed by the law; and		
- no changes in tax legislation adversely affect the Group in realising the benefit.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

4. INCOME TAX (continued)

(a) Deferred Tax

	Opening balance US\$000	Forex on translation US\$000	Credit/(charged) to income US\$000	Closing balance US\$000
Consolidated Group				
<u>30 June 2021</u>				
Deferred tax liability				
Mining and exploration timing differences	257	549	-	806
Total deferred tax liability	257	549	-	806
Deferred tax assets				
Carried forward tax losses	1,010	-	(483)	527
Mining and exploration timing differences	22,070	665	(4,341)	18,394
Total deferred tax asset	23,080	665	(4,824)	18,921
<u>30 June 2020</u>				
Deferred tax liability				
Capitalised exploration & evaluation expenditures	-	-	-	-
Mining and exploration timing differences	778	(521)	-	257
Total deferred tax liability	778	(521)	-	257
Deferred tax assets				
Carried forward tax losses	1,826	-	(816)	1,010
Mining and exploration timing differences	16,601	341	5,128	22,070
Total deferred tax asset	18,427	341	4,312	23,080

(b) Recognition and Measurement

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

4. INCOME TAX (continued)

(c) Recognition and Measurement (continued)

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.

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.

(d) Key Estimates and Judgments

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

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

The Group has recognised a deferred tax asset of US\$19 million at 30 June 2021. The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

5. EARNINGS PER SHARE

(a) Earnings/(Loss) per Share

	Consolidated	
	2021	2020
	US\$000	US\$000
		Restated (*)
Profit/(Loss) used to calculate basic and diluted EPS	47,256	29,691
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	207,873,301	207,794,301
Weighted average unlisted options & performance rights outstanding	6,019,496	3,067,178
Weighted average of ordinary shares diluted as at 30 June 2021	213,892,797	210,861,479

(*) Restated - refer Note 28 for further details.

(b) Recognition and Measurement

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES

This section of the notes shows cash generation, the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the Capital Structure, Financial Instruments and Risk Section.

6. CASH AND CASH EQUIVALENTS

(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:

	Consolidated	
	2021 US\$000	2020 US\$000
Cash at bank	51,036	38,814
Cash on hand	38	38
Total cash assets	51,074	38,852

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

Profit/(Loss) after income tax	47,256	29,691
add/(less) -		
Non-cash items:		
- Depreciation/amortisation	33,696	26,502
Mine rehabilitation amortisation	873	839
- Retirement Benefit	758	574
- Gain on asset disposal	25	1
- Recognition of share-based expenses	534	158
- VAT write off	593	11,546
- Foreign exchange (gain) / loss	575	(78)
- Bad debts written off	-	159
Total non-cash items	84,310	69,392
Changes in assets & liabilities		
- (increase)/decrease in trade & other receivables	(17,292)	(6,309)
- (increase)/decrease in VAT provisions for write off	315	(1,132)
- (increase)/decrease in prepayments	74	58
- (increase)/decrease in inventories	(1,219)	(2,740)
- (decrease)/increase in trade & other payables	(2,080)	1,632
- (increase)/decrease in deferred taxes assets	4,159	(4,653)
- increase/(decrease) in deferred taxes liabilities	(549)	521
- movement in retirement benefit liability	(3,282)	-
Total changes in assets and liabilities	(19,874)	(12,623)
Net cash provided by operating activities	64,436	56,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

6. CASH AND CASH EQUIVALENTS (continued)

(c) Restricted Funds

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

- (i) a rehabilitation fund of US\$5,378,887 (2020: US\$5,192,428) to be used at the end of life of mine for environmental rehabilitation.
- (ii) an employee retirement fund of nil (2020: US\$1,439,587) established to meet employee entitlements on retirement. This is now held by a Trustee Company of the retirement fund. Refer to Note 14.

The Group has a provident fund of nil (2020: US\$707,250) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

Total restricted funds amount to US\$5,378,887.

(d) Recognition and Measurement

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.

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021	2020
	US\$000	US\$000
Current		
GST/VAT receivables	10,349	8,525
Trade / Other receivables	15,063	1,157
Total current receivables	<u>25,412</u>	<u>9,682</u>
Non-Current		
GST/VAT receivables	20,869	19,307
Total non-current receivables	<u>20,869</u>	<u>19,307</u>

(a) Recognition and Measurement

Trade and other receivables are initially measured at the transaction price and subsequently measured at amortised cost less an allowance for uncollectable amounts. Uncollectable amounts are determined using the expected loss impairment model. Collectability and impairment of trade receivables is assessed on a regular basis.

In the current year, the expected credit loss on trade receivables is considered insignificant as trade receivables represents refined gold and silver awaiting settlement which is generally expected to settle within two days.

(b) Key Estimates and Judgments

The Group has GST/VAT of \$31 million that comprises tax credit certificates ("TCC") and VAT claimable for cash and offsets. The current asset portion of VAT \$10 million comprises amounts that are estimated to be utilised within the current period. The non-current amount of VAT receivable of \$21 million represents the estimated amount utilised in future periods against tax liabilities.

Management judgment has been used to determine a provision for Philippine VAT Receivables not recoverable in future and is based on historical and estimated amounts in future.

In FY20 an amount of approximately \$9.5m relating to VAT Receivables (refer Note 3) reported in a Philippine controlled entity has been de-recognised as an asset as the timing of utilising this amount could not be determined at balance date. Under existing Philippine tax law, this amount continues to be available to offset future VAT liabilities indefinitely, dependent on future VAT transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

	Consolidated	
	2021	2020
	US\$000	US\$000
8. INVENTORIES		
Consumables - net realisable value	7,096	6,924
Ore stockpile - at cost	1,740	2,735
Gold Inventory - at cost	7,861	5,820
Total inventories	<u>16,697</u>	<u>15,479</u>
(a) Recognition and Measurement		
<p>Inventories consisting of ore in stockpiles, metal-in process and finished metal are valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct costs and an appropriate portion of fixed and variable production overhead expenditure, including depreciation and amortisation, incurred in converting materials into finished goods. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.</p> <p>Consumables are valued at the lower of cost and net realisable value. Any allowance for obsolescence is determined by reference to stock items identified.</p>		
9. PROPERTY, PLANT & EQUIPMENT		
Plant & equipment:		
At cost	204,342	200,318
less - provision for impairment	(132,064)	(132,064)
less - accumulated depreciation	(66,331)	(58,068)
Total plant & equipment at net book value	<u>5,947</u>	<u>10,186</u>
Capital works in progress:		
At cost	<u>11,570</u>	<u>4,815</u>
Total capital works in progress at net book value	<u>11,570</u>	<u>4,815</u>
Furniture & fittings:		
At cost	1,350	1,189
less - provision for impairment	(254)	(254)
less - accumulated depreciation	(938)	(866)
Total furniture & fittings at net book value	<u>158</u>	<u>69</u>
Total carrying amount at end of year	<u>17,675</u>	<u>15,070</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

	Consolidated	
	2021 US\$000	2020 US\$000
9. PROPERTY, PLANT & EQUIPMENT (continued)		
<i>Reconciliations:</i>		
Plant & equipment:		
Carrying amount at beginning of year	10,186	12,849
<i>plus</i> - additions	2,826	4,371
<i>plus</i> - net transfer from capital works in progress	1,225	-
<i>less</i> - forex differences on translation	(2)	94
<i>less</i> - disposal	(25)	(1)
<i>less</i> - depreciation	(8,263)	(7,127)
Carrying amount at end of year	5,947	10,186
Capital works in progress:		
Carrying amount at beginning of year	4,815	2,812
<i>plus</i> - additions	7,991	2,003
<i>less</i> - net transfer to plant and equipment	(1,236)	-
Carrying amount at end of year	11,570	4,815
Furniture & fittings:		
Carrying amount at beginning of year	69	82
<i>plus</i> - additions	149	46
<i>plus</i> - net transfer from capital works in progress	12	-
<i>less</i> - depreciation	(72)	(59)
Carrying amount at end of year	158	69
Total carrying amount at end of year	17,675	15,070

(a) Recognition and Measurement

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

10. DEVELOPMENT EXPENDITURE

	Consolidated	
	2021 US\$000	2020 US\$000 Restated (*)
At cost - Co-O	467,123	439,143
<i>less</i> - provisions for impairment	(246,260)	(246,260)
<i>less</i> - accumulated amortisation	(160,763)	(135,575)
Net Co-O development expenditure	60,100	57,308
Royal Crowne Vein Development expenditure:		
At cost	2,148	1,489
Net Royal Crowne Vein Development expenditure	2,148	1,489
Total carrying amount at end of year	62,248	58,797
<u>Reconciliation:</u>		
Carrying amount at beginning of year	57,308	49,387
<i>plus</i> - costs incurred	27,980	27,040
<i>less</i> - amortisation expense	(25,188)	(19,119)
Carrying amount at end of year	60,100	57,308
Royal Crowne Vein Development expenditure:		
Carrying amount at beginning of year	1,489	806
<i>plus</i> - costs incurred	659	683
Carrying amount at end of year	2,148	1,489
Total carrying amount at end of year	62,248	58,797

(*) Restated - refer Note 28 for further details.

(a) Recognition and Measurement

Development expenditure represents the accumulated 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 an average rate of 28.99% (2020:26.38%). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

10. DEVELOPMENT EXPENDITURE (continued)

(a) Key Estimates and Judgments

(i) 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 in determining the viability of a project.

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 charge is included in profit or loss.

(ii) 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 below, including cut-off grades. Changes in these estimates could materially impact on ore reserves and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

The Group has used the Reserve Statement released on 13th April 2021, taking into account ore utilised throughout the period and replenished to estimate the recoverable amount of long-lived assets.

(iii) Key estimates - Determination of ore reserves and remaining mine life

The Group uses the concept of life-of-mine as an accounting value to determine the amortisation of Development Assets in production.

In determining life-of-mine, The Group prepares ore resource and resource estimates in accordance with JORC Code 2012, guidelines prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geo Scientists and Minerals Council of Australia.

The estimate of these resources and reserves, by their very nature, require judgments, estimates and assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

11. LEASES

Nature of leasing activities

The Group leases certain items of plant and equipment, whereby these leases comprise a mixture of fixed and variable payments.

The Group also leases a property and the lease contracts provide for payments to increase each year by a fixed percentage.

	Consolidated		
	Land & buildings	Plant & equipment	Total
	US\$000	US\$000	US\$000
Right-of-use assets			
<u>1 July 2019</u>	359	2,011	2,370
Amortisation	(73)	(398)	(471)
At 30 June 2020	286	1,613	1,899
<u>1 July 2020</u>	286	1,613	1,899
Amortisation	(81)	(403)	(484)
As at 30 June 2021	205	1,210	1,415

Right-of-use-assets are included in the Consolidated Statement of Financial Position as Leased Assets.

	Consolidated	
	2021	2020
	US\$000	US\$000
Lease Liabilities		
<u>1 July</u>		
Current	579	532
Non-Current	914	1,432
As at 30 June	1,493	1,964

The following amounts have been included as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the period:

	Consolidated	
	2021	2020
	US\$000	US\$000
Interest expense (included in Interest expense)	108	126
Expenses relating to short term leases (included in Other expenses)	-	-
Expenses relating to low value assets that are not short-term leases (included in Other expenses)	-	-
As at 30 June	108	126

The Group's total cash outflow for leases in the year ended 30 June 2021 was \$578,881 (2020: \$531,912).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

11. LEASES (continued)

(a) Recognition and Measurement

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(b) Key Estimates and Judgments

Leases - determining the lease term.

The Group has in place a number of leases of property and equipment with terms that can be renewed or extended, or, where no formal extension or renewal option exist, there is a practice of renewing or extending the lease.

In determining the lease term, management is required to determine

- Whether there is an actual or implied extension or renewal option. An implied extension or renewal option will exist if both the lessee and lessor would incur a more than insignificant penalty if the lease were not extended or renewed; and
- Whether the Group is reasonably certain to exercise any actual or implied extension options, taking into account all facts and circumstances relating to the lease.

Estimates:

Leases - determining the incremental borrowing rate.

Where the interest rate implicit in a lease is not known, the Group is required to determine the incremental borrowing rate, being the rate of interest, the Group would have to pay to borrow a similar amount, over a similar term, with similar security to obtain an asset of similar value in a similar economic environment.

As this information may not be readily available, the Group is required to estimate its incremental borrowing rate using such information as is available and making adjustments to reflect the particular circumstances of each lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

12. IMPAIRMENT OF NON-CURRENT 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.

When indicators of impairment exist, a formal estimate of the recoverable amount is made. External and internal indicators of impairment as at 30 June 2021 included:

- market value of the Company is lower than net assets of the Group; and
- increased expected future costs of production.

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

(a) Impairment testing

(i) Methodology

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

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

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group planning and budgeting process, mill capacity levels and mining plans for the following year. The 2021 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 2021 carrying value assessments. Comparison to the prior period has been provided.

Assumptions	Unit	2021 (2022 - 2026)	2020 (2021 - 2024)
Average gold price	US\$/ounce	1,660	1,643
Average AISC	US\$/ounce	1,095	1,203
Pre-Tax discount rate (%)	%	11.7	14.0
Probable reserves	ounces	331,300	332,000
Production range per annum	ounces	67,000 - 95,000	77,000 - 98,000

The average All-In-Sustaining-Costs ("AISC") comprises all operating, sustaining capital and overheads expenditure averaged over the period mentioned.

Estimated potential future impacts of Covid-19 have been considered within forecast financial information and the key assumptions table above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

12. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

(a) Impairment testing (continued)

(ii) Key Assumptions (continued)

Commodity prices

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

Discount rate

The future cash flows of the CGU are discounted by the estimated real after tax weighted average cost of capital ("WACC"), pursuant to the Capital Asset Pricing Model. The nominal pre-tax WACC has been derived from comparable company analysis, in addition to the WACC rate of the group's Co-O mining operations being the primary CGU.

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 annual budget and the 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 considered while assuming a constant recovery rate.

Resources and reserves

Resource and Reserve ounces were based on the Group's JORC 2012 compliant Annual Resource and Reserve Update Statement announced to the Australian Securities Exchange on 13th April 2021.

(iii) Impacts

Due to the recoverable amount of the Group's Co-O mining operations CGU being greater than the estimated carrying amount, no impairment charge was required for the year ending 2021 (2020: nil).

Description	Note	2021			2020		
		Carrying amt (\$'000)	Impairment (\$'000)	Balance (\$'000)	Carrying amt (\$'000)	Impairment (\$'000)	Balance (\$'000)
Development	10	62,248	-	62,248	63,001	-	63,001
Plant & equipment	9	17,675	-	17,675	15,070	-	15,070
Inventories	8	7,096	-	7,096	6,924	-	6,924
Total		87,019	-	87,019	84,995	-	84,995

(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. The impact was concluded as not material and accordingly no impairment was required at 30 June 2021.

Assumption changes	2021	2020
	Effect on recoverable amt (\$'000)	Effect on recoverable amt (\$'000)
US \$200 per ounce increase/decrease in gold price	+/- 62,020	+/- 54,121
2% increase/decrease in the discount rate	+/- 8,432	+/- 5,081
5% increase in operating costs	(27,518)	(21,366)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

	Consolidated	
	2021 US\$000	2020 US\$000
13. TRADE & OTHER PAYABLES		
Trade creditors	7,412	8,509
Accruals	2,960	2,683
Income tax payable	1,291	4,168
Withholding tax	2,369	497
Other creditors	180	154
Total creditors	14,212	16,011

(a) Recognition and Measurement

Trade and other payables are initially measured at the value of the invoice received from the supplier and subsequently measured at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of these purchase of the goods and services. The amounts are unsecured and generally paid within 30 days of recognition.

14. PROVISIONS

Current provisions:

Employee benefits	245	466
Total current provisions	245	466

Non-current provisions:

Retirement benefit	1,082	3,904
Mine rehabilitation	3,917	3,686
Total non-current provisions	4,999	7,590

Retirement benefit

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

Current service cost	623	441
Net interest on obligation	123	133
Total	746	574

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	1,082	3,904
Total	1,082	3,904

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

Opening balance	3,904	2,459
Current service cost	623	441
Net interest costs	123	133
Benefits/contributions paid	(380)	(941)
Actuarial gain/(loss)	401	1,812
Plan assets	(3,589)	-
Closing balance	1,082	3,904

The Company has Plan Assets held by trustees for employee retirement fund amounting to US\$3,589,617 (2020: US\$ Nil). Previous years Plan Assets held as restricted cash within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

	Consolidated	
	2021 US\$000	2020 US\$000
14. PROVISIONS (continued)		
(a) Recognition and Measurement		
<i>Mine rehabilitation</i>		
Carrying amount at beginning of the year	3,686	3,479
(less)/plus - in provision	231	207
Carrying amount at end of year	3,917	3,686

(i) 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.

(ii) Retirement Benefit Fund

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

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

Actuarial gains and losses are amortised over the expected average remaining working lives of the participating employees in the plan. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in the profit or loss when the Group demonstrates commitment to the curtailment or settlement. Past service costs are recognised when incurred to the extent that benefits are vested and are otherwise amortised on a straight-line basis over the vesting period.

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.

(iii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

14. PROVISIONS (continued)

(b) Key Estimates and Judgments

Key estimates - Rehabilitation Provision

The determination of the provision requires significant judgement in terms of the best estimate of the future costs of performing the work required, the timing of the cash flows and the appropriate discount rate.

In relation to estimating the costs of performing the work required, significant judgement and estimates are required in relation to estimating the extent of rehabilitation activities, including area to be rehabilitated, technological changes, regulatory changes, timing of cash flows and appropriate discount rates.

When these estimates change or become known in the future, such differences will impact the mine rehabilitation provision on the period in which they change or become known.

A change in any, or a combination of, the key estimates used to determine the provision could have a material impact on the carrying value of the provision.

Key estimates - Retirement Benefit Obligation

The Retirement Benefit in Non-Current Liabilities relates to the Philippine 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 2021 by Actuarial Advisers, Inc. 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 - 4.66% (2020: 3.54%)
- Expected rate of salary increase - 6.00% (2020: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK

This section provides further information about the Group's contributed equity, financial liabilities, related finance costs and its exposures to various risks. It explains how these risks affect the Group's financial position and performance and what the Group does to manage the risk.

	Consolidated	
	2021	2020
	US\$000	US\$000
15. BORROWINGS		
Current borrowings:		
Secured liability - interest bearing loan	205	142
Unsecured liability - interest bearing loan	1,298	5,315
Total current borrowings	1,503	5,457
Non-current borrowings:		
Secured liability - interest bearing loan	200	296
Total non-current borrowings	200	296
Total Borrowings	1,703	5,753

Secured Borrowing are bank loans secured by transportation equipment of the Group. Interest rates on the loans range between 4.32% to 7.75% (2020: 5.84% to 7.89%).

(a) Recognition and Measurement

All borrowings are initially recognised at fair value less transaction costs. Borrowings are subsequently carried at amortised cost using the effective interest rate. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of borrowings using the effective rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

	Consolidated	
	2021	2020
	US\$000	US\$000
16. ISSUED CAPITAL		
207,873,301 ordinary shares (30 June 2020: 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>		
Ordinary shares issued - new issues	-	-
Balance at end of year	102,902	102,902

Ordinary shares

Ordinary shares are classified as equity and transaction costs directly attributable to the issue of shares recognised as a deduction from equity, net of any related income tax effects.

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/performance rights 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	
	2021	2020
	US\$000	US\$000 Restated (*)
<u>Capital for the reporting period under review is summarised as follows:</u>		
Total equity	193,071	152,727
Cash and cash equivalents	(51,074)	(38,852)
Total	141,997	113,875
Total equity	193,071	152,727
Borrowings	1,703	5,753
Overall financing	194,774	158,480
Capital-to-overall financing ratio	73%	72%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

	Consolidated	
	2021 US\$000	2020 US\$000
17. RESERVES		
Share-based payment reserve	1,155	444
Other reserve	(1,042)	(959)
Foreign currency translation reserve	7,325	6,672
Total Reserves	7,438	6,157

(a) Share based payment reserve

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

Options:

Unlisted options over ordinary shares at 30 June 2021;

- 3,200,000 options expiring 16 December 2018 and exercisable at A\$1.00 each. During the years 2016, 2017, 2018 and 2019, 459,500, 225,500, nil and 2,515,000 options respectively were forfeited resulting in nil options remaining at reporting date. Refer to note 27 (i).

All options had expired at reporting date (2020: Nil).

- 1,000,000 options expiring 9 February 2019 and exercisable at A\$1.00 each. During the years 2016, 2017, 2018 and 2019, nil, 350,000, nil and 650,000 options respectively were forfeited resulting in nil options remaining at reporting date. Refer to note 27 (ii).

All options had expired at reporting date (2020: Nil).

- 1,200,000 options expiring 24 November 2020 and are exercisable at various prices as disclosed in note 27 (iii).
- 840,000 options were forfeited at 30 June 2019 and 360,000 options vested at 30 June 2020 – 360,000 options expired at 30 June 2021 (2020: 360,000).

All options had expired at reporting date (2020: 360,000).

- 1,465,000 options expiring 8 Jan 2022 and are exercisable at various prices as disclosed in note 27 (v). 999,000 options were vested at reporting date (2020: 999,000)

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

Performance Rights:

Under the Performance Rights plan for long term incentives, which was approved by shareholders on January 2015, eligible employees are granted performance rights (each being an entitlement to an ordinary fully paid share), subject to the satisfaction of vesting conditions and on the terms and conditions as determined by the Board.

Under the short-term incentive plan for executives, agreed annually with the Board, a predetermined amount of the award is settled in Performance Rights. Eligible employees are granted performance rights (each being an entitlement to an ordinary fully paid share), subject to the satisfaction of vesting conditions and on the terms and conditions as determined by the Board.

Performance Rights issued under these plans carry no voting or dividend rights and are issued for no consideration. Refer Note 27.

(b) Foreign Currency Translation Reserve

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

(c) Other Reserves

Remeasurement gains and losses arising from changes in actuarial assumptions relating to the retirement benefits are recognised in the period in which they occur, directly in other comprehensive income. They are included in Other Reserves in the Statement of Changes in Equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

	Consolidated	
	2021 US\$000	2020 US\$000 Restated (*)
18. RETAINED PROFITS AND ACCUMULATED LOSSES		
Retained profit/(loss) at start of year	43,668	14,061
Change on estimate	-	(5,694)
Net profit/(loss) attributable to members of Company	47,256	35,385
Transfer from share option reserve	(177)	(84)
Dividend paid	(8,016)	-
Retained profits/(accumulated losses) at the end of year	82,731	43,668
19. DIVIDENDS PAID AND PROPOSED		
Interim dividend for the year ended 30 June 2021 of 5 cents per fully paid share	8,016	-
Total dividend paid during the financial year	8,016	-

(a) Recognition and Measurement

Provision is made for any declared dividend, being appropriately authorised and no longer at the discretion of Company, on or before the end of the reporting period but not distributed at the end of the reporting period. A provision for dividend is not recognised as a liability unless the dividends are declared on or before the reporting date.

20. 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.

(iii) 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.

(iv) Price risk

The Group sells its gold produced at spot rate and no forward contracts or hedging is utilised. Whilst the Group is cognizant of its exposure to fluctuations in the gold price, the current policy of the Board is not to hedge primarily because the Group produces gold in the current economic environment at a very low cash cost. The Board's risk management policy acknowledges that as market factors are dynamic in nature all risk positions are monitored to ensure that the Groups' 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial Risk Management Policies (continued)

(v) Liquidity risk

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

(vi) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss to the Company. Credit risk arises from the financial assets of the Company, which comprise trade and other receivables and deposits with banks and financial institutions.

The Company manages its credit risk on trade receivables and financial instruments by predominantly dealing with counterparties with an investment grade credit rating. Customers who wish to trade on unsecured credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis. As a result, the Company's exposure to bad debts is not significant. Medusa's maximum credit risk is limited to the carrying amount of its financial assets.

At 30 June 2021 the Company had a provision for credit loss of nil (2020: nil). Subsequent to 30 June 2021, 100% (2020: 100%) of the trade receivables balance of nil (2020: nil) has been received. Credit risk from balance with banks is managed by placing funds with reputable financial institutions with strong investment grade credit ratings.

(vii) 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 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 avg		Floating interest rate		Within 1 Year		Within 1 to 5 Years		Non-Interest Bearing		Total	
	Effective interest		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(%)		(US\$000)									
Financial Assets:												
Cash & cash equivalent	0.45	0.15	9,366	23,475	-	-	-	-	41,708	15,377	51,074	38,852
Loans and receivables	-	-	-	-	-	-	-	-	15,063	-	15,063	-
			9,366	23,475	-	-	-	-	56,771	15,377	66,137	38,852
Financial Liabilities:												
<i>Financial liabilities at amortised cost</i>												
Bank Loan - Current	4.32	5.84	-	-	1,503	5,457	-	-	-	-	1,503	5,457
Bank Loan - Non-current	7.75	7.89	-	-	-	-	200	296	-	-	200	296
Lease Liabilities - Current	6.03	6.03	-	-	579	532	-	-	-	-	579	532
Lease Liabilities - Non-Current	6.03	6.03	-	-	-	-	914	1,432	-	-	914	1,432
Trade & sundry payables	-	-	-	-	-	-	-	-	14,212	16,011	14,212	16,011
			-	-	2,082	5,989	1,114	1,728	14,212	16,011	17,408	23,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial instrument composition and maturity analysis (continued)

(i) Financial instrument composition and maturity analysis (continued)

	Consolidated	
	2021	2020
	US\$000	US\$000
<u>Trade and sundry payables are expected to be paid as follows:</u>		
Less than 6 months	14,212	16,011

As at 30 June 2021 and 2020, all receivables were neither past due nor impaired

(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.

(iv) Interest Rate Sensitivity Analysis

As at 30 June 2021, the effect on profit or equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated	
	2021	2020
	US\$000	US\$000
<u>Change in profit/(loss) before income tax/equity:</u>		
- increase in interest rate by 100 basis points	113	253
- decrease in interest rate by 100 basis points	(113)	(253)

(v) 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 2020 and 2021 financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial instrument composition and maturity analysis (continued)

(v) Foreign currency risk sensitivity analysis (continued)

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

Consolidated	Net Financial Assets/(Liabilities) in US\$000			
	A\$	PHP	US\$	TOTAL US\$
2021				
Functional currency of Group Entity				
Australian Dollar	-	-	2,542	2,542
US Dollar	-	733	-	733
Philippine Peso	-	-	36,887	36,887
Total	-	733	39,429	40,162
2020				
Functional currency of Group Entity				
Australian Dollar	-	-	12,233	12,233
US Dollar	-	459	-	459
Philippine Peso	-	-	13,047	13,047
Total	-	459	25,280	25,739

	Consolidated	
	2021 US\$000	2020 US\$000
<u>Change in profit/(loss) before income tax/equity:</u>		
- strengthening of A\$ to US\$ by 5%	(121)	(582)
- strengthening of Philippine Peso to US\$ by 5%	(1,843)	(652)
Total	(1,964)	(1,234)
- weakening of A\$ to US\$ by 5%	121	582
- weakening of Philippine Peso to by 5%	1,843	652
Total	1,964	1,234

(vi) 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\$1,853 (2020: US\$1,569) 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\$17,701 million (2020: US\$14,807 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with accounting standards and other regulatory pronouncements but are not considered critical in understanding the financial performance or position of the Group.

	Consolidated	
	2021	2020
	US\$	US\$
21. AUDITORS' REMUNERATION		
<i>Remuneration received or due and receivable by the Company's Auditors, BDO Audit (WA) Pty Limited for:</i>		
• auditing or reviewing the financial reports	147,643	140,843
• other services provided by related entities of auditor:		
Taxation	24,648	29,363
Remuneration consulting	-	3,129
IFRS Advisory	-	10,950
Total remuneration of the Company's auditors	172,291	184,285
<i>Remuneration of other auditors of the Company's Philippines and Hong Kong subsidiaries for:</i>		
• auditing or reviewing the financial reports	83,194	80,065
• other services provided by related practice of auditor - taxation & compliance	7,473	3,400
Total remuneration of other auditors of the Company's Philippines subsidiaries	90,667	83,465
22. 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	195
- 1 year or later and no later than 5 years	1,264	1,113
Total exploration commitments	1,470	1,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

22. COMMITMENTS (continued)

	Consolidated	
	2021	2020
	US\$000	US\$000
(b) 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 obligations are not provided in the financial report and are payable:		
- no later than 1 year	61	853
- 1 year or later and no later than 5 years	243	214
Total other contractual commitments	304	1,067
(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 obligations are not provided in the financial report and are payable:		
- no later than 1 year	105	68
- 1 year or later and no later than 5 years	253	236
Total other contractual commitments	358	304
(iii) As announced on the ASX on 16 April 2021, the Co-O gold mine decline project Tigerway was approved. The Company's associated operating entity in the Philippines has committed to spend approximately US\$54 million on the decline project over 36 months, of which approximately US\$6 million has been spent in FY21.		

23. CONTINGENT LIABILITIES

- (i) The parent entity on behalf of its subsidiary Komo Diti Traders Limited has provided a performance guarantee to its customer Heraeus Limited amounting to no more than US\$15,000,000 for any deficiency in the subsidiary's obligations and liabilities under the Refining & Transportation Agreement with Heraeus Limited.
- (ii) The parent entity has a bank guarantee of AUD\$83,630 with the Commonwealth Bank of Australia for its head office premises. In the event that it is unable to fulfil its rental obligation with the landlord, the bank shall release the funds for settlement.
- (iii) The Company's operating affiliate in the Philippines, Mindanao Mineral Processing and Refining Corporation ("MMPRC") is contesting an alleged deficiency of payment of corporate income tax and certain indirect taxes by the Bureau of Internal Revenue Philippines (BIR).

In May 2021, the Court of Tax Appeals ("CTA") in the Philippines issued a Notice of Decision cancelling and set aside the entire amount of the alleged deficiency of corporate income tax and upheld the assessment of the alleged deficiency of payment of indirect taxes.

In June 2021, MMPRC has filed a motion to the CTA to appeal the decision to uphold the assessment of the alleged deficiency of payment of indirect taxes. Likewise, BIR has filed a motion to the CTA to appeal its decision in relation to corporate tax matter. As of this date, there is no resolution with regards to the appeal matters.

Management, in consultation with its legal counsel, believe the appeal will favour the position of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

24. RELATED PARTIES

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

Key Management Personnel related parties

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

Directors:

Non-Executive -

Jeffery McGlinn (appointed Non-Executive Director 16 February 2021 and Chairperson on 19 March 2021);

Roy Daniel; and

Simon Mottram.

Executive -

Andrew Teo (appointed Managing Director on 19 March 2021)

Executive Officers:

David McGowan (Chief Executive Officer - ceased employment on 20 July 2020);

Raul Villanueva;

Patrick Warr (appointed Chief Financial Officer on 7 September 2020);

Peter Alphonso (Chief Financial Officer retired 7 September 2020); and

James Llorca (General Manager, Geology & Resources).

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

	Consolidated	
	2021	2020
	US\$000	US\$000
<u>Key management personnel compensation:</u>		
Short term employee benefits	1,559	1,495
Post-employment benefits	40	52
Long-term benefits	-	8
Equity-settled share-based payments	372	53
Total	1,971	1,608

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

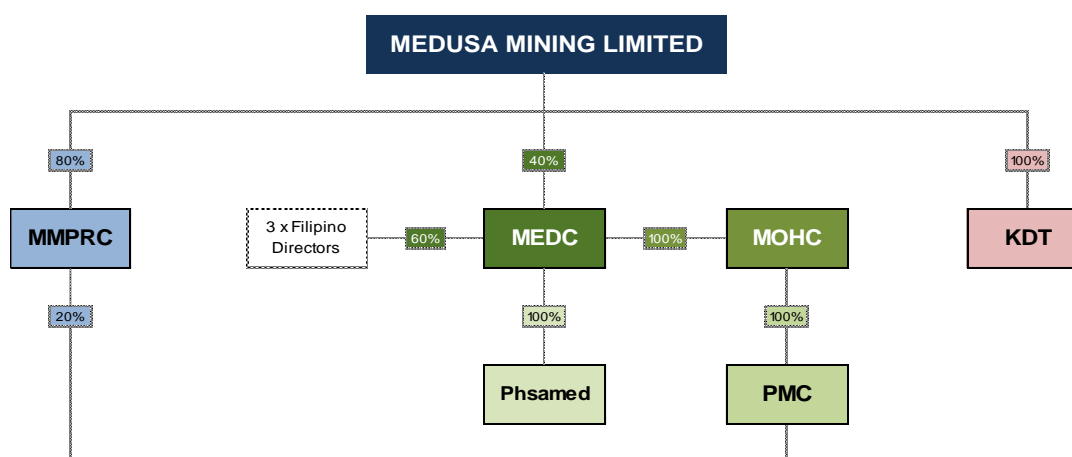
OTHER INFORMATION (continued)

25. INVESTMENT IN SUBSIDIARIES

The following companies are controlled entities of Medusa Mining Limited as at 30 June 2021:

Controlled Entities	Date of incorporation	Country of incorporation	% interest held	
			2021	2020
Medusa Exploration & Development Corporation	29 May 2003	Philippines	40%	40%
Phsamed Mining Corporation	23 Apr 2003	Philippines	40%	40%
Medusa Overseas Holding Corporation	08 May 2003	Philippines	40%	40%
Philsaga Mining Corporation	17 May 2001	Philippines	40%	40%
Mindanao Mineral Processing and Refining Corporation	03 Nov 2005	Philippines	100%	100%
Komo Diti Traders Limited	23 Jan 2017	Hong Kong	100%	100%

ORGANISATION CHART



Philippines entities:

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

Hong Kong entity:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

26. PARENT COMPANY INFORMATION

	2021 US\$000	2020 US\$000
Parent Entity:		
Current Assets	2,788	12,485
Total Assets	20,816	27,792
Current Liabilities	392	678
Total Liabilities	621	982
Net Assets	20,195	26,810
Issued capital	102,902	102,902
Option premium reserve	1,155	444
Foreign exchange reserve	11,894	11,894
Accumulated losses	(45,471)	(46,161)
Dividends paid	(50,285)	(42,269)
Total Equity	20,195	26,810
Profit/(Loss) for the year	867	(1,539)
Total Comprehensive Profit/(Loss)	867	(1,539)

On adoption of AASB 9 Financial Instruments in FY20 the financial impact of applying the expected loss impairment model to loans provided to subsidiaries was nil.

27. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed during 30 June 2021:

- (i) On 16 December 2014, 3,200,000 options were issued to Australian and Philippine based employees. The options, which hold no voting or dividend rights have an expiry date of 16 December 2018 and are exercisable at A\$1.00 per option.
Under the terms of the Issue the employees would be required to remain in the employment of the Company on 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 had expired.
- (ii) On 9 February 2015, 1,000,000 options were issued to Australian and Philippine based employees. The options which hold no voting or dividend rights have an expiry date of 09 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 on 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 had expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE-BASED PAYMENTS (continued)

(iii) On 24 November 2016, 1,200,000 options were issued to Boyd Timler, the company's previous Managing Director (who retired on 06 July 2018), subject to the rules of Medusa Mining Limited Share Option Plan. Upon his retirement, the remaining share options yet to be vested were forfeited.

(iv) The options which hold no voting or dividend rights have an expiry date of 24 November 2020 and are exercisable as follows:

Tranche	Options	Exercise price	Valuation per option	Terms of issue
A	300,000	A\$1.00	A\$0.200	Under the terms of the issue, the employee would be required to remain in the employment of the company at 24 November 2017 to achieve 30% vesting of options, at 24 November 2018 to achieve 30% vesting of options with full vesting if Mr Timler remains an employee of the company a year later on 24 November 2019. In July 2018, Mr Timler resigned.
B	300,000	A\$1.25	A\$0.170	
C	300,000	A\$1.50	A\$0.147	
D	300,000	A\$1.75	A\$0.128	

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

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

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

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

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

- Weighted average life of option - 48 months
- Share price volatility - 99%
- Risk free rate - 1%
- Dividend Yield - Nil

(vi) On 13 March 2020, the Company issued 5,300,000 Long Term Performance Rights to its employees. Under the terms of the issue, employees would be required to remain in employment of the Company for a three-year vesting period, until 13 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE-BASED PAYMENTS (continued)

The terms and conditions of the Long-term performance rights include the following:

Long Term Incentive Measures	Weighting relative to Total PR issued	Targets		Score mechanism
		Range of growth/change	Percentage allocation of weighting	
Financial measure: Earnings per share growth	17%	<ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3-year period
Company growth: Increase in ore reserves	16%	<ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	Based on JORC compliant reports 2019 and 2022
Long-term Infrastructure target: Decline development	17%	<ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline 	Zero Pro rata 0% to 100% 100%	Based on the decline metres developed at end of June 2022, based on plan to access level 14. 70% = 3,450 metres of decline, 85% = 4,190 metres.
Relative total shareholder returns: Measure of Company return compared to peer group.	25%	<ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile 	Zero 50% Pro rata 50% to 100% 100%	Measured against Peer Group based on 30-day VWAP at the relative measure points at 30 June 2019 and 30 June 2022
Absolute total shareholder return: Measure of Company return	25%	<ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% 	Zero Pro rata 50% to 100% 100%	Measure by comparing 30-day VWAP at 30 June 2019 to 30 day VWAP at 30 June 2022

The fair value of the non-market vesting conditions has been based on the share price of the Company at grant date.

Non-market vesting conditions are included in assumptions about the number of Performance Rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of Performance Rights (and options) that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

The fair value of market vesting conditions has been determined at grant date by using the Monte Carlo Simulations pricing model that takes into account the exercise price, the term of the performance right, the share price at grant date, expected price volatility of the underlying share and the risk-free rate for the term of the performance right. The expected price volatility is based on historic volatility (based on the remaining life of their performance right).

Include in the valuation of relative total shareholder returns is measurement of the Company to Peer companies in the gold industry.

Model inputs for market performance rights valued using the Monte Carlo Simulations model granted during the year include:

- o Grant date - 13 March 2020
- o Life - 3 years
- o Share price at grant date - 44.5 cents
- o Share price volatility - 58%
- o Risk free rate - 0.55%
- o Dividend Yield - Nil
- o 30-day VWAP - 51.8 cents
- o Fair Value - 26.0 cents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE-BASED PAYMENTS (continued)

- (vii) On 17 January 2020, the Company issued 167,000 Performance Rights to its executives pursuant to its Short-term incentive plan based on the performance of the Company for the year ended 30 June 2019. Under the terms of the issue, the executives would be required to remain in employment of the Company for a one-year vesting period, until 17 January 2021. The fair value of the Performance Rights of 61 cents has been recognised at grant date and based on the share price of the Company.
- (viii) On 30 November 2020, the Company issued 83,000 Performance Rights to its executives pursuant to its Short-term incentive plan based on the performance of the Company for the year ended 30 June 2021. Under the terms of the issue, the executives would be required to remain in employment of the Company for a one-year vesting period, until 30 November 2021. The fair value of the Performance Rights of 57 cents has been recognised at grant date and based on the share price of the Company.
- (ix) On 4 June 2021, the Company issued 350,000 Long Term Performance Rights to its CFO, Mr P Warr. Under the terms of the issue, Mr Warr would be required to remain in employment of the Company for a three-year vesting period, until 1 January 2024. Each Performance Right is a right to acquire one share in the Company for nil consideration. The value for a Performance Right granted has been calculated as \$0.57 each.

The terms and conditions of the Long-term performance rights include the following:

Long Term Incentive Measures	Weighting relative to Total PR issued	Targets		Score mechanism
		Range of growth/change	Percentage allocation of weighting	
Financial measure: Earnings per share growth	20%	<ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3-year period
Company growth: Increase in ore reserves	20%	<ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	Based on JORC compliant reports 2020 and 2023
Long-term Infrastructure target: Tigerway decline development	10%	<ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline 	Zero Pro rata 0% to 100% 100%	Based on the decline metres developed at relative measurement periods.
Relative total shareholder returns: Measure of Company return compared to peer group.	20%	<ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile 	Zero 50% Pro rata 50% to 100% 100%	Measured against Peer Group based on 30-day VWAP at the relative measure points at 30 June 2020 and 30 June 2023
Absolute total shareholder return: Measure of Company return	20%	<ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% 	Zero Pro rata 50% to 100% 100%	Measure by comparing 30-day VWAP at 30 June 2020 to 30 day VWAP at 30 June 2023
Safety: Total Injury frequency rate	10%	<ul style="list-style-type: none"> Negative 20% improvement 20%-40% improvement Greater than 40% improvement. 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	Measured by comparison of rates for lost time and non-lost time injuries over the vesting period.

The fair value of the non-market vesting conditions has been based on the share price of the Company at grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE-BASED PAYMENTS (continued)

Non-market vesting conditions are included in assumptions about the number of Performance Rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of Performance Rights (and options) that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

The fair value of market vesting conditions has been determined at grant date by using the Monte Carlo Simulations pricing model that considers the exercise price, the term of the performance right, the share price at grant date, expected price volatility of the underlying share and the risk-free rate for the term of the performance right. The expected price volatility is based on historic volatility (based on the remaining life of their performance right).

Include in the valuation of relative total shareholder returns is measurement of the Company to Peer companies in the gold industry.

Model inputs for market performance rights valued using the Monte Carlo Simulations model granted during the year include:

- Grant date - 4 June 2021
- Life - 3 years
- Share price at grant date - 89.0 cents
- Share price volatility - 55%
- Risk free rate - 0.11%
- Dividend Yield - Nil
- 30-day VWAP - 83.5 cents
- Fair Value - relative return 60.3 cents, absolute return 50.9 cents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE-BASED PAYMENTS (continued)

(x)

(xi) On 24 June 2021 the shareholders of the Company approved the issue of 2 million Long Term Performance Rights and 1.5 million Long Term Performance Rights to Messrs A Teo and R Villanueva respectively. Under the terms of the issue, these Executives will be required to remain in employment of the Company for a three-year vesting period, until 13 March 2024 and 1 January 2024 respectively.

The terms and conditions of the long-term performance rights include the following:

Long Term Incentive Measures	Weighting relative to Total PR issued	Targets		Score mechanism
		Range of growth/change	Percentage allocation of weighting	
Financial measure: Earnings per share growth	20%	<ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3-year period
Company growth: Increase in ore reserves	10%	<ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	Based on JORC compliant reports 2020 and 2023.
Long-term Infrastructure target: Tigerway decline development	20%	<ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline developed. 	Zero Pro rata 0% to 100% 100%	Percentage of weighting is based on achievement of programmed Tigerway Decline Project development. 1st year - 10% 2nd year - 15% 3rd year - remaining 75%
Relative total shareholder returns: Measure of Company return compared to peer group.	10%	<ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile 	Zero 50% Pro rata 50% to 100% 100%	Measured against Peer Group based on 30-day VWAP at grant date and three year anniversary date.
Absolute total shareholder return: Measure of Company return	10%	<ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% 	Zero Pro rata 50% to 100% 100%	Measure by comparing 30-day VWAP at grant date and three-year anniversary date.
Safety: Total Injury frequency rate.	30%	<ul style="list-style-type: none"> Negative 20% improvement 20%-40% improvement Greater than 40% improvement 	Zero Pro rata 0% to 40% Pro rata 40% to 100% 100%	Measured by comparison of rates for lost time and non-lost time injuries over the vesting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE-BASED PAYMENTS (continued)

Each Performance Right is a right to acquire one share in the Company for nil consideration.

The value at grant date of Performance Rights granted as part of remuneration is calculated in accordance with AASB2 Share Based Payments. The value for a Performance Right granted has been calculated as \$0.59 each.

The fair value of the non-market vesting conditions has been based on the share price of the Company at grant date.

Non-market vesting conditions are included in assumptions about the number of Performance Rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of Performance Rights (and options) that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

The fair value of market vesting conditions has been determined at grant date by using the Monte Carlo Simulations pricing model that considers the exercise price, the term of the performance right, the share price at grant date, expected price volatility of the underlying share and the risk-free rate for the term of the performance right. The expected price volatility is based on historic volatility (based on the remaining life of their performance right).

Included in the valuation of relative total shareholder returns is measurement of the Company to Peer companies in the gold industry

Model inputs for market performance rights valued using the Monte Carlo Simulations model granted during the year include:

- Grant date - 24 June 2021
- Life - 3 years
- Share price at grant date - 85.0 cents
- Share price volatility - 55%
- Risk free rate - 0.20%
- Dividend Yield - Nil
- 30 day VWAP - 87.8 cents
- Fair Value - (A Teo) relative return 67.7 cents, absolute return 46.0 cents
- (R Villanueva) relative return 59.9 cents, absolute return 44.7 cents

The following companies have been identified by the Company to comprise the Peer Group. The Remuneration Committee may recommend to the Board to either include or exclude gold mining organisations available on this list to reflect changes in the industry:

Company	ASX code
Austral Gold Limited	AGD
Dacian Gold Limited	DCN
Emerald Resources Limited	EMR
Kingsrose Mining Limited	KRM
Oceana Gold Limited	OGC
Pantoro Limited	PNR
Perseus Mining Limited	PRU
Ramelius Resources Limited	RMS
Red 5 Limited	RED
Resolute Mining Limited	RSG
Troy Resources Limited	TRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE-BASED PAYMENTS (continued)

- (xii) Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses were as follows:

	Consolidated	
	2021 US\$000	2020 US\$000
Options	16	31
Performance Rights	518	127
Total share-based payment expense	534	158

Share based options	2021		2020	
	Number of options	Weighted average exercise price (A\$)	Number of options	Weighted average exercise price (A\$)
Outstanding at start of year	1,825,000	1.2784	2,025,000	1.3157
Granted	-	-	-	-
Forfeited	-	-	200,000	1.6563
Expired	360,000	1.0417	-	-
Exercised	-	-	-	-
Outstanding at year end	1,465,000	1.3366	1,825,000	1.2784
Exercisable at year end	1,465,000	1.3366	1,359,000	1.1489

During the year, nil options were forfeited (2020: 200,000 options) and 360,000 options expired (2020: nil options).

The options outstanding at 30 June 2021 (all of which are unlisted) had a weighted average exercise price of A\$1.3366 and a weighted average remaining contractual life of 6.4 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE-BASED PAYMENTS (continued)

Performance Rights	2021		2020	
	Number of performance rights	Weighted average exercise price (A\$)	Number of performance rights	Weighted average exercise price (A\$)
Outstanding at start of year	5,467,000	0.4529	-	-
Granted	3,933,000	0.8508	5,467,000	0.4529
Forfeited	1,348,000	0.4618	-	-
Expired	-	-	-	-
Exercised	79,000	0.7020	-	-
Outstanding at year end	7,973,000	0.6452	5,467,000	0.4529
Exercisable at year end	-	-	-	-

The performance rights outstanding at 30 June 2021 (all of which are unlisted) had a weighted average exercise price of A\$0.6452 and a weighted average remaining contractual life of 25.92 months.

Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is US\$534,100 (2020:US\$158,387) and relates, in full, to equity-settled share-based payment transactions relating to employees.

(a) Recognition and Measurement

The fair value of share-based payment transactions measured at grant date are recognised as an employee expense with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the instruments.

If the employee does not meet a non-market condition, such as a service condition or internal KPI, any cumulative previously recognised expense is reversed.

The fair value of the share-based payment transactions granted are adjusted to reflect market vesting conditions at the time of grant date and not subsequently adjusted. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable and are updated at each balance sheet date. The impact of the revision to the original estimates for non-market conditions, if any, is recognised in the income statement with a corresponding adjustment to equity. Changes as a result of market conditions are not adjusted after the initial grant date.

(b) Key Estimates and Judgments

The Group 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 or a Monte Carlo Simulation model, considers 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

28. PRIOR PERIOD ERROR

The financial report for the year ended 30 June 2020 had reported an understatement of the amortisation expense by approximately \$5.693 million, resultant from an estimation error. This prior period error has been corrected by the retrospective restatement of the following items reported in the 30 June 2020 financial report:

Consolidated Statement of financial position	30 June 2020		
	Previous amount US\$000	Increase/(Decrease) US\$000	Restated amount US\$000
Development Expenditure	64,490	(5,693)	58,797
Total Assets	190,462	(5,693)	184,769
Net Assets	158,421	(5,693)	152,728
Retained Earnings	49,362	(5,693)	43,669
Total Equity	158,421	(5,693)	152,728

Consolidated Statement of profit or loss and other comprehensive income	30 June 2020		
	Previous amount US\$000	Increase/(Decrease) US\$000	Restated amount US\$000
Cost of Sales	85,585	5,693	91,278
Gross Profit	62,244	(5,693)	56,551
Profit before Income Tax expense	38,741	(5,693)	33,048
Income Tax expense	3,356	-	3,356
Profit for the year after Income Tax expense	35,385	(5,693)	29,692
Basic Profit/(Loss) per share	0.170	(0.027)	0.143
Diluted Profit/(Loss) per share	0.169	(0.027)	0.142

29. EVENTS SUBSEQUENT TO REPORTING DATE

- The Company announced to the ASX on 23 August 2021 that it had withdrawn from the tenement covering the Bananghilig Gold Deposit.
- The Company announced to the ASX on 24 August 2021, production guidance for FY22 of between 90,000 ounces to 95,000 ounces at All-In-Sustaining-Costs ("AISC") of between US\$1,250 to US\$1,300 per ounce.

The abovementioned AISC excludes any expenditure for the construction of the Tigerway Decline Project ("Tigerway"). The costs of the Tigerway project is estimated to be US\$54 million (*Refer ASX announcement 16 April 2021*) and the Company expects to incur US\$15 million on Tigerway for FY22.

Except for the above, subsequent to Balance Date, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

30. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

The functional currency of the parent entity, Medusa Mining Limited is Australian dollar, Komo Diti Traders Limited is United States dollar, Mindanao Mineral Processing and Refining Corporation and Philsaga Mining Corporation in United States dollar and the remaining entities are Philippine pesos.

DIRECTOR'S DECLARATION

for the year ended 30 June 2021

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:
Giving a true and fair view of its financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
Complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements: and
- b) There are reasonable grounds to believe that Medusa Mining Limited will be able to pay its debts as and when they become due and payable.
- c) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2021.
- d) 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
Managing Director

Dated the 26st day of August 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Medusa Mining Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Medusa Mining Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

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

Carrying Value of Group's Co-O mining operations (CGU)

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's carrying value of its Co-O mining operations (CGU) is included in property, plant and equipment (note 10) and development expenditure (note 11).</p> <p>The carrying value of mine properties is impacted by various key estimates and judgements in particular:</p> <ul style="list-style-type: none"> • Ore Reserves and estimates; • Amortisation rates; • Discount rate; • Assumed gold price; • Capitalisation of mining costs; and • Mine planning. <p>The Group is also required to assess for indicators of impairment at each reporting period. The assessment of impairment indicators in relation to the mine assets requires management to make significant accounting judgements and estimates which includes discount rates, commodity price and ore reserve estimates.</p> <p>This is a key audit matter due to the quantum of the Co-O asset and the significant judgement involved in management's assessment of the carrying value of the CGU. Refer to the significant estimates and judgements used by management in assessing the discounted future cash flows as disclosed in note 12.</p>	<p>We evaluated management's impairment model for the Co-O mining operations (CGU) by challenging the key estimates and assumptions used by management in arriving at their assessment. Our work included but was not limited to the following procedures:</p> <ul style="list-style-type: none"> • analysing management's gold price assumptions against external market information and trends, to determine whether a significant change would impact the value of the asset; • challenging the appropriateness of management's reserves estimate by assessing the significant assumptions, methods and source data used by management's expert in estimating the reserves. This included both meeting with management's expert and assessing the competency and objectivity of management's expert; • evaluating forecasted production and operating costs against the Board approved mine plan; • challenging the appropriateness of management's discount rate used in the impairment model in conjunction with our internal valuation experts; • challenging management's sensitivity assessment by performing our own sensitivity analysis in respect of the key assumptions to indicate if there would be a significant change to the value of the asset; • reviewing and challenging management's methodology on the amortisation calculation; and • assessing the adequacy of the related disclosures in note 12 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 62 to 80 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Medusa Mining Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Neil Smith

Director

Perth, 26 August 2021

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 13 September 2021

1. Shareholding

(a) Distribution of shareholders and shares

Distribution	Number of shareholders	Number of shares
1 - 1,000	1,175	517,411
1,001 - 5,000	1,203	3,112,843
5,001 - 10,000	436	3,264,745
10,001 - 100,000	644	19,001,646
100,001 - 1,000,000	67	20,679,117
1,000,000 and over	18	161,297,539
Total	3,543	207,873,301

The number of shareholdings held in less than marketable parcels is 779

(b) Voting rights

The voting rights attaching to ordinary shares are, on a show of hands, every member present in person or by proxy shall have one vote and upon a poll, each share shall have a vote.

(c) Twenty largest shareholders

Total number of ordinary shares on issue - 207,873,301

Name of shareholders	Number of shares held	(%)
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	64,254,036	30.91
2. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <MLPRO A/C>	21,412,830	10.30
3. CITICORP NOMINEES PTY LIMITED	14,282,346	6.87
4. BNP PARIBAS NOMS PTY LTD <DRP>	10,757,261	5.17
5. BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	9,709,642	4.67
6. BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	7,169,590	3.45
7. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	6,946,375	3.34
8. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,165,346	2.48
9. MR CARL ERIC HOLT + MRS LORRAINE HOLT <HOLT SUPER FUND A/C>	4,397,328	2.12
10. AMALGAMATED DAIRIES LIMITED	3,296,881	1.59
11. BERNE NO 132 NOMINEES PTY LTD <594138 A/C>	2,591,880	1.25
12. MR SAMUEL GONZALES AFDAL	2,260,000	1.09
13. NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,953,970	0.94
14. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,637,839	0.79
15. CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,543,195	0.74
16. DANIEL TURNER CAPITAL PTY LTD <DANIEL TURNER FAMILY A/C>	1,496,566	0.72
17. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,348,025	0.65
18. MS XUMEI YANG	1,074,429	0.52
19. MR ROY PHILIP DANIEL + MRS DONNA MARY DANIEL <DANIEL SUPER FUND A/C>	1,000,000	0.48
20. MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 A/C>	958,902	0.46
Total: Top 20 holders of Ordinary Fully Paid Shares	163,256,441	78.54
Total: Remaining Holder Balance	44,616,860	21.46
Total: Ordinary Fully Paid Shares	207,873,301	100.00

ADDITIONAL SHAREHOLDER INFORMATION

(d) On market buy back

There is no current on-market buy back.

(e) Substantial shareholders

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

Name	Ordinary shares held	
	Number of shares	Percentage
Ruffer LLP	33,477,713	16.10%
Arbiter Partners Capital Management LLP	27,709,202	13.33%
Paradice Investment Management Pty Ltd	11,515,858	5.53%

2. UNQUOTED EQUITY SECURITIES AND RESTRICTED SECURITIES

The following classes of unquoted equity securities and restricted securities are on issue:

Type of securities	Number	%
<ul style="list-style-type: none"> 1,465,000 unquoted options (comprising of 4 equal tranches of 416,250 options per tranche) to subscribe for ordinary shares exercisable at the following tranche prices of \$1.00, \$1.25, \$1.50 and \$1.75 per share respectively, with an expiry date of 08 January 2022. <p><u>Persons holding 20% or more:</u></p> <p>David McGowan James Llorca</p>	<p>500,000 500,000</p>	<p>34% 34%</p>
<ul style="list-style-type: none"> 83,000 short term incentive (STI) performance rights were granted at a share price of \$0.72, and subject to the satisfaction of remaining as employees and any adjustments in accordance with the rules of the Executive Incentive Plan. The STIs will automatically vest on 30 November 2021. <p><u>Persons holding 20% or more:</u></p> <p>Peter Alphonso James Llorca</p>	<p>44,000 39,000</p>	<p>53% 47%</p>
<ul style="list-style-type: none"> 3,730,000 long term incentive (LTI) performance rights were granted. All LTIs are subject to the satisfaction of remaining as employees and any adjustments in accordance with the rules of the Executive Incentive Plan. The LTIs will automatically vest on 13 March 2023. <p><u>Persons holding 10% or more:</u></p> <p>Nil</p>		
<ul style="list-style-type: none"> 3,850,000 long term incentive (LTI) performance rights were granted. All LTIs are subject to the satisfaction of remaining as employees and any adjustments in accordance with the rules of the Executive Incentive Plan where applicable. Of these LTIs issued, 2,000,000 will vest on 19 March 2024 and 1,850,000 will vest on 1 January 2024. <p><u>Persons holding 10% or more:</u></p> <p>Raul Villanueva Andrew Teo</p>	<p>1,500,000 2,000,000</p>	<p>39% 52%</p>

3. The name of the Company Secretary is:

Mr Peter Stanley Alphonso

4. The Principal Registered Office of the Company is:

Suite A, Level 1
1 Preston Street
Como, WA 6152
Australia

Telephone: +618 9474 1330
Email: admin@medusamining.com.au
Website: www.medusamining.com.au

ADDITIONAL SHAREHOLDER INFORMATION

5. The Register of the Company's securities is held at the following address:

Computershare Investor Services Pty Limited
Level 11
172 St George's Terrace
Perth, WA 6000
Australia

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

6. Stock Exchange Listings

Quotation has been granted for all the ordinary shares of the Company on the Australian Stock Exchange.

Trading quote: MML

TENEMENT SCHEDULE

as at 30 June 2021

Name	Tenement ID	Registered Holder	Company's Interest as at		Royalty ¹	Area (hectares) as at	
			31 Mar 2021	30 Jun 2021		31 Mar 2021	30 Jun 2021
Co-O Mine	MPSA 262-2008-XIII	PMC	100%	100%	-	2,539	2,539
	MPSA 299-2009-XIII	PMC	100%	100%	-	2,200	2,200
Co-O	APSA 00012-XIII	BMMRC	100%	100%	-	340	340
	APSA 00088-XIII	Phsamed	100%	100%	-	4,742	4,742
	APSA 00098-XIII	Philcord	100%	100%	1% NPI	507	507
	APSA 00099-XIII	Philcord	100%	100%	1% NPI	592	592
Saugon	EP 017-XIII	PMC	100%	100%	-	3,132	3,132
	EPA 00069-XIII ⁽²⁾	Phsamed	100%	100%	-	2,540	2,540
	EPA 00087-XIII ⁽²⁾	PMC	100%	100%	-	85	85
Tambis	MPSA 344-2010-XIII	Philex	100%	100%	7% NSR	6,208	6,208
Apical	APSA 00028-XIII	Apmedoro	Earning 70% (JV)		-	1,235	1,235
Corplex	APSA 00054-XIII	Corplex	100%	100%	3% NSR	2,118	2,118
	APSA 00077-XIII	Corplex	100%	100%	4% GSR	810	810

Notes:

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

ABBREVIATIONS:

Tenement Types

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

Registered Holders

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

Royalty

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

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