



MEDUSA

ANNUAL REPORT 2020



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CORPORATE DIRECTORY

DIRECTORS

Andrew Boon San Teo

Non-Executive Chairperson

Roy Philip Daniel

Non-Executive Director

Simon Jon Mottram

Non-Executive Director

Raul Conde Villanueva

Executive Director

COMPANY SECRETARY

Peter Stanley Alphonso

EXECUTIVE MANAGEMENT

Raul Conde Villanueva

President Philippines subsidiaries

Patrick 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 2020 FINANCIAL YEAR

Medusa Mining Limited (“Medusa” or the “Company”), presents its audited financial results for the year ended 30 June 2020 (“FY2020”), with a statutory after-tax profit of US\$35.4 million.

FY2020 HIGHLIGHTS:

EBITDA	NPAT	EPS
US\$61.6M ↑ 20%	US\$35.4M or US\$372/oz	US\$0.17 A\$0.253/share*

Financials

- Revenues of US\$147.8 million compared to US\$129.3 million for the previous year, an increase of 14%;
- Medusa is an unhedged gold producer and received an average gold price of US\$1,581 per ounce from the sale of 95,142 ounces of gold for the year (FY2019: 102,500 ounces at US\$1,259 per ounce) from its Co-O Gold Mine in the Philippines;
- Earnings before interest, tax, depreciation and amortisation (“EBITDA”) of US\$61.6 million (FY2019: EBITDA of US\$51.4M);
- Basic earnings per share (“EPS”) of US\$0.170 based on NPAT of US\$35.4 million (FY2019: EPS of US\$0.176); and
- The Company had total cash and cash equivalent in gold on metal account of US\$47.1 million at year end (2019: US\$23.4M).

Description	Unit	FY2020	FY2019	Variance	(%)
Revenues	US\$	\$147.8M	\$129.3M	\$18.5M	14%
EBITDA	US\$	\$61.6M	\$51.4M	\$10.2M	20%
NPAT	US\$	\$35.4M	\$36.5M	(\$1.1M)	(3%)
EPS (basic)	US\$	\$0.170	\$0.176	(\$0.006)	(3%)

During the period,

- Depreciation of fixed assets and amortisation of capitalised mine development, right of use asset and mine exploration was US\$21.6 million (FY2019: US\$18.8M);
- US\$6.5 million was expended on capital works associated with the new shaft construction and infrastructure, mine expansion and sustaining capital at the mine and mill (FY2019: US\$6.9M);
- Exploration expenditure, inclusive of underground diamond drilling was US\$5.6 million (FY2019: US\$8.9M);
- Capitalised mine development costs totalled US\$23.7 million for the year (FY2019: US\$27.3M); and
- Corporate overheads of US\$7.1 million (FY2019: US\$8.7M).

HIGHLIGHTS OF 2020 FINANCIAL YEAR

Operations

Description	Unit	FY2020	FY2019	Variance	(%)
Ore mined	WMT	572,666	606,675	(34,009)	(6%)
Ore milled	DMT	513,945	544,601	(30,656)	(6%)
Head grade	g/t	5.99	6.28	(0.29)	(5%)
Gold recovery	%	95.30	94.75	0.55	1%
Gold produced	ounces	95,057	103,307	(8,250)	(8%)
Cash costs (*)	US\$/oz	\$684	\$546	(\$138)	(25%)
Gold sold	ounces	95,142	102,500	(7,358)	(7%)
Average gold price received	US\$/oz	\$1,581	\$1,259	\$322	26%

(*) net of development costs and includes royalties and local business taxes.

The Company produced 95,057 ounces of gold for the year at the Co-O Mine, compared to 103,307 ounces in FY2019 at an average recovered grade of 5.99 g/t gold (FY2019: 6.28 g/t gold).

Average cash costs was US\$684 per ounce, inclusive of royalties and local business taxes, which was higher than the previous year's average cash costs of US\$546 per ounce, and All-in-Sustaining-Costs ("AISC") for the year was US\$1,132 per ounce of gold (FY2019: US\$1,045 per ounce).

FY2021 Guidance

The production guidance from the C-O Mine for Financial Year 2021 ("FY2021") is expected to be between 90,000 ounces to 95,000 ounces at AISC of between US\$1,200 to US\$1,250 per ounce of gold produced.

The slight increase in year-on-year AISC for FY21 has been anticipated, after taking into account the ongoing impact of COVID-19 restrictions to people movement, logistics and associated costs.

Corporate

Dividend

No dividends were declared nor paid during the year.

Board Appointments:

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

Management changes:

Mr David McGowan, CEO, ceased employment on 20 July 2020. Non-Executive Chairman Mr Andrew Teo assumed the role of Interim CEO.

CHAIRPERSON'S REVIEW

Dear Shareholder,

It is my pleasure to present to you the Annual Report for the 2020 Financial Year ("FY2020") following a period of consistent performance at Medusa Mining Limited ("Medusa" or the "Company").

In FY2020 we met our production guidance by producing 95,057 ounces of gold from our Co-O Mine in the Philippines after successfully navigating a number of operating challenges.

Through 12 months of focus and commitment across our team, we advanced our strategy as a high-grade, unhedged, sustainable and self-funding gold producer focussed on growth in the Asia-Pacific region.

By the end of FY2020, several milestones supporting this goal were achieved:

- Delivering a steady net profit after tax of US\$35.4 million at an increased NPAT margin of US\$372 per ounce;
- Cost management saw costs increase slightly ahead of FY2020 guidance with All-In-Sustaining-Costs of US\$1,132 per ounce;
- Cash balance more than doubled year-on-year to US\$47.1 million;
- Ore Reserves at Co-O stood at 332,000 ounces at a grade of 6.27 g/t gold at the end of calendar 2019 after accounting for annual mine depletion of 104,300 ounces from a base of 350,000 ounces at the end of 2018;
- The processing mill continued to be a reliable performer, achieving average gold recoveries of 95.3%;
- Careful management of the COVID-19 pandemic at the Co-O Mine with no active cases recorded at site during the period;
- Enhancement of our licence to operate by continuing our high community and environmental standards; and
- Continued project evaluation in the Asia Pacific region with the goal of achieving operational diversification.

Despite the overall consistent performance of the business across during the year, productivity and volume impacts were unavoidable due to the onset of COVID-19 regional restrictions. This limited the movements of people and supplies and saw the temporary interruption of operations for three days in April 2020.

Underground development, mined ore and milled ore were all impacted in the June quarter 2020 compared to the previous three quarters, but our Co-O team has continued to perform admirably throughout.

These impacts and the ore depletion of areas higher in the mine saw a number of existing shafts and portals placed on care and maintenance during the period. Mine infrastructure has been largely consolidated around the L8 and E15 shafts.

As part of Medusa's strategy to ensure longevity of the Co-O mine and improve operational efficiencies, in January 2020 the Company completed a study of the preferred option to access deeper areas of the mine below Level 12.

The study concluded the establishment of a decline would extend mine life and enhance operational and exploration flexibility through an investment of US\$48 million over 36 months.

CHAIRPERSON'S REVIEW

The Company commenced engagement with experienced underground mining contractors about the decline development in the lead up to the impacts of the COVID-19 pandemic, with the project placed on hold until operating conditions stabilise.

Drilling within the Co-O Mine continued throughout the period with the aim of expanding and extending the Resource and Reserve base of the operation.

Mineral Resources of 1.27 million ounces and Ore Reserves of 332,000 ounces as at the end of December 2019 were released as part of the annual update in April 2020. It continues our long record of replenishing the mine life of Co-O and leaves a good runway for future growth.

In June 2020, Mr David McGowan tendered his resignation as Chief Executive Officer ("CEO") and Mr Simon Mottram joined the Board as a Non-Executive Director.

Mr Mottram is a geologist with over 25 years' experience predominantly in base and precious metals. Mr Mottram has held both executive and senior management roles with several successful mining companies both in Australia and abroad, including most recently at Avanco Resources which was acquired by OZ Minerals in 2018.

Mr McGowan left Medusa after three and a half years with the Company and fostered a strong culture of operational planning, efficiency and meeting targets which will continue into the future. We wish Mr McGowan best wishes for the future.

As your Chairman, I also assumed the role of Interim CEO while the search for a new CEO is undertaken, a process which has been delayed due to the inability to facilitate travel of potential candidates to the Philippines. Therefore the process to appoint a permanent CEO will continue into FY2021.

I am confident FY2020 was a period in which we continued to make positive progress on the sustainability and strength of the business.

On behalf of the Board and all employees, I would like to thank all our valued shareholders for your continued and ongoing investment in Medusa and I look forward to the Company's next phase of growth in FY2021.

Yours sincerely,



Andrew Teo
Chairman

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REVIEW OF OPERATIONS

HIGHLIGHTS

Co-O OPERATIONS:

“The Company achieved its guidance target, producing 95,057 ounces for the financial year ending 30 June 2020 despite the disruptive COVID-19 pandemic restrictions.”

- ❑ Annual gold production totalled 95,057 ounces, in line with FY2020 guidance with annual unhedged gold sales of 95,142 ounces;
- ❑ Annual All-In-Sustaining-Costs (“AISC”) were US\$1,132 per ounce, an increase of 8% from the previous year of US\$1,045 per ounce. The AISC includes capital costs related to infrastructure projects and exploration expenditure for FY2020;
- ❑ Projects and exploration expenditure for FY2020 of US\$5.6 million;
- ❑ Mill recoveries remained high at a consistent 95.3% for the year;
- ❑ The sinking of the 35E internal inclined shaft from Level 8 to Level 12 was completed. Connections have been established on Levels 11 and 12, and plats developed on both Levels 11 and 12;
- ❑ Despite COVID-19 quarantine and travel restrictions imposed by the authorities during FY2020, the Company’s strategy to mitigate the restricted movement on personnel and material proved successful in still achieving its gold production guidance and preventing the transmission of any infection at site.

REVIEW OF OPERATIONS

GROUP ORE RESERVES AND MINERAL RESOURCES:

“The Company’s Ore Reserves have been replenished to 332,000 ounces after mining depletion, compared to the previous year’s estimate of 350,000 ounces.”

Table I: Total Mineral Resources and Ore Reserves estimates as at 31 Dec 2019 (ASX announcement dated 6 Apr 2020).
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)
MINERAL RESOURCES ^(1,2)				
Co-O Resources ⁽¹⁾ (JORC 2012)	Measured	418,000	9.33	125,000
	Indicated	1,121,000	10.75	387,000
	Measured & Indicated	1,539,000	10.36	513,000
	Inferred	938,000	9.00	271,000
Total Co-O Resources	Measured, Indicated & Inferred	2,477,000	9.85	784,000
Bananghilig Resources ⁽²⁾ (JORC 2012)	Indicated	7,580,000	1.66	406,000
	Inferred	200,000	4.42	29,000
Total Bananghilig Resources	Indicated & Inferred	7,780,000	1.73	435,000
Saugon Resources ⁽³⁾ (JORC 2004)	Indicated	47,500	7.00	10,700
	Inferred	34,000	4.60	5,000
Total Saugon Resources	Indicated & Inferred	81,500	6.00	15,700
TSF#1 Tailings Resources (JORC 2012)	Indicated	510,000	1.72	28,200
Total TSF#1 Tailings Resources	Indicated	510,000	1.72	28,200
Royal Crowne Vein	Indicated	61,000	4.93	10,000
	Inferred	26,000	4.01	3,000
Total Royal Crowne Vein (JORC 2012)	Indicated & Inferred	87,000	4.65	13,000
TOTAL RESOURCES	Measured	418,000	9.33	125,000
	Indicated	9,319,500	2.81	841,900
	Inferred	1,198,000	8.00	308,000
TOTAL RESOURCES	Measured, Indicated & Inferred	10,935,500	3.63	1,274,900
ORE RESERVES ⁽²⁾				
Co-O Reserves ⁽²⁾ (JORC 2012)	Proven	324,000	7.25	75,000
	Probable	1,324,000	6.03	257,000
TOTAL RESERVES	Proven and Probable	1,648,000	6.27	332,000

REVIEW OF OPERATIONS

Notes:

- (1) Mineral Resources are inclusive of Ore Reserves;
- (2) Co-O and Bananghilig Mineral Resources and Co-O Ore Reserves estimated under guideline of JORC 2012;
- (3) Saugon Mineral Resources were previously prepared and first disclosed under the JORC 2004 and have not been updated to comply with JORC 2012 on the basis that the information has not materially changed since it was last reported;
- (4) Rounding to the nearest 1,000 may result in some slight apparent discrepancies in totals used in all tables; and
- (5) Broken stocks and pillars have been declared as Measured Resources and Proven Reserves in 2019.

Mineral Resources:

Co-O:

- a minimum lower block cut-off of 3.2 gram*metres/tonne accumulation, which incorporates minimum mining widths of 1.25 metres or 1.5 metres (depending on vein attitude) above cut-off grade, in its derivation;
- various high cut gold grades, up to 300 g/t gold, have been applied to different veins; and
- a gold price of US\$1,500 per ounce has been applied.

Bananghilig:

- Indicated 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 of 18,300 ounces gold applied within the Whittle pit shell; and
- a gold price of US\$1,500 per ounce has been applied.

Saugon:

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

TSF#1 Tailings:

- a lower cut-off of 0.85 g/t gold has been applied;
- a Bangka drilling was undertaken using grid spacing of 25 by 25 meters; 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 31 December 2019;
- a lower cut-off of 0.3 g/t gold has been applied to define the mineralisation; and
- a bulk density of 2.55 g/cm³ was used based on the average density measurements.

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\$1,350 per ounce has been applied.

REVIEW OF OPERATIONS

EXPLORATION ACTIVITIES:

“Although restricted by COVID-19, regional exploration continued to advance through the year with maiden Indicated Mineral Resource of 10,000 ounces for the Royal Crowne Vein Project which remains open at depth and along strike.”

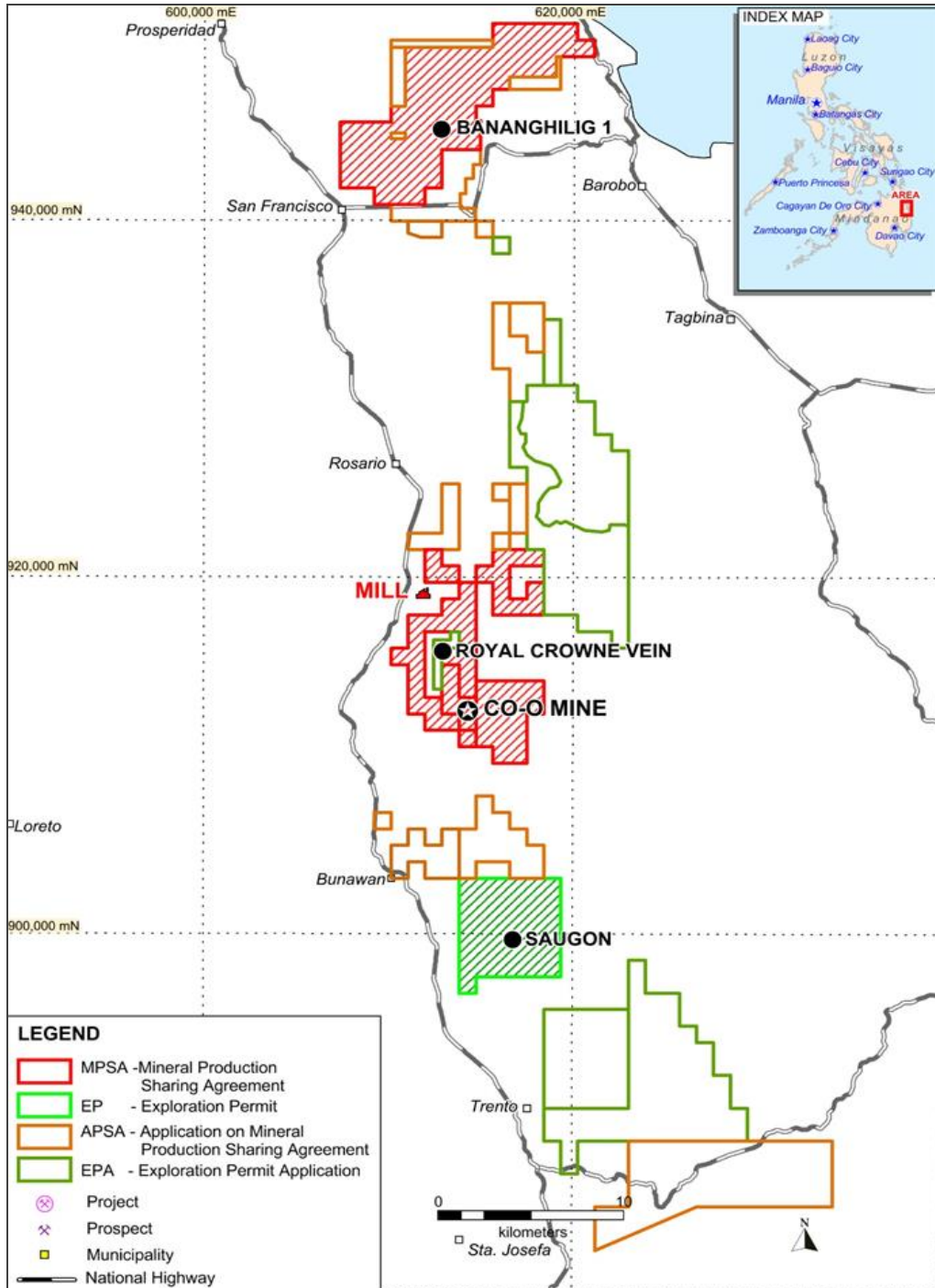


Figure 1. Eastern Mindanao tenement location plan, showing consolidated tenement outlines Deposits and Projects.

REVIEW OF OPERATIONS

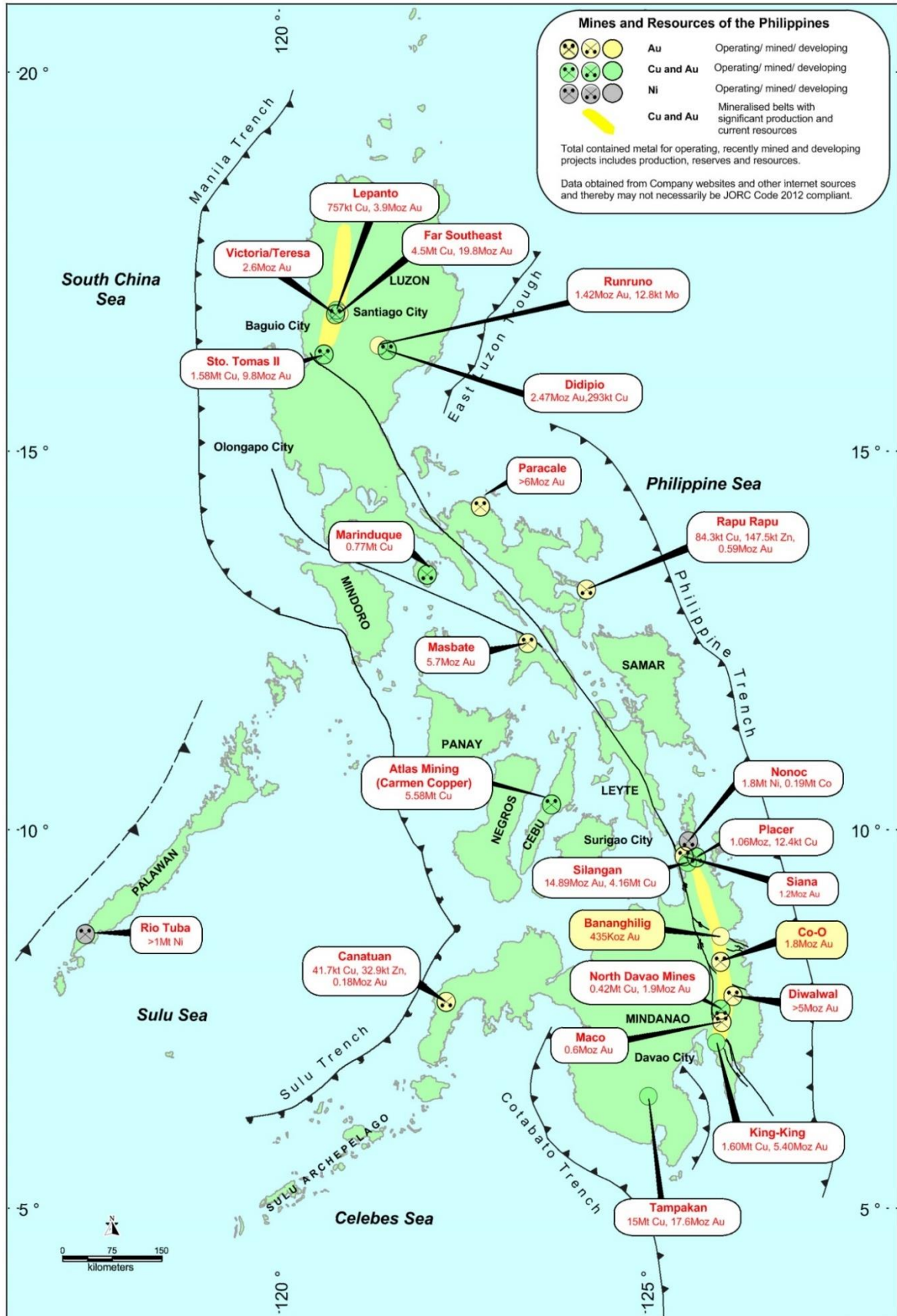


Figure 2. Location diagram of the Company's main project areas in relation to the significantly mineralised belts of the Philippines.

REVIEW OF OPERATIONS

EXPLORATION - PHILIPPINES

Exploration activities in the Philippines for FY2020 focused on the evaluation of prospects within the Co-O Mine and Royal Crowne Vein (Old Sinug-ang) areas, as well as 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 the narrow veins are returning economic grade intercepts at and below Level 12, and remaining open down plunge to the east. Current and future drilling campaigns are focused on the down dip extensions with the objective of increasing the resource base.

Co-O SURFACE EXPLORATION

Royal Crowne Vein Project (Old Sinug-Ang)

The Royal Crowne Vein ("RCV") Project corresponds to a 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.

The Phase 3 resource definition drilling was completed last 13 December 2019 comprising of 21 holes for a total of 4,757 metres. The updated mineral resource of the RCV Deposit was subsequently announced on 6 April 2020 amounting to a total JORC Code 2012 Indicated and Inferred Mineral Resources estimate at 87,000 tonnes at a grade of 4.65 g/t gold, equivalent to 13,000 ounces of gold.

Further drilling is planned in FY2021 to upgrade the resource category and extend the resource base along strike and down dip.

TSF #1 Tailings Project

The Tailings Storage Facility ("TSF") #1 was utilised by the original processing plant since the 1980's. The TSF #1 material is from the earlier higher gold grade Co-O Mine ore, which was processed using now outdated extraction techniques which 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 and 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, which will simplify mining and minimise disturbance to the lower grade base of TSF#1.

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

REGIONAL PROJECTS

Bananghilig Gold Deposit

There has been no development or material change on the Bananghilig Deposit since the Company completed an exhaustive two year (FY2015 and FY2016) review of the Bananghilig B1 ("Bananghilig") gold deposit which resulted in a Mineral Resource estimate reported in 2016 in accordance with the guidelines of JORC 2012.

The total Indicated and Inferred Mineral Resources for the Bananghilig Gold Deposit, at a block cut-off grade of 0.75 g/t gold for Indicated (open-pit material), and 3.0 g/t gold for Inferred (underground material), is estimated at 7.78 million tonnes at a grade of 1.73 g/t gold (435,000 ounces contained gold). The details of the study have been reported by the Company in September 2016.

Saugon Gold Deposit

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

REVIEW OF OPERATIONS

EXPLORATION - OTHER AREAS

Queensland Epithermal Gold & Copper Project

The Company announced on 5 July 2018 that it had entered into an Earn-in-Agreement (“EIA”) with Ellenkay Gold Pty Limited (“Ellenkay”) regarding two exploration projects in Central Queensland, Australia.

The Hill 212 (EPM 26217) exploration project, an epithermal gold-silver opportunity located approximately 30 km east of Mt Coolon and the Mt Clark West (EPM 26008) exploration project, a copper-gold opportunity located approximately 24 km north-west of Nebo.

Medusa has completed drill testing of priority targets at both projects, with no significant results returned. After evaluating all results of the first round of exploration and drilling from both projects, the Company discontinued exploration programmes associated with the next phase of the EIA with Ellenkay. On 19 November 2019 Medusa announced to the ASX that it had withdrawn from the EIA.

Other Areas

The Company continues to evaluate opportunities within the Asia Pacific Region with the objective of growing 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 2019 and 2020.

Description	Unit	June 2020	June 2019	Variance	Percent (%)
Ore mined	WMT	572,334	606,675	(34,341)	(6)
Ore milled	DMT	513,944	544,601	(30,657)	(6)
Head grade	g/t	5.99	6.28	(0.29)	(5)
Recovery	%	95.27	94.75	0.52	0
Gold produced	ounces	95,057	103,307	(8,250)	(8)
Cash costs ⁽¹⁾	US\$/oz	684	546	138	(20)
Gold sold	ounces	95,142	102,500	(7,358)	(8)
Average gold price received	US\$/oz	1,581	1,259	322	20

Notes:

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

- The Company produced 95,057 ounces of gold (2019:103,307oz) for FY2020 at an average recovered grade of 5.99 g/t gold (2019: 6.28 g/t gold) which achieved the lower end of guidance of 95,000 ounces.
- The average cash costs of US\$684 per ounce, inclusive of royalties and local business taxes, was higher than the previous year's average cash costs of US\$546 per ounce; and
- All-In-Sustaining-Costs ("AISC") for the year was US\$1,132 per ounce of gold (2019: US\$1,045 per ounce).

FY2021 Guidance

On 28 August 2020, the Company provided its production and cost guidance for FY2021 of between 90,000 ounces to 95,000 ounces at an AISC of between US\$1,200 to US\$1,250 per ounce.

The slight increase in year-on-year AISC for FY2021 has been anticipated, after taking into account the ongoing impact of COVID-19 restrictions to people movement, logistics and associated costs.

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.

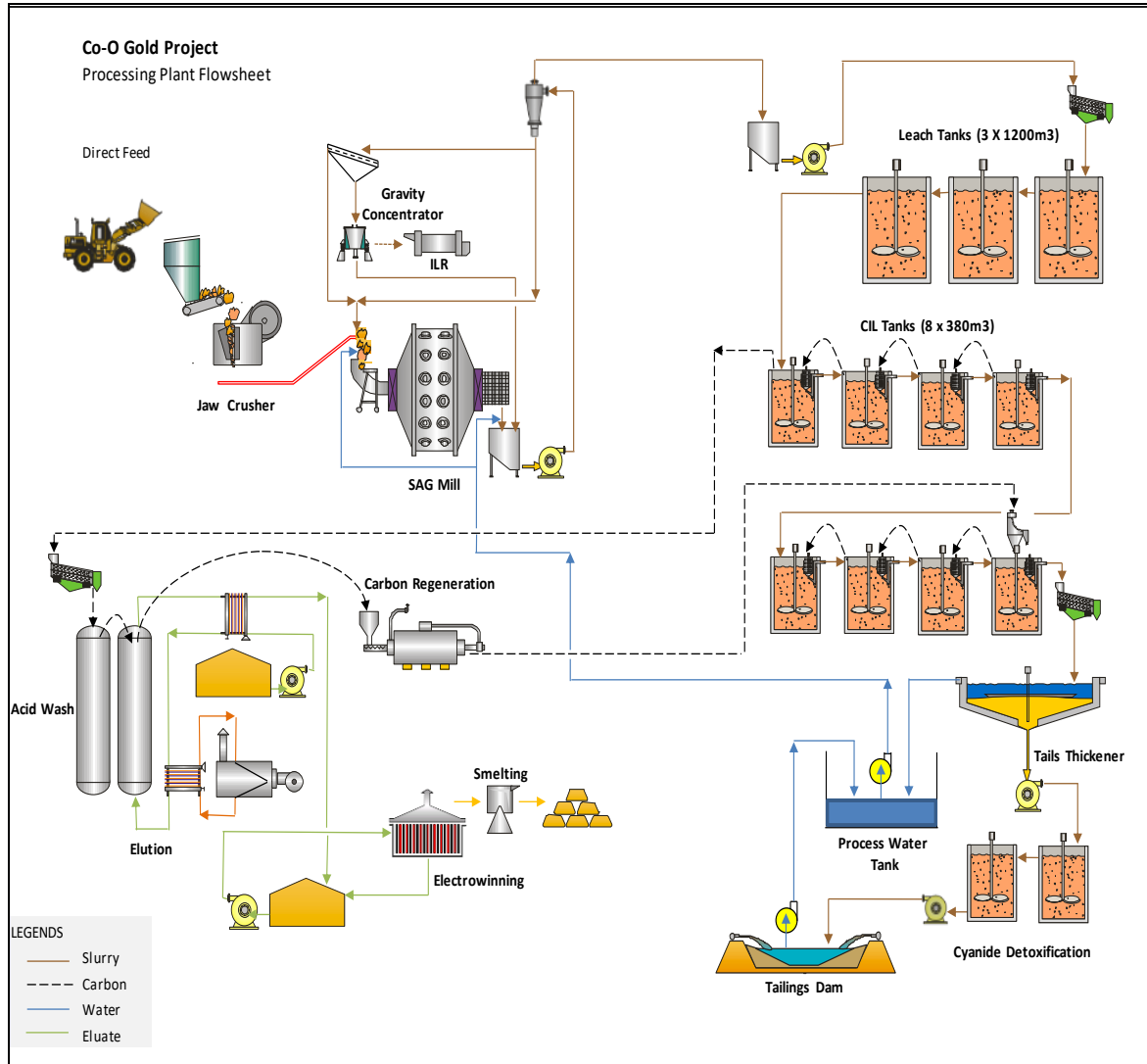


Diagram 1. Co-O Processing Plant flow sheet.

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 from the regional grid, and in addition has its own dedicated generators that can operate the plant at full capacity if required.

The Co-O Mill performed efficiently throughout the fiscal year with an average mill recovery of 95.3%.

Mill throughput was restricted by availability of ore from the mine, resulting in a lower utilisation of the processing plant. Optimisation of processing plant operation and maintenance contributed to reduced cost for contract labour for mill relines and major shutdowns as these were completed by on site personnel during scheduled down times

Low plant utilisation is expected to continue into FY2021 while operating under current COVID-19 restrictions.

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 FY2017 and is expected to provide adequate TSF capacity for next 18 months. Work has progressed on the planning and design of the next TSF with the aim of commencing construction at the beginning of 2021.

REVIEW OF OPERATIONS

Co-O MINE

The Co-O Mine is a shaft access, underground track mine, utilising battery powered locomotives and 1.2 tonne mine cars. Ore and waste are mined using air-leg mining and is extracted from the mine via the main L8 Production Shaft, two 60-degree inclined shafts; Baguio and Agsao, and through the original portals. Diagram 2 is a representative drawing of the primary infrastructure of the Co-O Mine. The primary levels from 1 to 10 normally average 1,000 metres from West to East. Levels are developed 50 metres apart vertically, putting Level 10 approximately 500 metres below surface. There are 4 winzes operating between Level 8 and Level 9 with 3 of these also servicing Level 10. Another winze, the 35E internal shaft, is being developed from Level 8 to service Levels 9, 10, 11 and 12. As mining progresses winzes will be systematically deepened to also service Levels 11 and 12.

The E15 Shaft, a man and materials shaft, was completed in November 2018. The shaft is used for transporting people and materials underground enabling improved rock hoisting utilisation of the L8 Shaft.

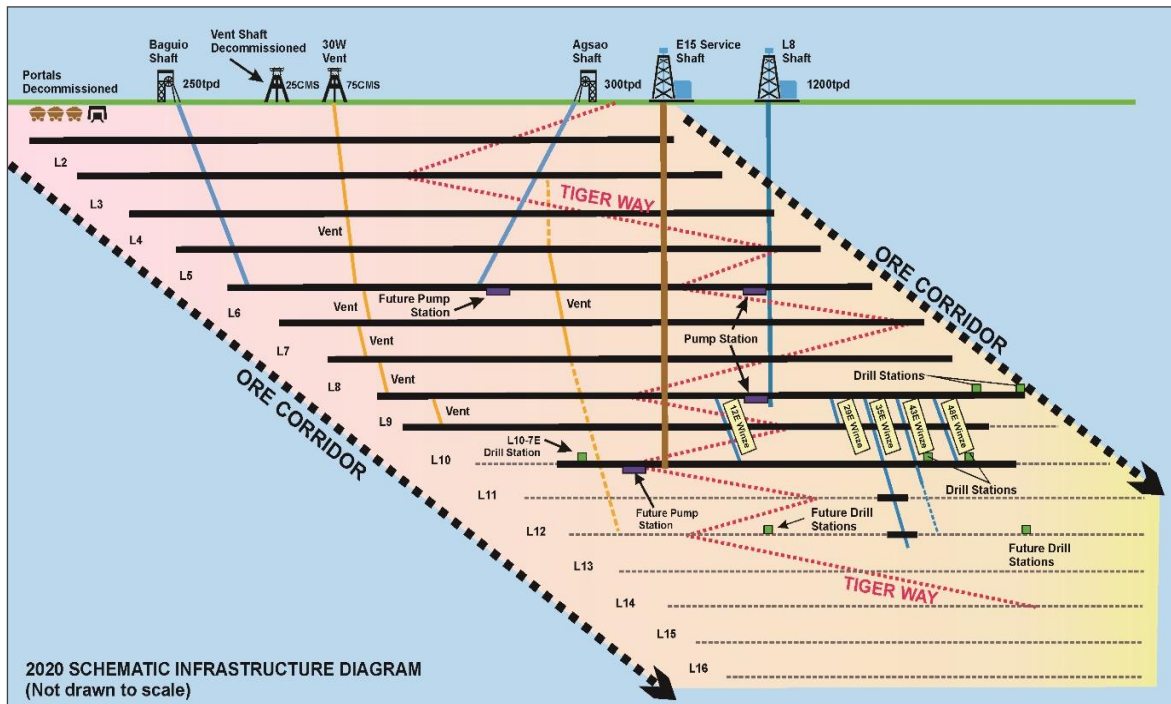
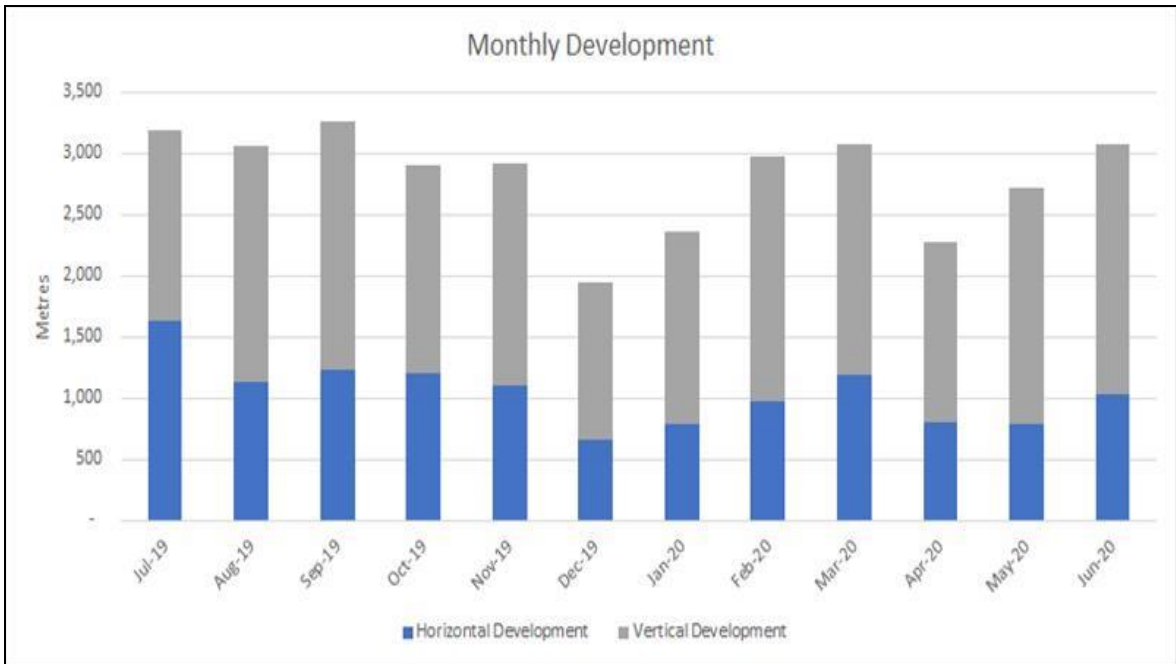


Diagram 2. Shows locations of major infrastructure of the Co-O Mine.

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 the key improvement projects were:

- Development for the Level 5 pumping station. With planned increase of working areas below Level 8, the pumping requirements will also increase from Level 10 to Surface. To augment this pumping capacity, the Level 5 pump station is necessary.
- Planned major maintenance on the L8 winder and loading pocket was completed with minimal disruption to production during Christmas, New Year and Easter.
- L8 Shaft structure refurbishment. Inspections on the L8 shaft structures have identified work required to maintain the long-term functionality of the shaft. Work has commenced according to plan to progressively replace sections of the shaft structures. This work is being conducted during weekends when there is minimal disruption to hoisting operations.
- Completed development of Internal shaft to Level 12. To meet targeted future production levels 11 and 12 need to be developed in a timely manner. The 35E Internal Shaft has been developed to Level 12 and development commenced to extend the other internal shafts to Level 12.
- Completion of a study to determine the best option for accessing and extracting the resources below Level 12 and improving mining efficiency. Early site establishment works have been completed, with development to commence once travel restrictions relating to the COVID-19 pandemic permit.

REVIEW OF OPERATIONS



Graph 1. Co-O Mine dry tonnes hoist for FY2020 by month.

The mine tonnes hoisted in the first half of the year was consistently above 48,000 tonnes per month, however that decreased in the second half of the year due to:

- the Christmas and New Year holidays in December and January, when planned lower employee headcount reduced mine productivity and provide the opportunity for major shaft maintenance; and
- Mid-March to June when employees were restricted due to COVID-19.

Stoping methods

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

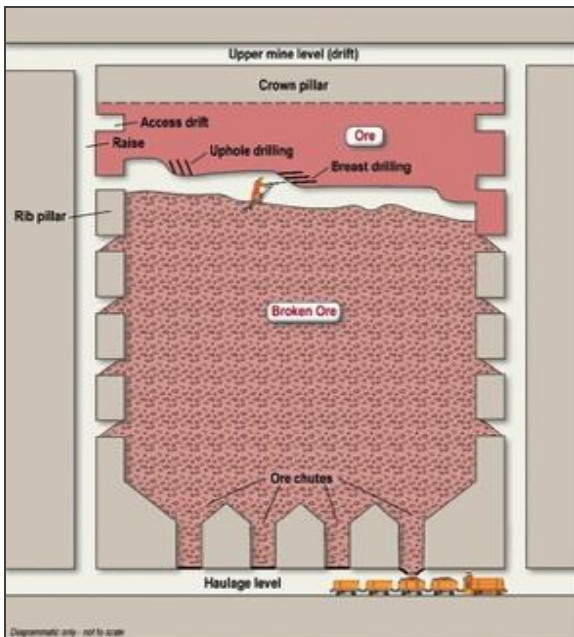


Diagram 3. Schematic diagram of a **shrink stope**.

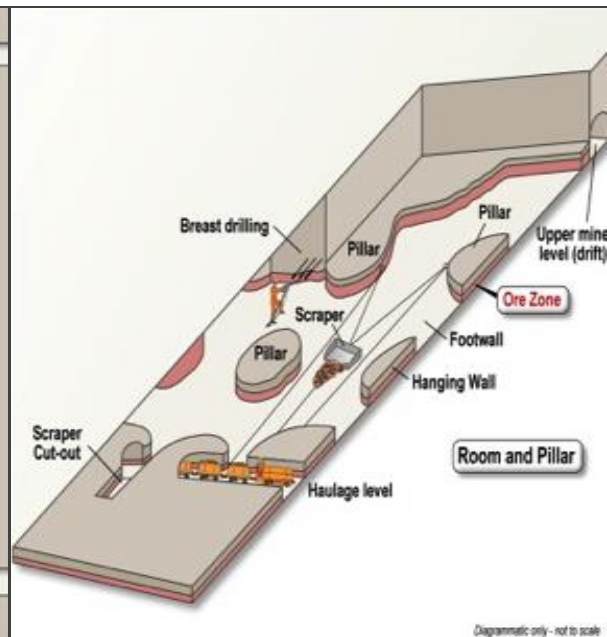


Diagram 4. Schematic diagram of a **room and pillar (slot) stope**.

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 low cost.

(ii) Room and pillar (slot) mining

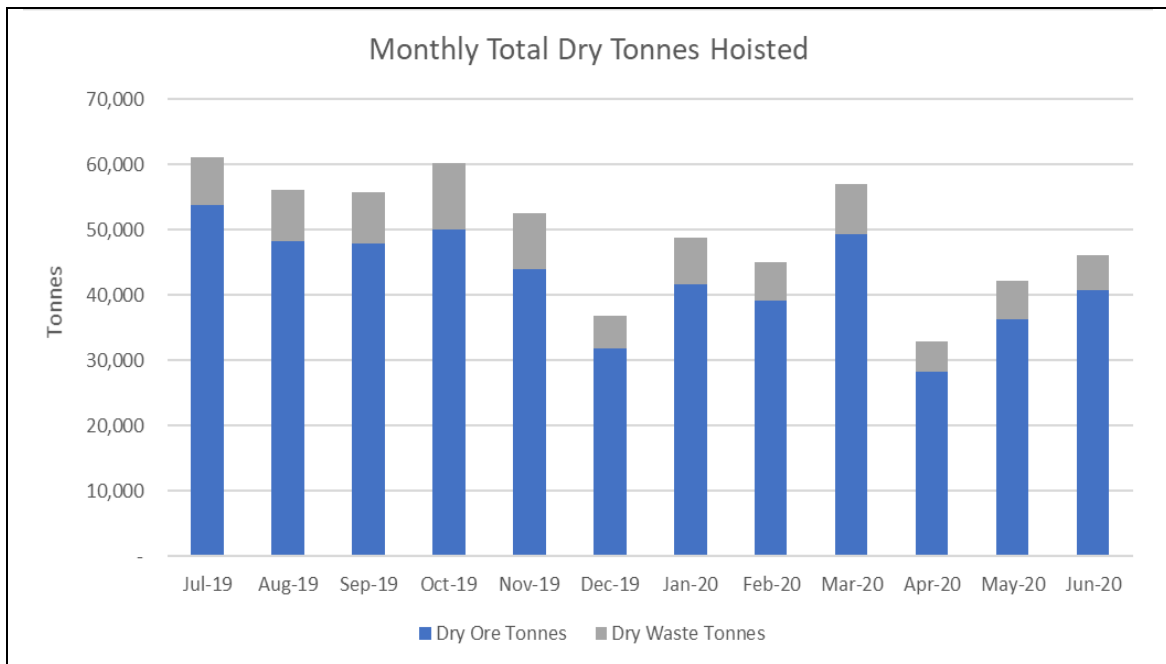
This method is used on the low-angle veins where the ore would not naturally flow to the draw points. (Diagram 4). The broken ore needs to be scraped to the haulage level by mechanical slushers, and pillars need to be left behind for ground support. The minimum mining width for low angle veins is 1.5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

Development

Development and stoping continued Levels 2 and 4 to 10 during the year, as well as winzes (internal shafts) from Level 8 down to Level 12. Most development is conducted on ore with waste development being confined to cross-cuts, ventilation raises, internal shafts and infrastructure requirements.

A total of 33,791 metres of horizontal and vertical development was completed in FY2020. This was an increase of 12% over the previous year. The focus is on the development of the lower sections of the mine (Levels 8, 9, 10 and 12).

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



Graph 2. FY2020 mine development (horizontal and vertical) by month.

REVIEW OF OPERATIONS

L8 Shaft

Since the completion of the E15 shaft in 2018 the utilisation of the L8 Shaft for rock hoisting has increased, resulting in increased hoisting.

Internal winzes (shafts) from Level 8 to Level 10

By the end of the FY2020, five primary winzes (internal inclined shafts) were in operation hoisting to Level 8. The 17E and 29E winzes service Level 9 while the 12E, 43E and 48E winzes service both Level 9 and 10.

An improved ore pass and skip loading arrangements were implemented on the 43E and 48E internal shafts which has improved shaft hoisting productivity.

Diamond drill stations were developed on Level 10 and will be utilised for resource drilling of the areas below Level 10.

The 35E internal shaft has been developed down to Level 12 to allow for the commencement of horizontal development including a diamond drill station for future resource drilling. Following the establishment of the 35E internal shaft to Level 12, the other winzes will systematically be extended down to Level 12 to assist with development and ventilation requirements.

Decline Project (Tiger Way)

Ore and waste material from the Co-O Mine are currently hoisted to surface through existing mine infrastructure, including the L8, Baguio, Agsao and internal shafts. These assets, however, can only effectively facilitate mining to Level 12 (~600 metres below surface) which is the limit of the current ore reserve. Whilst this is sufficient to underpin the current production profile in the coming years, further infrastructure is required for accessing deeper levels of the Co-O Mine in an efficient and cost-effective manner.

The Company believes there is strong potential for this trend to continue at Level 12 and below through ongoing exploration. The limited resource drilling completed below Level 12 is the main contributor for this area of the mine not currently having a higher established gold endowment. Thus, a comprehensive study into the long-term infrastructure solution at the Co-O Mine was undertaken.

The study concluded that the establishment of a decline from surface, named the "Tiger Way", was the best option for the Co-O Mine and the Board of Medusa has approved construction of the Tiger Way, development of which is expected to commence after travel restrictions imposed due to the COVID-19 pandemic are relaxed to allow greater access to site.

Developing the Tiger Way is expected to have numerous benefits, including providing enhanced access to deeper levels of the mine, more optimal positions for in-mine and near-mine exploration, greater operational flexibility, safety benefits and removing hoisting limitations on ore production (Diagram 2 and Figure 3).

Preparatory site works commenced during FY2020 to establish the required infrastructure Tiger Way project development. The commencement of the development, however, has been delayed following travel restrictions during the COVID-19 pandemic.

Primary Ventilation

Progress on the primary ventilation upgrade project has continued with the development of cross-cuts on Level 4 and Level 5, the completion of a raise from Level 8, and commencement of a raise from Level 5 and Level 7. The upgrade is designed to increase the airflow in the lower levels and to move the primary ventilation circuit further east allowing better distribution of ventilation around the working areas as the ore body plunges to the East.

REVIEW OF OPERATIONS

Co-O MINE GEOLOGY

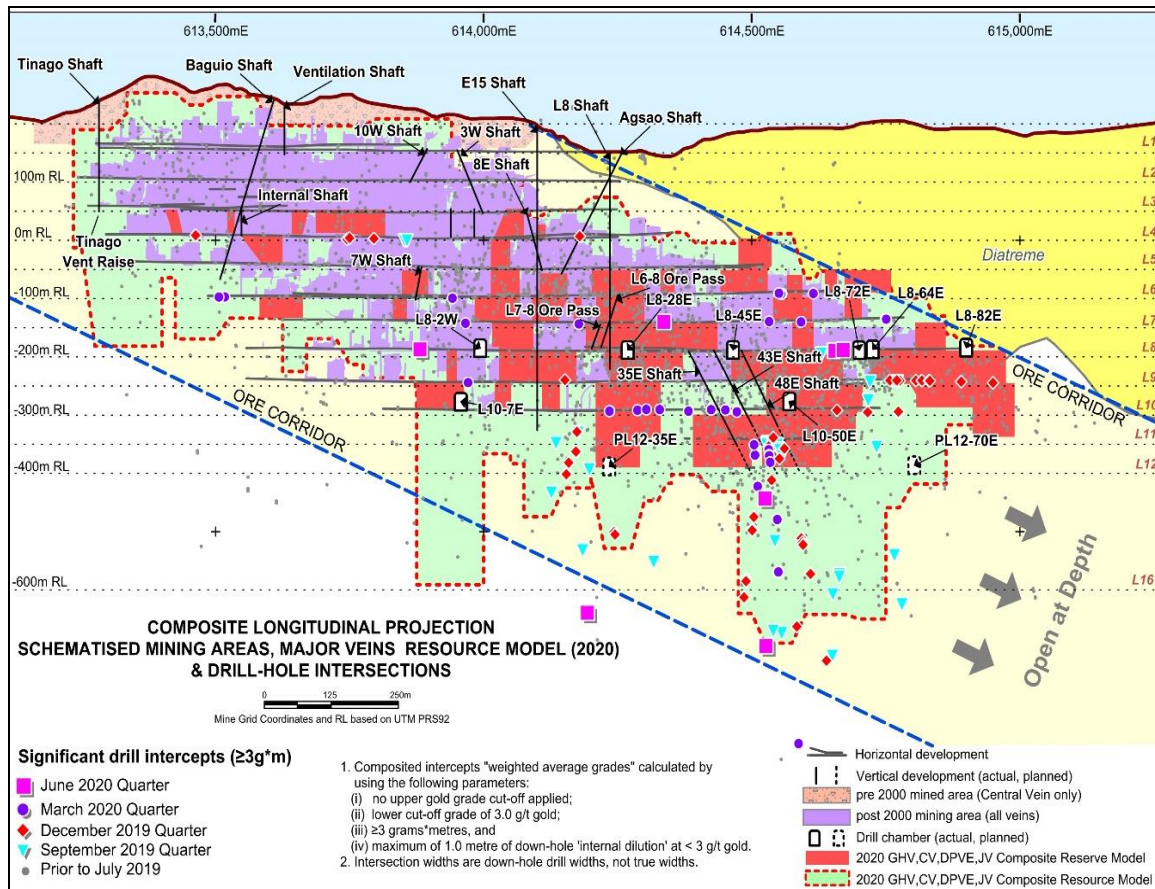


Figure 3: Co-O Mine composite longitudinal projection showing the locations of reported significant drill intercepts (since 2010), Underground development, E15 Shaft. The 2020 Measured, Indicated and Inferred Resources model (light green) is also shown, demonstrating the potential for down plunge extensions at depth.

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

- Maintained the 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.
- Defined the eastern geologic extension to the main GHV between Levels 12 and 16;
- Greater understanding of the structural controls on the epithermal gold system created by the diatreme intrusive contact as indicated on geology map of Co-O deposit (Figure 5).
- The GHV at Level 16 is returning economic intercepts open to the east and down dip but with narrower widths;
- The Jereme Vein is open to the east and down dip; and
- Further drilling has shown that an improved continuity of these veins can be achieved by the addition of internal dilution.

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

REVIEW OF OPERATIONS

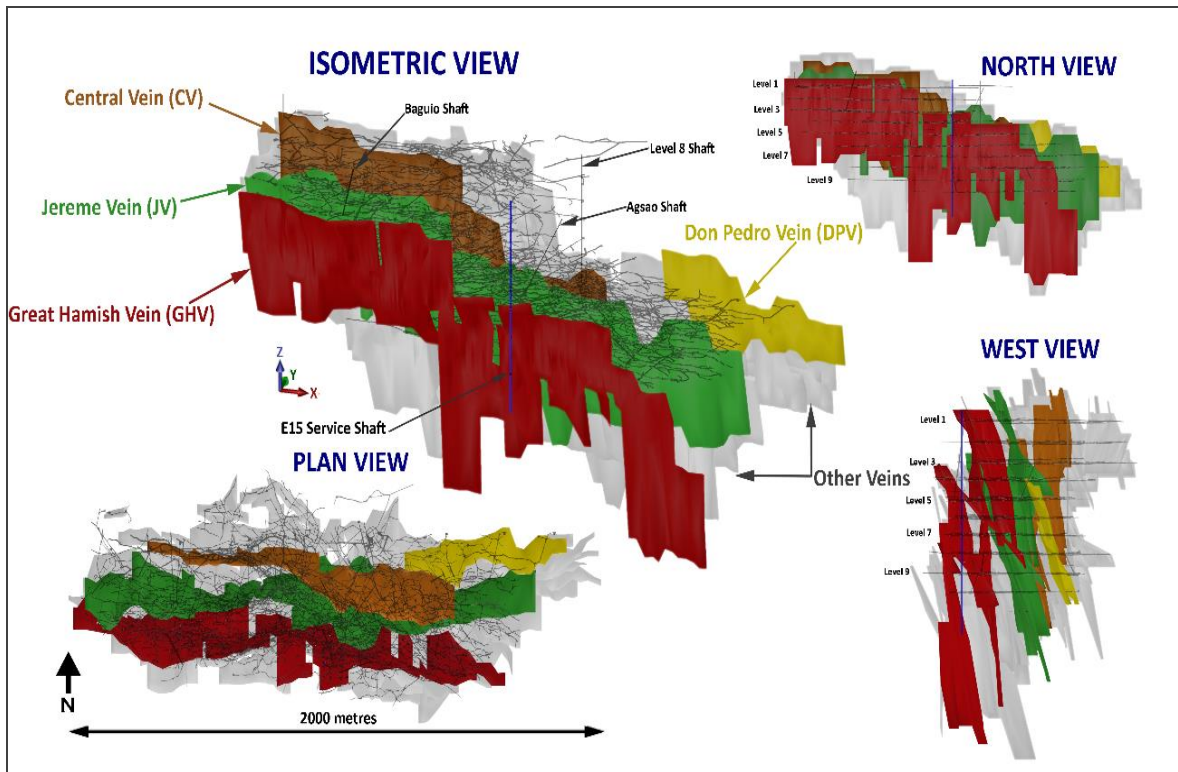


Figure 4: Isometric and Orthogonal views of the Co-O Mine's 2020 resource model, major veins (GHV, Jereme, Central and Don Pedro Veins) in colour and associated sub-parallel and link veins in translucent grey, plus underground development and production shafts.

GROUP ORE RESERVES AND MINERAL RESOURCES

The Annual Mineral Resources Update Statement and Annual Ore Reserves Update Statements for the Company were released on 06 April 2020, and include Material Information for the individual deposits, including a Material Information Summary pursuant to ASX Listing Rules 5.8 and 5.9 and the Assessment and Reporting Criteria in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC 2012").

The Mineral Resources and Ore Reserves Statements have been prepared in accordance with the JORC 2012 for the Co-O Mine and the Bananghilig B1 deposit, however the Saugon Mineral Resources was prepared and first disclosed under JORC 2004 and 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 6 April 2020 for background information and material information relating to the resources and reserves estimates.

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

The Co-O Mine has a long history of Ore Reserve replacement by way of diamond drilling and conversion of 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 historic conversion rate (~65%), after allowance for mining recovery, of Measured and Indicated Mineral Resources to Ore Reserves. The Co-O Mine continues to maintain 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.

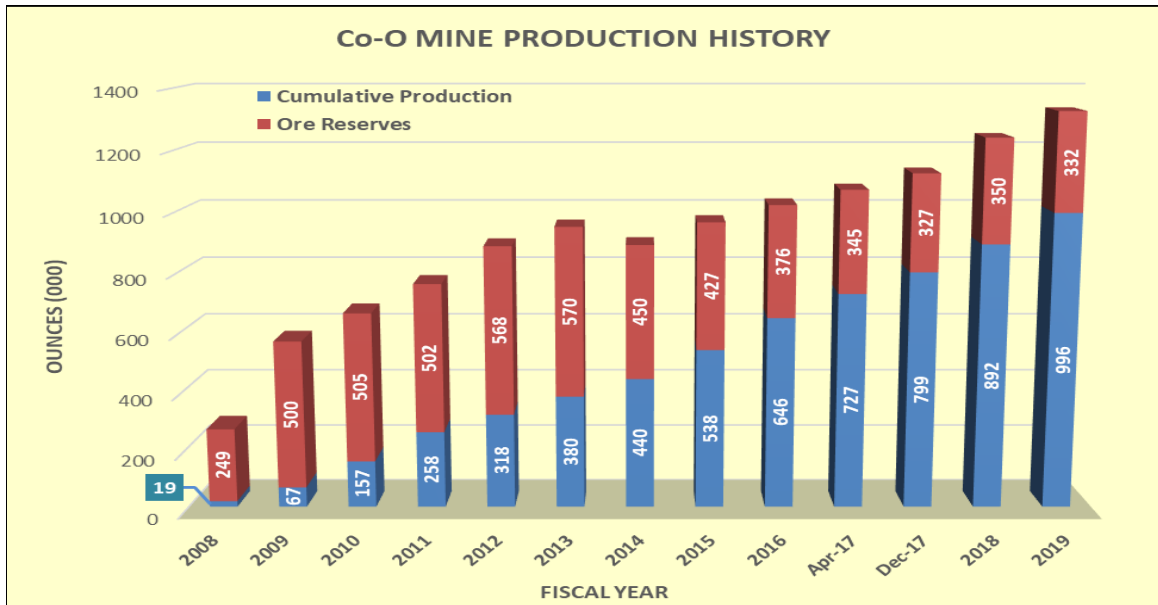
REVIEW OF OPERATIONS

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 2019 and has been depleted for mining to 31 December 2019.

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

- Mineral Resources: US\$1,500 per ounce gold
- Ore Reserves: US\$1,350 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; and
- FY2020 - Ore Reserves estimated using gold price of \$1,350 per ounce.

Co-O MINE MINERAL RESOURCES

Total Measured, Indicated and Inferred Mineral Resources for the Co-O Mine are now estimated at 2.48 million tonnes at a grade of 9.85 g/t gold for a total 784,000 ounces contained gold (Table I), compared to the 31 December 2018 estimate of 2.66 million tonnes at a grade of 10.41 g/t gold for a total 890,000 ounces contained gold (Table III).

There has been a decrease in the total number of ounces in the Co-O Mine's Mineral Resources through the mining depletion of 93,000 ounces.

While the ounces in the Measured and Indicated Resource, category have slightly decreased by 2%, the grade remained the same at slightly above 10.0 g/t gold. In the Inferred Resource category there has been a decrease in the ounces of 26% with a grade reduction of 8%. Overall, the total ounces have decreased by 12% while the grade has reduced by 5%. The grade reduction is primarily the result of:

- mining depletion;
- the conversion of a component of higher-grade Inferred Resource to the Indicated category as a result of drilling and development;
- drilling and development resulting in information which shows that there is an improved continuity of previously interpreted narrow veins. This enhanced continuity has been achieved through the addition of internal dilution, which will make the resource more amendable to mining;
- drilling which has also delineated additional lower grade veins (above cut-off grade) that have been included in the estimate as they are proximal to higher grade veins; and
- there has been less resource drilling due to the availability of drill station development in favour of production priorities.

REVIEW OF OPERATIONS

Table III: Comparison summary of total undiluted Co-O Mineral Resource estimates (31 Dec 2018 & 31 Dec 2019).

Mineral Resource Category ⁽¹⁾	31 December 2018			31 December 2019			Variance %		
	Tonnes	Gold (g/t)	Gold (oz)	Tonnes	Gold (g/t)	Gold (oz)	Tonnes	Gold (g/t)	Gold (oz)
Measured	96,000	9.57	29,000	418,000	9.33	125,000	335	(2.51)	331
Indicated ⁽²⁾	1,385,000	11.03	491,000	1,121,000	10.75	387,000	(19)	(2.54)	(21)
Inferred ⁽²⁾	1,179,000	9.75	369,000	938,000	9.00	271,000	(20)	(8)	(26)
Total	2,660,000	10.41	890,000	2,477,000	9.85	784,000	(7)	(5)	(12)

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 (see ASX Announcement dated 6 April 2020).

The drilling program and mine development, as at 31 December 2019 has resulted in a Proven and Probable Reserve of 332,000 ounces.

The Co-O Mine Proven and Probable Ore Reserves are now estimated at 1.65 million tonnes at a grade of 6.27 g/t gold for a total 332,000 ounces contained gold, compared to the 31 December 2018 estimate of 1.58 million tonnes at a grade of 6.86 g/t gold for a total 350,000 ounces contained gold.

There has been a decrease in total Proven and Probable ounces of 5% when compared to the 31 December 2018 Probable Reserve of 350,000 ounces. The 31 December 2019 Proven and Probable Reserve grade has reduced by 9% from a grade of 6.86 g/t to a grade of 6.27 g/t gold.

The changes in the Co-O Mine Ore Reserves are primarily due to mining depletion; modified vein interpretations through increased geological knowledge of the different vein sets obtained by further underground 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 65%. This conversion rate indicates a high level of resource confidence when costs and scheduling are applied to the resource. The Co-O Ore Reserves are reported using a gold price of US\$1,350 per ounce.

Table IV: Comparison summary of Co-O Mine's Ore Reserve estimate (31 Dec 2018 & 31 Dec 2019).

Ore Reserve Category	31 December 2018			31 December 2019			Variance %		
	Tonnes	Gold (g/t)	Gold (ozs)	Tonnes	Gold (g/t)	Gold (ozs)	Tonnes	Gold (g/t)	Gold (ozs)
Proven	93,000	9.62	29,000	324,000	7.25	75,000	248.39	(24.64)	158.62
Probable	1,491,000	6.68	321,000	1,324,000	6.03	257,000	(11.20)	(9.73)	(19.94)
Total	1,585,000	6.86	350,000	1,648,000	6.27	332,000	(3.97)	(8.60)	(5.14)

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 FY2020 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 12.”

Resource and Definition Drilling

In FY2020, 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 FY2020, drilling was carried out at Levels 4, 6, 7, 9 and 10.

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

Table VIII: Summary of Co-O Mine underground drilling for FY19-20.

Project	Purpose	Levels	Number of Holes	Meterage
Co-O Mine Underground	Resource drilling	10	36	18,837
	Definition drilling	4, 6, 7, 9 and 10	105	17,498
	TOTAL DRILLING		141	36,335

Details of significant intersection results obtained during the FY2020 have been reported in the September 2019, December 2019, March 2020 and June 2020 quarterly reports. Table V below summarises the more significant drill intersections obtained in FY2020.

Table IVI: Co-O Mine - significant underground drill hole results of ≥6 gram-metres.

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
UNDERGROUND RESOURCE DRILLING - LEVEL 4											
L4-16W-001	613848	913038	4	150.00	3	2	36.85	37.25	0.40	22.73	9.09
L4-16W-002	613848	913038	4	150.00	20	-2	23.75	25.85	2.10	3.98	8.36
							including		1.00	4.96	4.96
L4-23E-002	614210	912862	9	151.10	333	3	76.40	78.10	1.70	9.02	15.33
							including		1.00	4.22	4.22
									0.70	15.87	11.11
UNDERGROUND RESOURCE DRILLING - LEVEL 6											
L6-48W-001	613535	912810	-95	150.10	230	2	37.55	38.30	0.75	81.33	61.00
L6-59E-001	614574	912911	-89	351.50	349	1	97.90	98.50	0.60	23.77	14.26
L6-59E-003	614571	912907	-89	370.00	334	1	46.20	47.15	0.95	9.87	9.38
UNDERGROUND RESOURCE DRILLING - LEVEL 7											
L7-18E-001	614191	913014	-141	150.30	328	-5	25.00	25.60	0.60	13.20	7.92
L7-41E-002	614372	912782	-139	60.30	320	-1	53.35	54.20	0.85	18.07	15.36
L7-56E-001	614540	912840	-137	111.30	45	-3	75.95	76.15	0.20	107.67	21.53
L7-77E-002	614747	912821	-134	150.00	19	2	11.70	12.70	1.00	9.53	9.53

REVIEW OF OPERATIONS

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 8											
L8-56E-002	614568	912974	-189	115.60	53	0	107.35	107.90	0.55	8.23	4.53
							108.40	109.80	1.40	22.00	30.80
							including		0.40	21.47	8.59
							including		0.70	12.70	8.89
including		0.30	44.40	13.32							
L8-65E-002	614644	912853	-188	200.10	142	0	45.80	46.05	0.25	21.37	5.34
L8-72E-026	614701	912845	-189	601.10	152	-71	86.60	87.55	0.95	7.40	7.03
							171.45	172.25	0.80	114.26	91.41
							367.45	368.10	0.65	16.38	10.65
							456.20	456.80	0.60	13.45	8.07
L8-72E-027	614700	912845	-188	601.10	197	-72	396.90	398.50	1.60	175.41	280.66
							including		0.60	462.70	277.62
							including		1.00	3.03	3.03
							402.10	403.10	1.00	6.14	6.14
							543.10	543.65	0.55	70.83	38.96
L8-72E-029	614698	912845	-189	127.10	213	0	121.85	123.60	1.75	9.59	16.78
							including		0.95	12.10	11.50
							including		0.80	6.60	5.28
UNDERGROUND RESOURCE DRILLING - LEVEL 9											
L9-1W-003	613975	912862	-242	250.10	350	2	19.70	20.60	0.90	6.77	6.09
L9-22E-004	614144	913012	-238	138.00	168	3	42.40	42.65	0.25	50.80	12.70
L9-75E-003	614756	912953	-239	250.40	51	5	19.20	19.55	0.35	36.06	12.62
							76.65	78.15	1.50	26.40	39.60
							including		0.95	27.55	26.17
							including		0.55	24.40	13.42
							95.30	96.90	1.60	23.34	37.34
							including		1.00	22.06	22.06
							including		0.60	25.46	15.28
							170.00	171.25	1.25	15.23	19.04
including		0.65	16.45	10.69							
including		0.60	13.90	8.34							
L9-75E-004	614757	912949	-239	250.00	154	0	42.55	44.15	1.60	145.88	233.41
							including		0.90	236.79	213.11
							including		0.70	28.99	20.29
L9-75E-005	614757	912948	-239	250.00	139	0	19.90	20.90	1.00	135.64	135.64
UNDERGROUND RESOURCE DRILLING - LEVEL 10											
L10-25E-016	614177	912696	-293	550.50	359	-25	79.85	81.85	2.00	8.65	17.30
							including		1.00	4.81	4.81
							including		1.00	12.49	12.49
including		0.60	10.13	6.08							
L10-25E-018	614175	912696	-293	550.00	339	-23	128.20	128.90	0.70	20.79	14.55
L10-25E-019	614177	912696	-293	550.00	16	-36	539.70	539.95	0.25	28.57	7.14
L10-25E-022	614177	912696	-293	550.10	9	-33	385.85	386.60	0.75	8.90	6.68
							394.15	395.65	1.50	11.83	17.75
							including		0.60	22.49	13.49
							including		0.90	4.73	4.26
L10-25E-023	614176	912696	-293	551.70	357	-31	64.55	65.95	1.40	12.17	17.04
							including		0.40	34.90	13.96
							including		1.00	3.08	3.08
L10-25E-024	614176	912696	-293	551.10	349	-39	166.55	168.20	1.65	8.52	14.06
							including		0.70	14.10	9.87
							including		0.95	4.41	4.19

REVIEW OF OPERATIONS

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 10 (continued)											
L10-37E-002	614365	912982	-288	250.00	321	3	59.00	59.45	0.45	29.27	13.17
							208.60	210.20	1.60	7.18	11.49
							including		1.00	5.93	5.93
									0.60	9.27	5.56
L10-37E-003	614366	912979	-288	250.10	304	0	74.60	75.15	0.55	24.87	13.68
L10-44E-002	614437	912993	-288	250.00	9	1	81.50	81.80	0.30	54.27	16.28
							198.50	199.50	1.00	6.73	6.73
L10-44E-003	614436	912994	-288	250.00	337	0	141.75	143.70	1.95	23.16	45.16
							including		0.95	24.67	23.44
									1.00	21.73	21.73
L10-50E-016	614524	913102	-289	601.60	174	-50	73.15	75.05	0.90	9.43	8.49
							including		0.25	14.46	3.62
									0.65	7.50	4.87
L10-50E-018	614524	913102	-289	600.00	163	-48	78.65	80.10	1.45	5.55	8.05
							including		0.55	7.83	4.31
									0.90	4.15	3.73
							85.25	86.10	0.85	17.45	14.83
L10-50E-019	614525	913102	-289	600.00	156	-45	80.90	82.10	1.20	9.74	11.69
							including		0.50	12.04	6.02
									0.70	8.10	5.67
							90.95	91.55	0.60	10.12	6.07
L10-50E-022	614524	913102	-289	600.80	166	-38	78.70	79.65	0.95	19.07	18.12
							369.20	370.20	1.00	6.53	6.53
							376.45	376.70	0.25	74.07	18.52
L10-50E-025	614526	913102	-290	600.40	153	-62	493.05	493.75	0.70	17.20	12.04
L10-50E-027	614526	913102	-289	550.00	146	-48	89.60	91.00	1.40	15.92	22.29
							including		0.65	8.60	5.59
									0.75	22.27	16.70
L10-50E-030	614524	913102	-289	551.10	185	-43	291.10	292.40	1.30	4.91	6.38
							including		0.35	8.83	3.09
									0.95	3.46	3.29
							293.50	295.15	1.65	7.47	12.33
							including		0.65	13.40	8.71
									1.00	3.62	3.62
L10-50E-031	614525	913102	-289	550.40	169	-43	69.55	71.15	1.60	7.53	12.05
							including		0.60	12.73	7.64
									1.00	4.41	4.41
							78.05	78.90	0.85	18.93	16.09
							133.90	134.65	0.75	10.43	7.82
L10-50E-032	614525	913102	-289	551.10	168	-57	75.25	75.85	0.60	17.63	10.58
							85.40	86.00	0.60	18.00	10.80
							86.70	87.00	0.30	27.87	8.36
							306.05	306.95	0.90	8.90	8.01
L10-50E-033	614523	913102	-290	550.10	210	-64	85.20	86.15	0.95	20.60	19.57
L10-50E-034	614524	913102	-290	550.10	193	-65	143.30	144.30	1.00	19.97	19.97
L10-50E-035	614523	913102	-289	551.10	205	-48	75.60	76.10	0.50	13.50	6.75
L10-50E-039	614525	913102	-290	600.30	144	-78	579.10	580.90	1.80	12.90	23.22
							including		0.90	5.30	4.77
									0.90	20.50	18.45
							582.20	582.90	0.70	8.93	6.25
L10-50E-041	614525	913102	-290	571.70	178	-78	156.20	156.90	0.70	35.17	24.62
L10-58E-002	614599	913069	-288	250.20	148	0	115.35	116.15	0.80	14.10	11.28
							227.40	228.25	0.85	8.87	7.54
L10-7E-001	613988	912950	-291	550.10	147	-42	514.55	515.20	0.65	9.60	6.24

REVIEW OF OPERATIONS

Notes:

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

Co-O SURFACE EXPLORATION

Exploration activities for FY2020 focused on the evaluation of prospects within the Co-O tenements, review of Philsaga Mining Corporation ("PMC") granted tenements and applications.

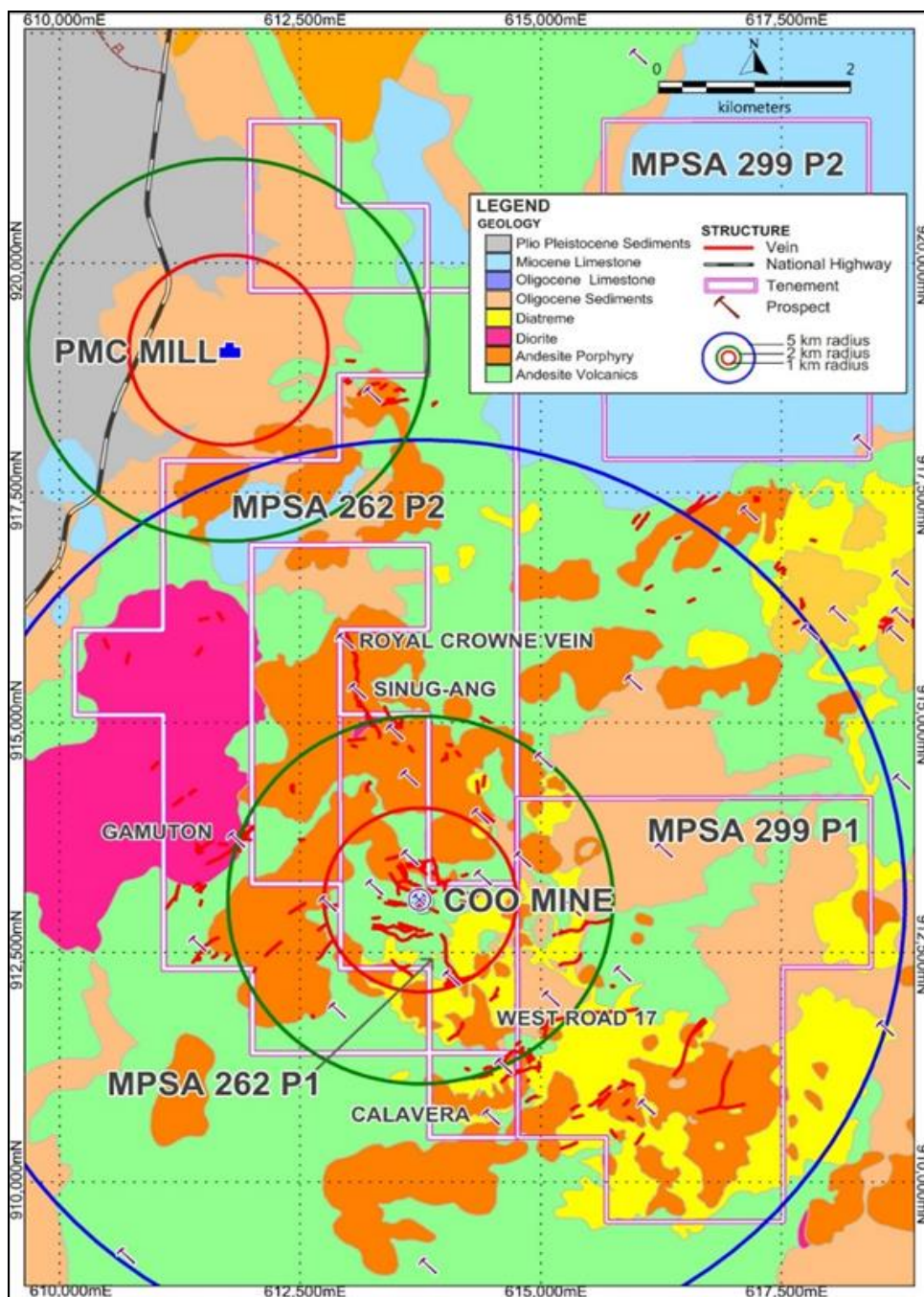


Figure 5. Active surface exploration projects within the company tenements.

REVIEW OF OPERATIONS

Royal Crowne Vein Project

In FY2020, a total of 21 drill holes with a total meterage of 4,757 metres were successfully completed at the Royal Crowne Vein (“RCV”) project in the old Sinug-ang area in the Phase 3 drilling program (Figures 5 & 6).

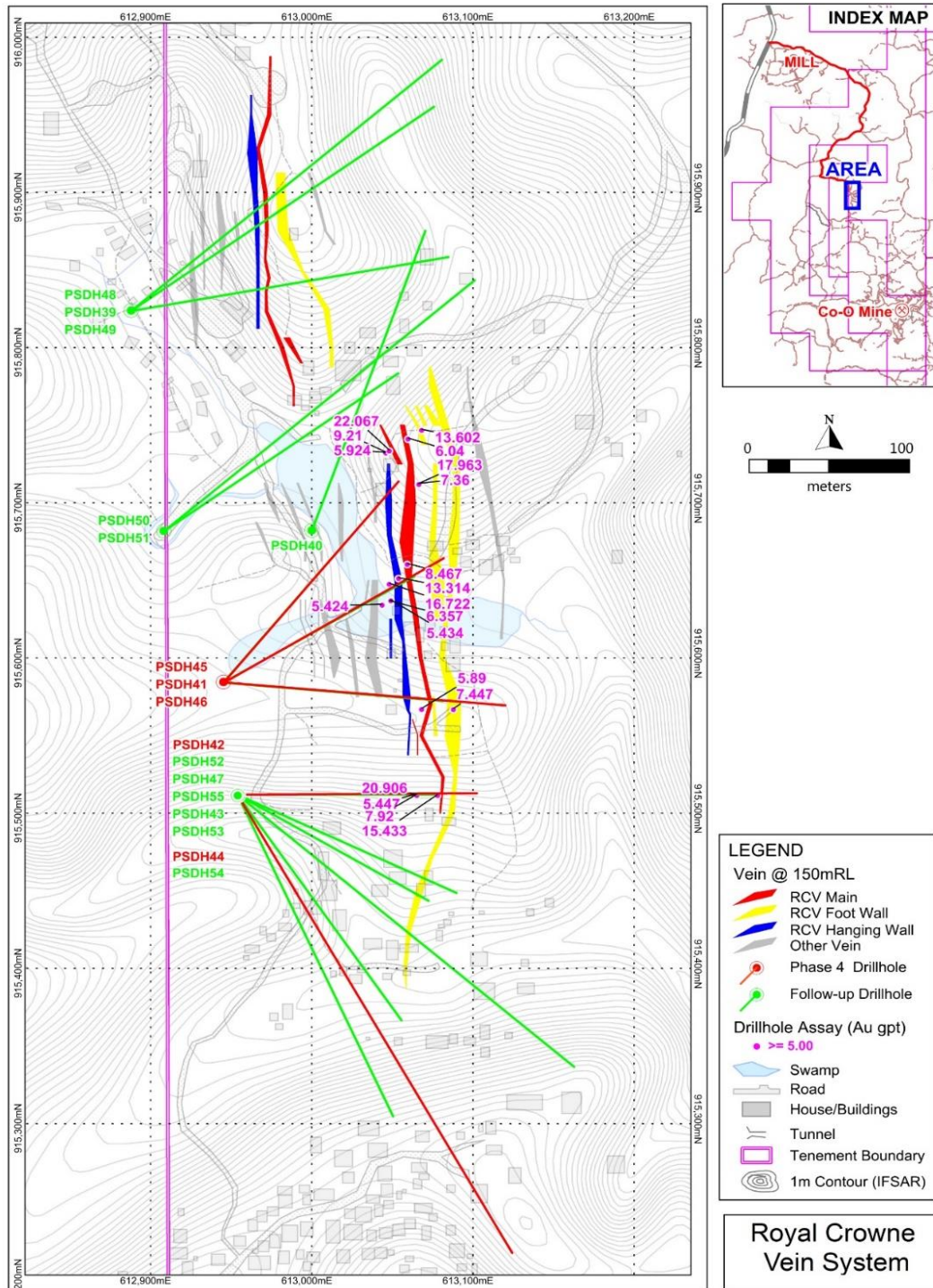


Figure 6: Drill plan layout for the RCV Phase 4 and Follow-up Drilling Program targeting the down-dip extension of historical significant drill intercepts targets.

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 10,000 ounces of gold and an Inferred Resource of 26,000 tonnes at 4.01 g/t gold. The total Mineral Resources as reported (ASX on the 6 April 2020) is presented in the table below (Table VII).

REVIEW OF OPERATIONS

Table VII: Comparison summary of total undiluted RCV Mineral Resource estimates (31 Dec 2018 & 31 Dec 2019).

Mineral Resource Category	31 December 2018			31 December 2019			Variance %		
	Tonnes	Gold (g/t)	Gold (ozs)	Tonnes	Gold (g/t)	Gold (ozs)	Tonnes	Gold (g/t)	Gold (ozs)
Indicated	-	-	-	61,000	4.93	10,000	100	100	100
Inferred	311,300	5.03	50,300	26,000	4.01	3,000	(91)	(20)	(94)
Total	311,300	5.03	50,300	87,000	4.65	13,000	(72)	(8)	(74)

Phase 3 drilling program was designed to upgrade the resource category and test the wide-spaced drilling continuity. A follow-up (Phase 4) 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 (Figure 6).

Calavera Prospect

The Calavera prospect is a small scale mining site located about 2 km south of Co-O Mine that has been the focus of exploration mapping in the past. Two vein sets trending east-west and NE-SW with projected strike lengths of 150 metres and 300 metres, respectively, were previously mapped and sampled with 11 rock chip channel samples returning grades above 1.0 g/t gold, and peak grade of 4.46 g/t gold.

A scout drilling campaign was implemented on 27 February 2020 completing four holes totalling 1,054 metres by 7 April 2020 (Figure 4). However, the last hole did not reach target depth, and two planned holes were not drilled due to the implementation of COVID-19 restrictions.

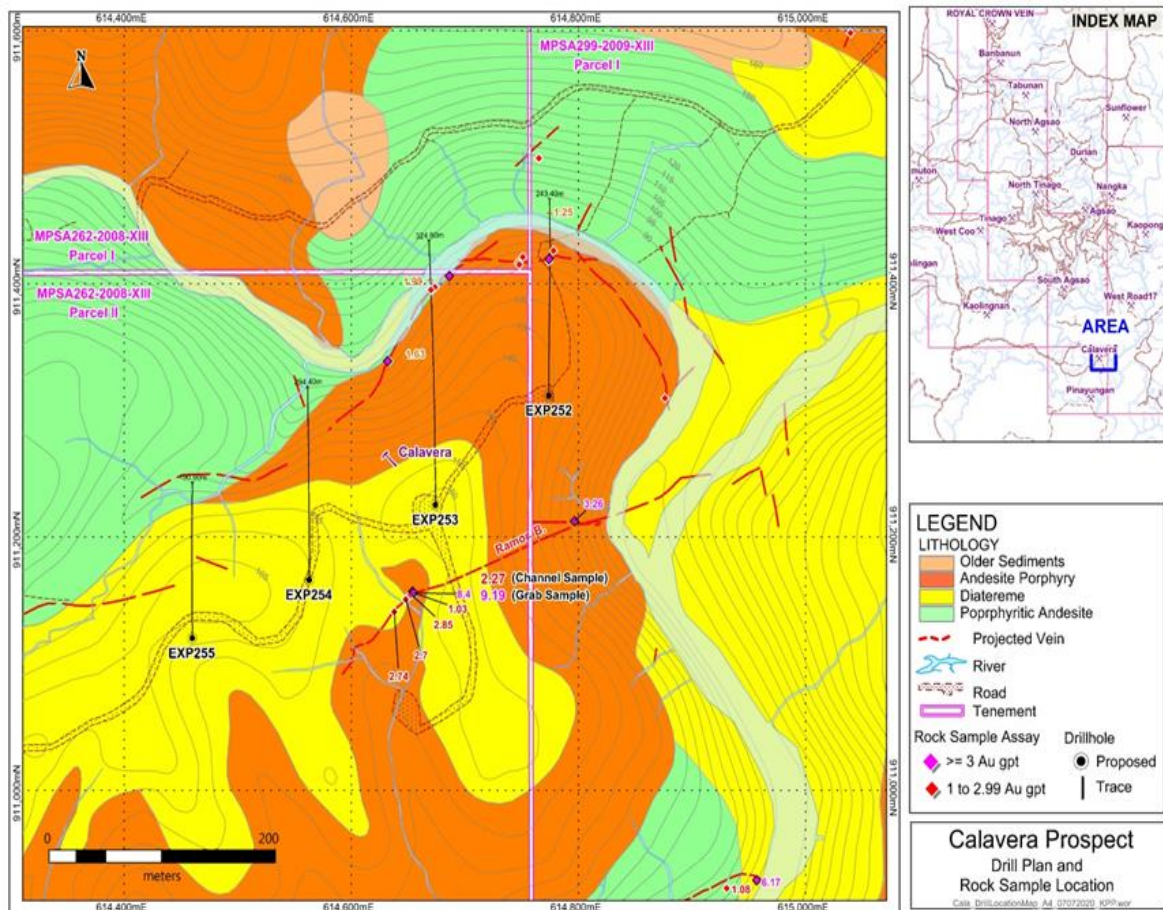


Figure 7. Map showing the location of completed drill holes, significant drill intercepts and recent surface samples in the Calavera prospect.

Drilling confirmed the geologic continuity of the NE-trending Calavera main vein (i.e. Vein 1) along a strike length of roughly 400 metres, and down-dip to a depth of 125 metres from the surface. Mineralised structures, however, were relatively narrow ranging from 20 cm to 100 cm, and exhibited pinch-and-swell geometries along its strike and down-dip projections.

Corresponding assay results returned generally low grades, ranging from below detection limit (i.e. 0.005 g/t gold) to a peak grade of 1.99 g/t gold. No further work is planned at the Calavera prospect.

REVIEW OF OPERATIONS

TSF #1 Tailings Project

The Tailings Storage Facility (“TSF”) #1 was utilised by the original processing plant since the 1980’s. The TSF #1 material is from the earlier higher gold grade Co-O mine ore, which was processed using dated extraction techniques 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 and 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, which will simplify mining and minimise disturbance to the lower grade base of TSF#1.

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

West Road 17 Gold Project

A four hole scout drilling program at the West Road 17 prospect aimed at validating the geometry and grade continuity along the projected strike and dip directions of the West Road 17 Vein System (Figure 6) was completed last 30 July 2019 with total metreage of 1,190 metres. Majority of the 243 mineralised core samples sent for analysis returned marginal grades with only three samples having grades above 1.0 g/t gold with peak grade of 3.16 g/t gold along a 0.75 metres interval starting at 57.35 metres of drill hole EXP-251.

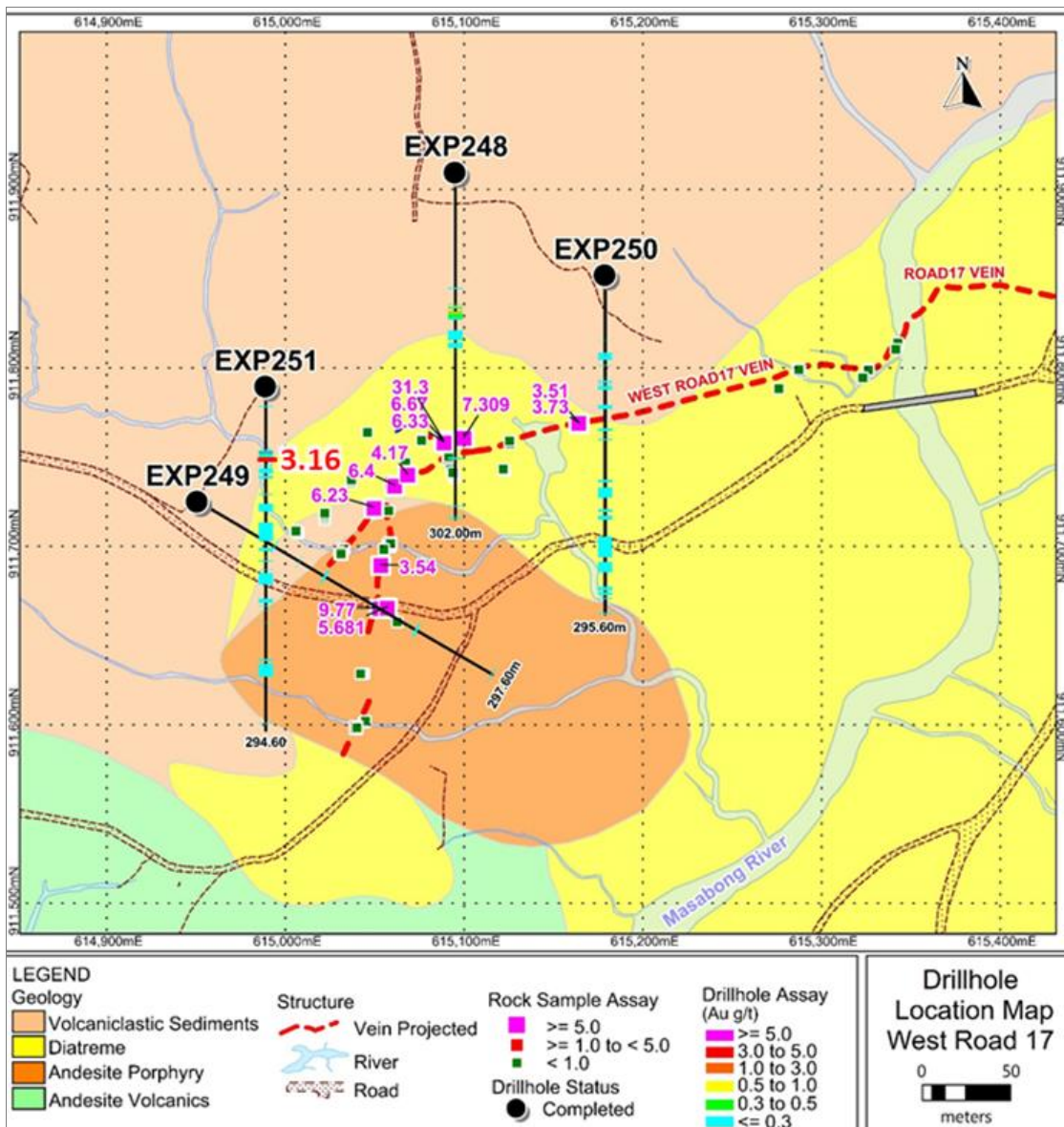


Figure 8. Geologic map showing the location of on-going and proposed drill holes at the West Road 17 prospect, and assay results of surface channel and grab samples.

REVIEW OF OPERATIONS

REGIONAL PROJECTS

Bananghilig Gold Deposit

There has been no development or material change on the Bananghilig Deposit since the Company completed an exhaustive two year (FY2015 and FY2016) review of the Bananghilig B1 (“Bananghilig”) gold deposit which resulted in a mineral resource estimate reported in 2016 in accordance with the guidelines of JORC 2012.

The total Indicated and Inferred Mineral Resources for the Bananghilig Gold Deposit, at a block cut-off grade of 0.75 g/t gold for Indicated (open-pit material), and 3.0 g/t gold for Inferred (underground material), is estimated at 7.78 million tonnes at a grade of 1.73 g/t gold (435,000 ounces contained gold). The details of the study have been reported by the Company in September 2016.

Saugon Gold Deposit

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

EXPLORATION - OTHER AREAS

QUEENSLAND EPITHERMAL GOLD & COPPER PROJECT

The Company announced on 5 July 2018 that it had entered into an Earn-in-Agreement (“EIA”) with Ellenkay Gold Pty Limited (“Ellenkay”) regarding two exploration projects in Central Queensland, Australia.

The Hill 212 (EPM 26217) exploration project, an epithermal gold-silver opportunity located approximately 30 km east of Mt Coolon and the Mt Clark West (EPM 26008) exploration project, a copper-gold opportunity located approximately 24 km north-west of Nebo.

Medusa has completed drill testing of priority targets at both projects, with no significant results returned. After evaluating all results of the first round of exploration and drilling from both projects, the Company discontinued exploration programmes associated with the next phase of the EIA with Ellenkay. On 19 November 2019 Medusa announced to the ASX that it had withdrawn from the EIA.

OTHER AREAS

The Company continues to evaluate opportunities within the Asia Pacific Region with the objective of achieving of growing the Company’s portfolio.

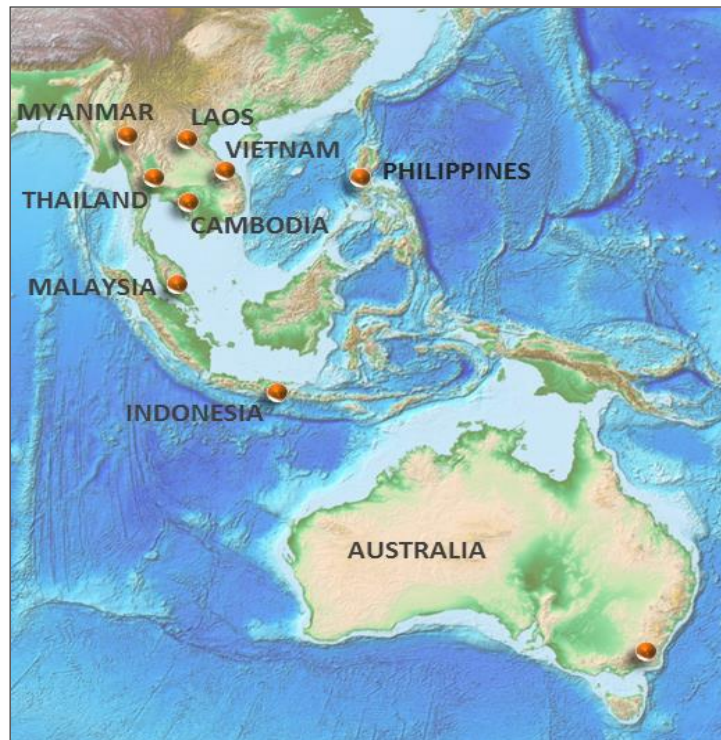


Figure 9. Country and regional area of interest considered in project generation.

REVIEW OF OPERATIONS

TENEMENTS

The Company tenement portfolio is in good standing, and comprises of 17 tenements with a combined area of 412 km² (Figure 11). This includes 4 granted tenements and 13 tenement applications. Of the granted tenements, 3 are currently in the exploration stage, and 1 covering the Co-O Mine area is in the operation stage.

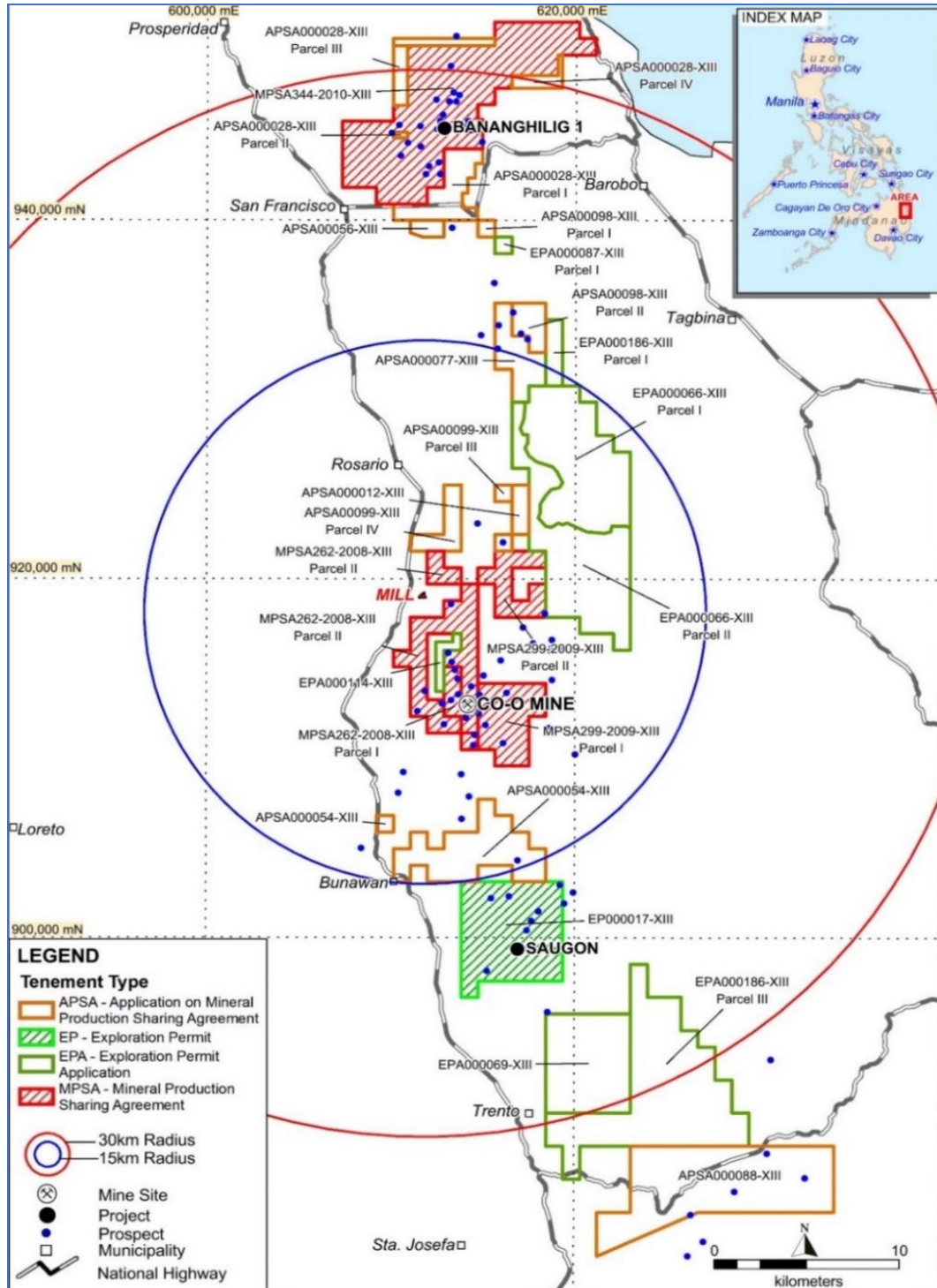


Figure 10. Status of tenement holdings at end June 2020.

Of the Company's pipeline of 13 tenement applications (Figures 9 & 10), 7 tenement applications (i.e. 3 APSAs and 4 EPAs) were reviewed during the COVID-19 quarantine period from late March to June 2020 as part of the rationalisation of tenement applications.

These tenements include APSA 77, APSA 98, APSA 88, EPA 66, EPA 69, EPA 114 and EPA 186. Preliminary results noted that APSA 77, APSA 98 and EPA 114 are the ones of geologic interest and prospectivity. Together with APSA 12, these 4 comprise the priority tenement applications actively being followed up with MGB for approval.

REVIEW OF OPERATIONS

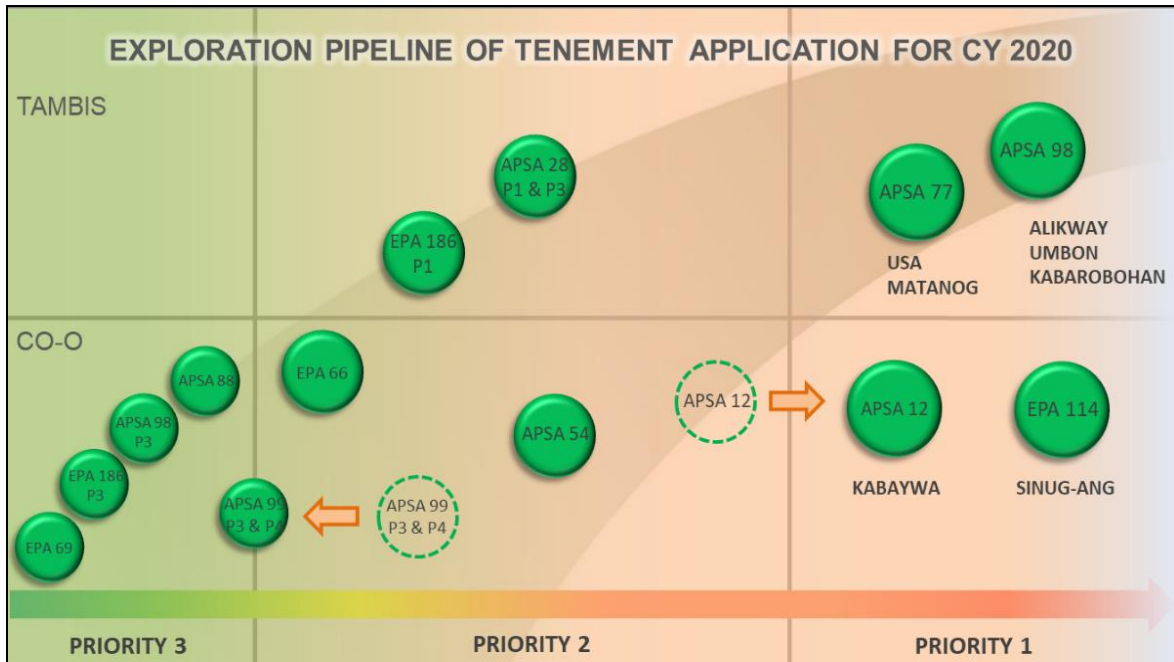


Figure 11. The Company's exploration pipeline of tenement application for CY 2020.

APSA 77 and APSA 98 are adjacent contiguous tenement applications located roughly 15km north of Co-O Mines. It is an active small-scale mining ("SSM") area, which have been the focus of sporadic exploration activities by PMC from 2006 until 2016. 5 prospects has been identified - namely Usa, Matanog, Alikway, Kaborobohan and Umbon, with gold mineralisation associated with gold-copper porphyry (Usa and Alikway), epithermal veins (Matanog, Kaborobohan and Umbon), and Copper-gold skarn (Usa and Alikway).

EPA 114, on the other hand is contiguous with MPSA 262 Parcel 2 where the RCV Gold Project and the Sinug-ang prospects are located. Both are historical SSM sites that remain active to the present time. Sinug-ang has a target potential of 150,000 ounces to 600,000 ounces gold along a 1,500 metres strike length with RCV as its northern most vein segment.

The Company received notice on 11 November 2019 from the MGB Region XIII office on the provisional approval of its exploration permit application ("EPA") covering EXPA-000066-XIII (EPA-066). Final approval of the EPA is subject to meeting several provisions that includes amendment of the tenement boundary to exclude areas previously designated for non-mining landuse zones by local government units, and consequently revision of the exploration ("ExWP") and environmental ("EnWP") work programs and cost estimates, including the incorporation of baseline environmental studies. The ExWP and EnWP covering the amended tenement boundary of EXPA-000066-XIII (EPA-066) has been completed, and revised tenement boundary is under review by MGB's deputised geodetic engineer.

REVIEW OF OPERATIONS

SUSTAINABILITY

The Company believes that its business should be founded on 3 key components that encompass our commitment to all stakeholders. Improvements are still being made to organisational coherence, proper internal procedures, regular checks and balances, performance and efficiencies. The 3 key components are:

- Health and Safety;
- Environmental Protection, Management and Monitoring; and
- Corporate Social Responsibility.

HEALTH AND SAFETY

Safety and Health Programs have been implemented at all our sites to manage the Safety and Health of all personnel working on those sites. These programs go beyond compliance with existing regulations with its continuous reviews and policy amendments.

The majority of the people involved in our operations and projects are based at the Philsaga Mining Corporation sites, which includes site contractors and suppliers.

These Safety and Health programs include:

- General Safety and Health rules and specialised work rules for handling hot works, lifting activities, etc;
- Provision of Management and Employee Safety Training to ensure competency on safe work practices;
- Regular and comprehensive medical surveillance to monitor the health conditions of personnel reporting and leaving work;
- Refresher Courses for Employees assigned in relatively high-risk designations;
- Systematic planned inspections in order address unsafe conditions in all workplaces;
- Comprehensive emergency preparedness planning, monthly training, and programming at mine and mill sites, including quarterly fire and earthquake responsiveness drills;
- Hazard prevention and control, through improved hazard awareness training, program of workplace inspections, Job Hazard Analyses, thorough investigation of incidents, continual communication with the workforce, and implementation of the corrective/improvement actions;
- Continued regular training for the Emergency Response Team (“ERT”) e.g. chemical spill, mine rescue and firefighting, with the teams participating in annual national competitions;
- Development and implementation of a system and operational audits; and
- Greater focus on completion of improvement action plans.

The 12-month Total Reportable Injury Frequency Rate for FY2020 was 1.5 per million-man hours which is significantly down from last year (2 per million-man hours).

Unfortunately, two occurrences of fatalities were experienced during FY2020 and a third since 1 July 2020. During February 2020 two underground contractor personnel were fatally injured at the Co-O mine due to a rock fall accident. On 25 August 2020, the Company notified the ASX of a fatal accident at Co-O mine when an employee was electrocuted during an inspection process of submersible pumps at the underground Main pump station.

As a result of the first incident, a more in- depth review of underground geotechnical conditions was done for all workplaces. Stricter policies for unsafe acts were also implemented and more frequent safety inspections for critical areas were established. This was adopted in tandem with the continuous provision of refresher courses for miners. The Company is deeply saddened by the incidents and continues to provide support to the families of the victims.

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 community residents.

REVIEW OF OPERATIONS



Photo 1. Firefighting Training with Bureau of Fire Protection



Photo 2. First-Aid Training with Philippine Red Cross



Photo 3. Quarterly Basic Occupational Safety and Health (BOSH) and Basic Behavioral Safety (BBS) Training



Photo 4. Chemical Spill Training and Simulation

REVIEW OF OPERATIONS



Photo 5. Quarterly Earthquake and Fire Drill

ENVIRONMENTAL PROTECTION, MANAGEMENT AND MONITORING

Co-O Gold Project Environmental Conditions

The Company's Co-O Gold Mine with its own processing plant has established its environmental management strategies to comply with the mandates of the relevant regulating bodies. The continual mining operation, though expanding to different levels, has only minimal surface disturbed areas. The Company's environmental protection and enhancement program and environmental mitigating measures ensured that the tenement's land, air and water resources were responsibly managed.

The Company's thrust to reduce its carbon footprint is continuously conducted. At the end of 2019, a total of 1,755 hectare - plantation was established with 1,102,671 seedlings planted. The established plantation is estimated to sequester 189,804.64 tonnes of carbon, which compensates 2019's carbon emission of 47,990.59 tonnes of CO₂ emission from the mill and mine operations. The land resource rehabilitation effort was conducted not only at the direct impact areas within the tenement but also in host and neighbouring communities.

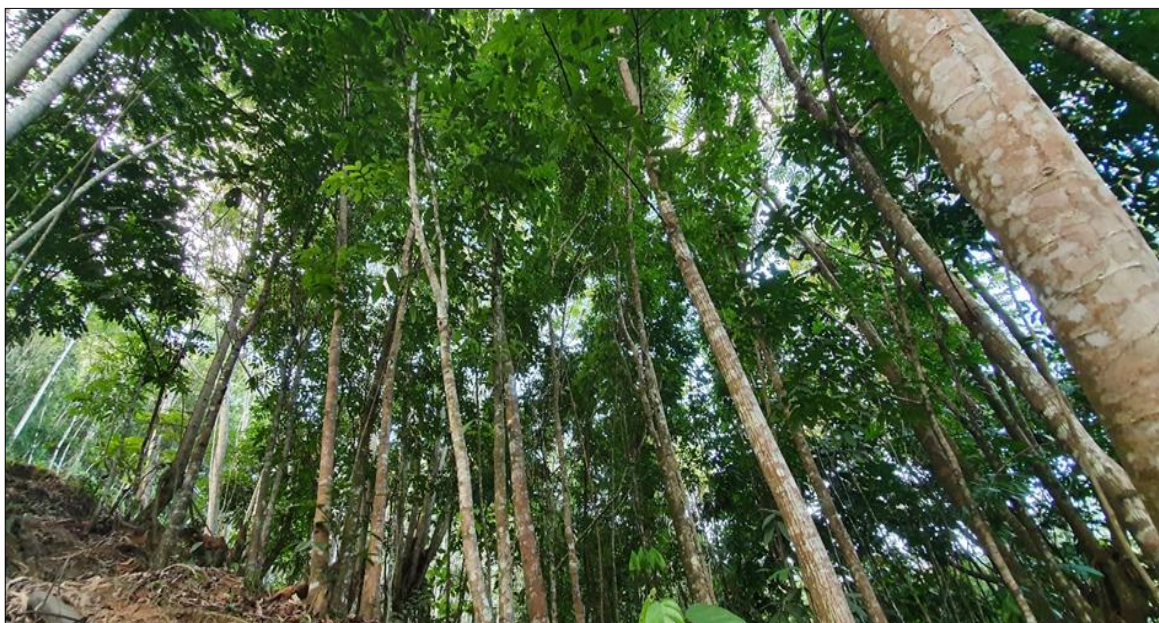


Plate 1. Established Plantation within the Tenement

REVIEW OF OPERATIONS

Land Resource Management

In the recent year, the company established 140 - hectare fruit tree plantation at Brgy. Bayugan 3, Rosario, and Brgy. Consuelo, Bunawan, all in Agusan del Sur. Grafted Rambutan (*Nephelium lappaceum*), Lansones (*Lansium domesticum*), Durian (*Durio zebithenus*) were planted at the established sites.

One of the major collaborations the Local Government Unit took off this year in line with Philippine Government's Adopt-a-Watershed Program, which aims to preserve and protect the locality's water source. The 20 – hectare buffer zone at Maputi Watershed in Rosario, Agusan del Sur, was planted with indigenous forest trees such as white lauan (*Shorea contorta*) and Molave (*Vitex parviflora*) to enhance plant density at the proposed watersheds. This program covers the plantation establishment and plantation maintenance activities for the next three years. While within the Company's tenements, enhancement planting, slope stabilisation and landscaping works are continuously managed.



Plate 2. Established Fruit Trees Outside Tenements



Plate 3. Landscaping at the Mill and Mine Site

Moreover, the Company continuously maintained the 5 – hectare Mangrove Reforestation site at Brgy. Wakat, Barobo, Surigao del Sur. Seedling donation thrust also reached to 65,410 various fruit and indigenous forest seedlings donated to the community, private and government agencies in support to its greening endeavours.



Plate 4. Mangrove Reforestation at Barobo, Surigao del Sur

REVIEW OF OPERATIONS



Plate 5. Agroforest Nursery

Meanwhile, the company’s Agroforest Nursery is continuously operating to support planting stock requirement in all reforestation/greening activities of the company and its stakeholders. The nursery established at the mill and mine sites cater to 150,000 seedlings and 50,000 seedlings, respectively.

Water Resource Management

Adopt-a-Creek Program

In support to 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 areas namely- Agsao Creek, Bayugan 3 Creek and Co-O Creek. Activities to maintain and enhance water quality includes creek clean up and riparian enhancement by planting narra and bamboo along the embankment or the waterbody. Information Education Communication (IEC) campaigns were conducted to the community and/resident near the water body to reiterate the value of water resources.



Plate 6. Co-O Creek riparian enhancement

For this year, extending its thrust in the protection of the water bodies including its neighbouring community, the Company subscribes to Rivers for Life, a collaborative project in the adoption of identified water bodies in partnership with the Department of Environment and Natural Resources - Regional Office XIII (DENR RXII), Provincial Environment and Natural Resources- Agusan del Sur (“PENRO-ADS”), Community Environment and Natural Resources - Bunawan (“CENRO-Bunawan”) and Municipal Local Government of Sta. Josefa. The program aims to improve the water quality of Simulao River adopting its 2 km stretch through the conduct of solid waste management strategies, information education campaign, enhancement of riparian vegetation and conduct of water quality monitoring to continually assess the effectiveness of the actions implemented.

REVIEW OF OPERATIONS

Environmental Monitoring

The Company continually conducts monitoring and sampling in terms of emission to water, air, and noise, based on Environmental Management Bureau's approved Environmental Monitoring Plan. On a monthly basis, water samples were collected at identified sampling station for analyses of physical - chemical and heavy metals contaminant, while on a quarterly basis ambient air is sampled for emission of air pollutants such as Total Suspended Particulates ("TSP"), PM10, CO, NOx, and SOx. Stationary sources of air pollutants such as generator sets, scrubbers for hydrochloric Acid, Lead and Nitrogen Oxide as well as Boilers were sampled in a semi – annual basis. Samples analysed were within the standard set by the DENR.



Plate 7. Water Quality Monitoring

ISO 14001

On February 17 to 20, the TUV Rheiland, an ISO 140001:2015 certifying body conducted its surveillance audit to the operating companies, Philsaga Mining Corporation (PMC) and Mindanao Mineral Processing and Refining Corporation (MMPRC), to assess the companies' continued compliance with the environmental management systems standard. Both companies were commended on sustaining the mandatory ISO standards via its compliance and implementation regarding EMS. First cycle internal audit was also conducted in June 2020 ensuring that established systems were being sustained. During the two week audit, all health protocols were adhered to minimise the spread of COVID-19.

CORPORATE SOCIAL RESPONSIBILITY

Education

Scholarships

The company continued its commitment to provide opportunities to less privileged students from its host and neighbouring communities who wish to pursue their tertiary courses.

The program provides assistance to scholars through Full Scholarship grants, Half Scholarship grants and Educational Assistance.

Several of the scholars that graduated have chosen to work as teachers at Philsaga High School Foundation. Some were also invited to work for either PMC or MMPRC. This is an excellent overall result for the individuals, their families, the local communities and the Company.



Picture 1. Scholars who graduated

REVIEW OF OPERATIONS

Company Schools and Adopt-a-School programme

In prior years, the Company supported the Philsaga High School Foundation which is located close to the mill site. In addition, it continued its **“adopt-a-school”** programme since July 2013 and currently supporting 13 Elementary and Primary schools in areas of Rosario and Bunawan municipalities until 2021. This program provides school supplies and health kits to the students and instructional materials for the teachers and staff of each adopted schools.

Health

Supplemental Feeding

PMC and MMPRC through their Social Development and Management Program conducted Supplemental Feeding which benefits 60 undernourished children aged less than 12 months old. The activity was conducted with the coordination of the Municipal Nutrition Officer of Bunawan and Rural Health Unit Office of the municipality.

Medical Mission

The Company continued to support the Annual Medical Outreach Activities conducted in Barangay Bayugan 3 in partnership with the Rural Health Unit of Rosario. These services include providing Medical Consultation, Dental Extraction and Health Profiling. Over 800 members from the community have benefitted from the ongoing free medical consultation and medicines provided by Philsaga Mining Hospital.



Picture 2. Medical Outreach Program at PMC Mill Clinic and Bayugan 3 Health Centre.

Enterprise Development and Networking

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 vary from animal husbandry and agronomy to establishing cooperatives for small-scale trading. This allows stakeholders the opportunity to mature as self sufficient entrepreneurs while improving on their business acumen with the support of technical expertise provided or facilitated by the Company.

These programs involve working with local, regional and national authorities, local associations and local people to assist them in developing knowledge and skills to establish small businesses.

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

New businesses assisted this year include coconut plantation, water refilling station, tilapia production, Agrifarm input and farm machinery rentals and land rental.



Picture 3. Water Pump Rentals for Water Refilling Stations of Brgy. Poblacion and Brgy. Mambalili, Farmers Association

REVIEW OF OPERATIONS

Infrastructure Development and Support Services

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

- The establishment of water system at Barangay's San Andres, Nueva Era, Bunawan Brook & Imelda all in Bunawan, Agusan del Suro. Since the facility is being established, water service expansion will serve to at least 758 households. Other households not connected have been provided access to stand posts for water are installed in every Puroks.
- Solar Drier being constructed in Purok 7 Barangay Imelda, BADS. The Solar Drier will be utilised by the farmers within the community for drying their palay and corn product.



Picture 4. Reservoir for water system at Sitio Tagbayangbang, Bunawan Brook, BADS



Picture 5. Water Tank Collector for water system of Nueva Era Elem. School - Nueva Era, Bunawan, BADS



Picture 6. Solar Drier at Purok 7 Brgy. Imelda, BADS



Picture 7. Pipelines (PE HOSE) water system of Brgy. San NDRES, BADS

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 exploration technical personnel.

Mr Llorca is a Fellow of The Australian Institute of Geoscientists (AIG), a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), and a Chartered Professional in Geology with the AusIMM. Mr Llorca is General Manager of Geology and Resources, and is a full-time employee of Medusa Mining Limited, and is entitled to participate in the company's long-term incentive plan, details of which are included in Medusa's 2020 Remuneration Report. Mr. Llorca has more than 35 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*") third edition of the Corporate Governance Principles and Recommendations ("*ASX Principles*").

The Company's practices are largely consistent with the recommendations set out in the ASX Principles and, except as disclosed below, the Company believes it complied with each of those recommendations throughout the financial year ended 30 June 2020 and to the date of this statement. Details of the Company's compliance with the ASX Principles are set out below, including details of specific disclosures required by the ASX Principles.

This statement is current as at 21 September 2020 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 Section of the Company's website at www.medusamining.com.au.

1. BOARD OF DIRECTORS

Role and Responsibilities of the Board

ASX Principles, Recommendations 1.1, 1.3

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

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

In addition to matters required by law to be approved by the Board, 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 ("CEO"), 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.

Agreements with Directors and Senior Executives

- The Board Charter provides that: a new Director will receive a formal letter of appointment setting out the key terms and conditions relative to their appointment; and
- the Chief Executive Officer must have a formal employment agreement describing their term of office, duties, rights and responsibilities, among other things.

CORPORATE GOVERNANCE

1. BOARD OF DIRECTORS (continued)

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 (Andrew Teo, Roy Daniel and Simon Mottram) and one Executive Director (Raul Villanueva).

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

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

Collectively, the Directors have a broad range of skills, qualifications, expertise and experience relevant to the business and operations of the Company, as identified above - details relevant to the position of each Director who is in office at the date of this statement, and the period of office held by each Director, is included in the Directors' Report on pages 53 to 54.

Section 3 of this Corporate Governance Statement provides further information on the mix of skills and diversity the Board seeks to achieve in membership of the Board.

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

CORPORATE GOVERNANCE

1. BOARD OF DIRECTORS (continued)

Board independence and length of service

ASX Principles, Recommendations 2.3, 2.4 and 2.5

The Board has determined that Andrew Teo, and Roy Daniel and Simon Mottram are independent Non-Executive Directors. The Board has made this determination having regard to the criteria set out below, and confirms that none of its independent Directors has any interest, position, association or relationship of the type described below. In addition, the length of service of each Director is set out in pages 53 to 54 of the Company's Directors' Report, which forms part of the Annual Report.

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

When determining whether a Director is independent, the Board considers all relevant facts and circumstances.

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

- is not a substantial shareholder of the Company, or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not, within the last three years, been employed in an executive capacity by the Company or any of its child entities;
- has not, within the last three years, been a partner, director or senior employee of a provider of material professional services to the Company or any of its child entities or a material consultant to the Company, or an employee materially associated with the service provided;
- is not, and has not within the last three years been, in a material business relationship (eg as a supplier or customer) with the Company or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship ;
- has no material contractual relationship with the Company or its child entities, other than as a Director;
- does not have close family ties with any person who falls into a category listed directly above;
- has not been a Director of the Company for such a period that his or her independence may have been compromised; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Company.

The Board does not consider Raul Villanueva as an independent Director because he is currently employed in an executive capacity by Medusa as an Executive Director.

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

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

Chairperson, Managing Director and Company Secretary

ASX Principles, Recommendations 1.4 and 2.5

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

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

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

The Company Secretary, Peter Alphonso, is responsible for the corporate secretarial functions of the Company, financial and statutory reporting and also directing and monitoring all financial aspects of the Company's overseas operations. The decision to appoint or remove the Company Secretary is to be made by the Board, as set out in the Board Charter, and the Company Secretary reports and is accountable to the Board (through the Chairperson).

CORPORATE GOVERNANCE

1. BOARD OF DIRECTORS (continued)

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 57 to 73.

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 54.

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 section of the Company's website at www.medusamining.com.au, and includes details of, among other things, the role and responsibilities, composition and structure of the Nomination Committee.

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

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

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

CORPORATE GOVERNANCE

2. BOARD COMMITTEES (continued)

Nomination Committee (continued)

ASX Principles, Recommendations 1.2 and 2.1 (continued)

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;
- 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 Andrew Teo (as Chairperson of the Nomination Committee), Roy Daniel and Raul Villanueva. The Nomination Committee, therefore, comprises a majority of independent Directors and is chaired by an independent chair.

Remuneration Committee

ASX Principles, Recommendations 8.1, 8.2 and 8.3

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

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

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

The members of the Remuneration Committee, who are all Non-Executive Directors, are Roy Daniel (as Chairperson of the Remuneration Committee) and Andrew Teo. The Remuneration Committee, therefore, comprises a majority of independent Directors and is chaired by an independent chair as recommended by ASXCGC Recommendation 8.1.

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

Details on the Company's remuneration policies, including how the structure of the remuneration of Non-Executive Directors is distinguished from that of Executive Directors and Senior Executives, are included in the Remuneration Report, which forms part of the Directors' Report on pages 57 to 73. 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.

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

CORPORATE GOVERNANCE

2. BOARD COMMITTEES (continued)

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 section of the Company's website at www.medusamining.com.au, and includes details of, among other things, the role and responsibilities, composition and structure of the Audit Committee.

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

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

The members of the Audit Committee, who are all Non-Executive Directors, are Roy Daniel (Chairperson of the Audit Committee) Andrew Teo and 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 ASXCGC Recommendation 4.1.

Details of the qualifications of each member of the Audit Committee are included in the Directors' Report on page 53.

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 section of the Company's website at www.medusamining.com.au.

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

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

The Safety, Health and Environmental Committee consisted of Raul Villanueva (as Chairperson of the Safety, Health and Environmental Committee), Andrew Teo, Roy Daniel and Simon Mottram.

CORPORATE GOVERNANCE

3. PROMOTING ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

ASX Principles, Recommendation 3.1

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

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

- general principles;
- compliance with laws and regulations;
- political contributions;
- unacceptable payments;
- giving or receiving gifts;
- protection of Company assets;
- proper accounting;
- dealing with auditors;
- unauthorised public statements;
- conflict of interest;
- the use of 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 section of the Company's website at www.medusamining.com.au.

Diversity Policy

ASX Principles, Recommendations 1.5 and 2.2

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

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

CORPORATE GOVERNANCE

3. PROMOTING ETHICAL AND RESPONSIBLE DECISION MAKING (continued)

Diversity Policy (continued)

ASX Principles, Recommendations 1.5 and 2.2 (continued)

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

While the Company considers diversity is important, the priority for the Company when recruiting is ensuring an appropriate mix of qualifications, experience and expertise regardless of age, however, generally make it clear when seeking to appoint additional Directors, senior management and employees that women are encouraged to apply for roles and that the Company is an equal opportunity employer.

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

Role type	Female	Female %	Male	Male%
Technical	26	25%	33	9%
Supervisory / professional	55	53%	254	72%
Middle management	22	21%	57	16%
Senior Management	1	1%	11	3%
Total	104	23%	355	77%
Board members	-	-	4	100%

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

Share Trading Policy

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

The Board has approved a Share Trading Policy that applies to all Directors and all employees of the Company. In summary, the policy prohibits Directors and employees from trading in the Company's securities:

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

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

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

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

The Board is ultimately responsible for the oversight and management of material business risks, as contemplated by the Board Charter. However, the design and implementation of the risk management policy and the day to day management of risk is the responsibility of the Chief Executive Officer or Managing Director (as applicable), with the assistance of Senior Management.

CORPORATE GOVERNANCE

4. RISK MANAGEMENT (continued)

ASX Principles, Recommendations 7.1, 7.2, 7.3 and 7.4 (continued)

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. In addition, the Chief Executive Officer also undertakes the monitoring of business activities to periodically reassess risks and the effectiveness of controls to manage such risks.

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

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 on a frequent basis 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.

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

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

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

- **Economic risks:** The Company may be exposed to general economy wide risks, which include the state or health of the industry sector, foreign exchange and interest rates, equity and commodity prices and a nation's economic well-being. These risks are specifically contemplated by, and set out in, the Company's Risk Management Policy.
- **Environmental risks:** The Company's activities are expected to have an impact on the environment, and the Company may be responsible for environmental liabilities associated with its mining activities. The Company aims to monitor environmental risks and obligations so as to remain compliant with applicable environmental laws. The Company also has a Safety, Health and Environmental Committee that aims to assist with monitoring and reporting on environmental-related risks and issues.
- **Social sustainability risks:** The Company 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 and Chief Financial Officer assurance

ASX Principles, Recommendations 4.2, 7.2 and 7.3

Before the adoption by the Board of the Company's financial statements for the year ended 30 June 2020, the Board receives written declarations from the Chief Executive Officer or Managing Director (as applicable) and Chief Financial Officer, in accordance with section 295A of the Corporations Act, that the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act and that the Company's financial statements and notes comply with the accounting standards and present a true and fair view of the consolidated entity's financial position and performance for the financial period.

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

CORPORATE GOVERNANCE

5. CONTINUOUS DISCLOSURE

ASX Principles, Recommendation 5.1

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

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

6. SHAREHOLDER COMMUNICATION

ASX Principles, Recommendations 4.3, 6.1, 6.2, 6.3 and 6.4

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

1. DIRECTORS

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

Name of Director	Period of Directorship
Non-Executive Directors:	
Mr Andrew Boon San Teo (Chairperson)	since 15 February 2010 (Chairperson since 22 Nov 2013)
Mr Roy Philip Daniel	since 25 November 2015
Mr Simon Jon Mottram	appointed 11 June 2020
Executive Directors:	
Mr Raul Conde Villanueva	since 24 January 2013

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

2. DIRECTORS' INFORMATION

Mr Andrew Boon San Teo

B.Com, UWA, (CPA)

Independent Non-Executive Chairperson

Mr Teo is an accountant with 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 Chairperson of the Nomination Committee and also a member of the Audit, Remuneration, and Safety, Health & Environment Committees.

Mr Roy Philip Daniel

B.Com, UWA

Independent Non-Executive Director

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

Mr Daniel has been associated with the resource and mining industry for over 39 years and has held various senior management and accounting positions at corporate level with overseas and Australian companies. His association with the Company since its formative years has proven invaluable, and his financial business acumen and corporate experience has complemented and strengthened the Board.

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

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

Simon Jon Mottram

B.Sc (applied geology). F.AusIMM

Independent Non-Executive Director

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.

DIRECTORS' REPORT

2. DIRECTORS' INFORMATION (continued)

Attorney Raul Conde Villanueva
 LL.B., Attorney and Counselor-at-Law
Executive Director

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

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

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

Attorney Villanueva is Chairperson of the Safety, Health and Environment Committee and a member of the Nomination Committee.

3. COMPANY SECRETARY

Mr Peter Stanley Alphonso
 B.Com, UWA, (CPA)

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

Mr Alphonso has over 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, financial and statutory reporting of the Company as well as directing and monitoring of all financial aspects of the Company's overseas operations.

4. MEETINGS OF DIRECTORS

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

Name of Director	Board Meetings		Audit Committee		Remuneration Committee		SHE Committee		Nomination Committee	
	Number ⁽¹⁾	Attended	Number ⁽¹⁾	Attended	Number ⁽¹⁾	Attended	Number ⁽¹⁾	Attended	Number ⁽¹⁾	Attended
Andrew Teo	6	6	2	2	2	2	3	3	2	2
Roy Daniel	6	6	2	2	2	2	3	3	2	2
Raul Villanueva	6	6	-	-	-	-	3	3	2	2
Simon Mottram ⁽²⁾	-	-	-	-	-	-	-	-	-	-

Notes:

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

(2) Mr Simon Mottram was appointed Non-Executive Director on 11 June 2020 and is a member of the Audit, Nomination and SHE Committees

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.

DIRECTORS' REPORT

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\$35.4 million [2019: Consolidated profit of US\$36.5 million].

Key financial results:

Description	Unit	30 June 2020	30 June 2019	Variance	(%)
Revenues	US\$	\$147.8M	\$129.3M	\$18.5M	14%
EBITDA	US\$	\$61.6M	\$51.4M	\$10.2M	20%
NPAT	US\$	\$35.4M	\$36.5M	(\$1.1M)	(3%)
EPS (basic)	US\$	\$0.170	\$0.176	(\$0.006)	(3%)

Medusa recorded earnings before interest, tax depreciation and amortisation ("EBITDA") of US\$61.6 million for the year to 30 June 2020. EBITDA for the previous year was a profit of US\$51.4 million.

Revenues increased by approximately 14% from US\$129.3 million in the previous year to US\$147.8 million.

Medusa is an un-hedged gold producer and received an average price of US\$1,581 per ounce from the sale of 95,142 ounces of gold for the year (previous year: 102,500 ounces at US\$1,259 per ounce).

At year end, the Company had total cash and cash equivalent in gold on metal account of US\$47.1 million (2019: US\$23.4M).

During the year,

- depreciation of fixed assets and amortisation of capitalised mine development, right of use asset and mine exploration was US\$21.6 million (2019: US\$18.8M);
- US\$6.5 million was expended on capital works associated with the new shaft construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2019: US\$6.9M);
- exploration expenditure, inclusive of underground diamond drilling was US\$5.6 million (2019: US\$8.9M);
- capitalised mine development costs totalled US\$23.7 million for the year (2019: US\$27.3M); and
- corporate overheads of US\$7.1 million (2019: US\$8.7M).

7. REVIEW OF OPERATIONS

Description	Unit	30 June 2020	30 June 2019	Variance	(%)
Ore mined	WMT	572,666	606,675	(34,009)	(6%)
Ore milled	DMT	513,945	544,601	(30,656)	(6%)
Gold head grade	g/t	5.99	6.28	(0.29)	(5%)
Gold recovery	%	95.30	94.75	0.55	1%
Gold produced	ounces	95,057	103,307	(8,250)	(8%)
Cash costs ⁽¹⁾	US\$/oz	\$684	\$546	(\$138)	(25%)
Gold sold	ounces	95,142	102,500	(7,358)	(7%)
Average gold price received	US\$/oz	\$1,581	\$1,259	\$322	26%

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

The Company produced 95,057 ounces of gold for the year, compared to 103,307 ounces from the previous corresponding period, at an average recovered grade of 5.99 g/t gold (2019: 6.28 g/t gold).

Average cash costs was US\$684 per ounce, inclusive of royalties and local business taxes, which was higher than the previous year's average cash costs of US\$546 per ounce, and All-in-Sustaining-Costs ("AISC") for the year was US\$1,132 per ounce of gold (2019: US\$1,045 per ounce).

During the year, the spread of novel coronavirus (Covid-19) was declared a pandemic in March 2020. In response to this pandemic, the Company initiated procedures and protocols at its mining operation to protect the safety of its workers and the local community.

The Philippine government, at federal and local levels, had enacted various plans that include the restriction of movement within the Philippines, to reduce the spread of infection of Covid-19. These restrictions did apply to the Co-O mine site during March 2020 and the impact upon operations was a reduction in mining activity. As announced to the ASX market on 27 July 2020, the impact was minimal and the Company did meet its production guidance for FY20, being at the lower level of the guidance. The All-In-Sustaining-Costs incurred was marginally above the guidance announced.

DIRECTORS' REPORT

7. REVIEW OF OPERATIONS (continued)

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 2020, 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.

8. DIVIDENDS

No dividends were declared during the financial year.

9. SIGNIFICANT CHANGE IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

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

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

10. EVENTS SUBSEQUENT TO BALANCE DATE

- 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.
- The Company announced to the ASX on 28 August 2020, production guidance for FY21 of between 90,000 ounces to 95,000 ounces at All-In-Sustaining-Costs ("AISC") of between US\$1,200 to US\$1,250 per ounce.

The slight increase in year-on-year AISC for FY21 has been anticipated, after taking into account the ongoing impact of COVID-19 restrictions to people movement, logistics and associated costs.

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.

11. FUTURE DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

The Group will continue 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.

12. DIRECTORS' INTEREST

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

Name of Director	No. of fully paid ordinary shares	No. of options over ordinary shares	No. of performance rights over ordinary shares
Andrew Teo	120,000	-	-
Roy Daniel	815,875	-	-
Raul Villanueva	50,000	-	-
Simon Mottram ⁽¹⁾	-	-	-

Note:

(1) Mr Simon Mottram was appointed Non-Executive Director on 11 June 2020.

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited)

The Directors present the FY2020 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 2020.

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 Directors -

Andrew Teo (Chairperson);

Roy Daniel; and

Simon Mottram (appointment Non-Executive Director on 11 June 2020).

Executive Directors -

Raul Villanueva.

Executive Officers:

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

Peter Alphonso (Chief Financial Officer/Company Secretary); and

James Llorca (General Manager, Geology & Resources).

DIRECTORS' REPORT

13. 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 2020 and the previous financial year.

Name	Year	Short term benefits					Post-employment benefits Super	Long-term benefits			Termination benefits	TOTAL	Proportion of remuneration performance related
		Salary/ fees	Directors' fees	STI - Cash ⁽¹⁾	STI - PRs ⁽¹⁾	Other ⁽²⁾		LSL ⁽³⁾	LTI - PRs ⁽⁴⁾	Options ⁽⁵⁾			
Directors:													
Non-Executive													
Andrew Teo ^{(6)/(9)}	2020	-	98,152	-	-	-	-	-	-	-	-	98,152	-
	2019	90,000	105,990	-	-	-	-	-	-	-	-	195,990	-
Roy Daniel	2020	25,612	50,766	-	-	-	-	-	-	-	-	76,378	-
	2019	22,278	52,656	-	-	-	-	-	-	-	-	74,934	-
Simon Mottram ⁽⁷⁾	2020	-	3,747	-	-	-	-	-	-	-	-	3,747	-
	2019	-	-	-	-	-	-	-	-	-	-	-	-
Executive													
Boyd Timler ⁽⁸⁾	2020	-	-	-	-	-	-	-	-	-	-	-	-
	2019	15,618	-	-	-	-	331	-	-	-	277,457	293,406	-
Raul Villanueva	2020	432,092	-	-	-	-	-	-	-	-	-	432,092	-
	2019	425,000	-	-	-	-	-	-	-	-	-	425,000	-
Executive Officers:													
David McGowan ⁽⁹⁾	2020	308,880	-	20,592	-	22,749	17,160	-	-	(9,709)	-	359,672	5.7%
	2019	276,009	-	-	-	12,580	17,520	-	-	37,899	-	344,008	-
Peter Alphonso	2020	260,832	-	13,728	11,599	6,358	17,160	8,367	8,909	5,797	-	332,750	10.3%
	2019	251,587	-	-	-	-	17,520	6,302	-	12,506	-	287,915	-
James Llorca	2020	230,668	-	13,728	10,218	7,781	17,160	-	8,909	17,566	-	306,030	10.7%
	2019	230,388	-	-	-	2,173	17,520	-	-	37,899	-	287,980	-
Total	2020	1,258,084	152,665	48,048	21,817	36,888	51,480	8,367	17,818	13,654	-	1,608,821	-
	2019	1,310,880	158,646	-	-	14,753	52,891	6,302	-	88,304	277,457	1,909,233	-

Notes:

- (1) Short Term Incentive Plan ("STI") detailed in note 13 (k)(iii);
- (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 (k)(iv);
- (5) Comprises value of options granted and expensed in the period. Refer note 13 (f);
- (6) Mr Teo assumed the role of Interim Chief Executive Officer ("CEO") from 7 July 2018 until 28 February 2019;
- (7) Mr Simon Mottram was appointed Non-Executive Director on 11 June 2020;
- (8) Mr Timler retired from the Board on 6 July 2018;
- (9) Subsequent to year-end, Mr McGowan ceased employment as CEO on 20 July 2020. Pursuant to his incentive plans, the Performance Rights granted are forfeited as vesting conditions will not be met. Mr Teo assumed the role of Interim CEO following Mr McGowan's cessation of employment.

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

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

The relative proportions of Remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration	At Risk: Short Term Incentives (STI)	At Risk: Options/Performance Rights (LTI)
Directors:			
<u>Non-Executive</u>			
Andrew Teo	100%	-	-
Roy Daniel	100%	-	-
Simon Mottram	100%	-	-
<u>Executive</u>			
Raul Villanueva	100%	-	-
Executive Officers:			
David McGowan	69%	10%	21%
Peter Alphonso	74%	9%	17%
James Llorca	74%	9%	17%

(c) Company Performance

The following table illustrates the Company performance indicators over the last five years:

Metric	Unit	2020	2019	2018	2017	2016
Net Profit/(Loss) after tax (S'000)	US\$	35,385	36,489	(55,554)	(56,676)	44,329
Basic earnings per share (cents)	US\$	17.0	17.6	(26.7)	(27.3)	21.3
Dividends paid per share (cents)	US\$	-	-	-	-	-
Share price at year end, 30 June (cents)	A\$	69	57	50	28	64

(d) Remuneration options and equity-based instruments

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.

(e) 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.

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

(f) Option holdings

Financial year 2019/2020:

Name	Balance 01/07/19	Options granted as remuneration	Options exercised	Options not exercised and lapsed	Balance held 30/06/20	Vested & exercisable 30/06/20 ⁽¹⁾	Total not exercisable 30/06/20 ⁽²⁾
Directors:							
Non-Executive							
Andrew Teo	-	-	-	-	-	-	-
Roy Daniel	-	-	-	-	-	-	-
Simon Mottram ⁽³⁾	-	-	-	-	-	-	-
Executive							
Raul Villanueva	-	-	-	-	-	-	-
Executive Officers:							
David McGowan ⁽⁴⁾	500,000	-	-	-	500,000	300,000	200,000
Peter Alphonso	165,000	-	-	-	165,000	99,000	66,000
James Llorca	500,000	-	-	-	500,000	300,000	200,000

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 Simon Mottram was appointed Non-Executive Director on 11 June 2020;
- (4) Mr David McGowan, CEO ceased employment on 20 July 2020.

The above mentioned options have been 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 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:

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

The options hold no voting or dividend rights

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

(f) Option holdings (continued)

Financial year 2018/2019:

Name	Balance 01/07/18	Options granted as remuneration	Options exercised	Options not exercised and lapsed	Balance held 30/06/19	Vested & exercisable 30/06/19 ⁽¹⁾	Total not exercisable 30/06/19 ⁽²⁾
Directors:							
Non-Executive							
Andrew Teo	-	-	-	-	-	-	-
Roy Daniel	-	-	-	-	-	-	-
Peter Hepburn-Brown ⁽³⁾	-	-	-	-	-	-	-
Executive							
Boyd Timler ^{(4) (5)}	1,200,000	-	-	(840,000)	360,000	360,000	-
Raul Villanueva ⁽⁶⁾	500,000	-	-	(500,000)	-	-	-
Executive Officers:							
David McGowan	500,000	-	-	-	500,000	150,000	350,000
Peter Alphonso	330,000	-	-	(165,000)	165,000	49,500	115,500
James Llorca	500,000	-	-	-	500,000	150,000	350,000

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 Hepburn-Brown retired from the Board on 3 September 2018;
- (4) Mr Timler retired from the Board on 6 July 2018;
- (5) Refer below options issued to Boyd Timler; and
- (6) Refer below options issued to Raul Villanueva.

Boyd Timler:

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.

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

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

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

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

Raul Villanueva:

On 9 February 2015, 500,000 options were issued to Raul Villanueva. 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 employee would be required to remain in the employment of the Company at 9 February 2016 to achieve 30% vesting of the options, at 9 February 2017 to achieve 30% vesting of the options, with full vesting if he remained an employee of the Company a year later on 9 February 2018.

At reporting date, all Mr Villanueva's options had expired.

David McGowan, Peter Alphonso and James Llorca:

Please refer to table above "Financial year 2019/2020."

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

(g) 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 2019/2020:

Name	Balance 01/07/19	Rights granted as remuneration	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:

- 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.
- 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
- The Terms and conditions relating to the Long Term Performance Rights are outlined in Note 13 (k)(iv) of the Remuneration Report.
- Model inputs for market performance rights valued using the Monte Carlo Simulations model granted during the year include:

Grant date	- 13 March 2020
Life	- 3 years
Share price at grant date	- 44.5 cents
Share price volatility	- 58%
Risk free rate	- 0.55%
Dividend Yield	- Nil
30 day VWAP	- 51.76 cents

The fair value of Long Term Performance Rights is \$0.26 per right.
- 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 Short Term Performance Rights which has been recognised at grant date and based on the share price of the Company is \$0.61 per right.

(h) 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 2019/20:

Name	Balance 1/07/19	Shares held at appointment	Bonus issue of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/20
Directors:							
Non-Executive							
Andrew Teo	120,000	-	-	-	-	-	120,000
Roy Daniel	815,875	-	-	-	-	-	815,875
Simon Mottram ⁽¹⁾	-	-	-	-	-	-	-
Executive							
Raul Villanueva	50,000	-	-	-	-	-	50,000
Executive Officers:							
David McGowan ⁽²⁾	-	-	-	-	-	-	-
Peter Alphonso	127,500	-	-	-	-	-	127,500
James Llorca	-	-	-	-	-	-	-

Notes:

- Mr Simon Mottram was appointed Non-Executive Director on 11 June 2020;
- Subsequent to 30 June 2020, Mr David McGowan ceased employment on 20 July 2020.

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

(h) Share holdings (continued)

Financial year 2018/19:

Name	Balance 1/07/18	Shares held at appointment	Bonus issue of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/19
Directors:							
Non-Executive							
Andrew Teo	120,000	-	-	-	-	-	120,000
Roy Daniel	815,875	-	-	-	-	-	815,875
Peter Hepburn-Brown ⁽¹⁾	-	-	-	-	-	-	-
Executive							
Boyd Timler ⁽²⁾	50,000	-	-	-	-	(50,000)	-
Raul Villanueva	50,000	-	-	-	-	-	50,000
Executive Officers:							
David McGowan	-	-	-	-	-	-	-
Peter Alphonso	127,500	-	-	-	-	-	127,500
James Llorca	-	-	-	-	-	-	-

Notes:

- (1) Mr Hepburn-Brown retired from the Board on 3 September 2018; and
(2) Mr Timler retired from the Board on 6 July 2018.

(i) 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.

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

(i) Executive Remuneration Governance (continued)

(iii) Use of Remuneration Advisors

In FY2019, the Remuneration Committee appointed BDO Reward WA Pty Ltd ('BDOR') 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. The remuneration changes to executive remuneration policy and performance management for FY2020 are covered in section (k) of the remuneration report.

BDOR's terms of engagement included specific measures designed to protect its independence. The Remuneration Committee recognises that, to effectively perform its role, it is necessary for BDOR to interact with members of the Company's management. However, to ensure BDOR remained independent, members of the Company's management were precluded from requesting services that would be considered to be a "remuneration recommendation" as defined by the *Corporations Amendment (improving Accountability on Director and Executive Remuneration) Act 2011*.

The information contained within this section outlines details pertaining to the executive remuneration policy and structure for FY2020.

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

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

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

The Remuneration Committee reviews the remuneration of Executives, including the Chief Executive Officer, annually, with the review taking into consideration the contribution of the individuals commensurate with the performance of the business unit within their responsibility, the overall performance of the Company and comparable employment market conditions internationally.

(iv) Executive Remuneration Framework

The table below provides an overview of the different remuneration components within the Medusa Mining framework.

Objective	Attraction and Retention	Variable Remuneration is performance linked and designed to reward key management personnel for meeting or exceeding their financial and personal objectives.	
		Current Year Performance	Long Term Sustainable Performance
Remuneration component	Total Fixed Remuneration ('TFR') consists of base salary, any non-monetary benefits and employer contributions to superannuation funds.	Short-Term Incentive ("STI") is an 'at risk' bonus provided in the form of cash	Long-Term Incentive ("LTI") provided as options over ordinary shares or performance rights to acquire fully paid ordinary shares in the Company.
Purpose	The level of fixed remuneration is set to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.	The STI ensures pay for performance, for achievement of a combination of Company and Individual KPIs.	The LTI is focused on the creation of long-term shareholder wealth.

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

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

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

(i) Executive Remuneration Governance (continued)

(v) Long-term Incentives ("LTI")

An outline of the key elements of the LTI arrangements are provided below:

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

Historically, LTI's granted to key management personnel have been in the form of options over ordinary shares. The Board has implemented new LTI measures, including a performance rights plan in which key management personnel can participate.

(j) 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:

- Andrew Boon San Teo (Chairperson): A\$150,000 per annum;
- Roy Daniel: A\$75,000 per annum; and
- Simon Mottram: A\$75,000 per annum.

(k) Executive Remuneration changes for FY2020

As a result of the comprehensive review of the Company's executive remuneration policy and practice conducted in FY2019, a number of changes have been implemented for FY2020 with effect from 01 July 2019.

Below is a summary of the key elements of the changes to 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) will be 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

13. REMUNERATION REPORT (Audited) (continued)

(k) Executive Remuneration Changes for FY2020 (continued)

(ii) 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 & Reward ("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'.

(iii) Short Term Incentive Plan Outline

An outline of the key elements of the proposed 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 50% for the CEO and 40% for Executives. STI payments will be awarded 50% cash and 50% 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 individuals 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

13. REMUNERATION REPORT (Audited) (continued)

(k) Executive Remuneration Changes for FY2020 (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.

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>
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>
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>
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>
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>
Company critical strategic objectives	<p><u>Measures</u> Completion of critical shaft project</p> <p><u>Rationale</u> Focuses achievement on key strategic enablers.</p>

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

(k) Executive Remuneration Changes for FY2020 (continued)

The STI award comprises 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 of 17 January 2020. 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 \$0.61 per right in accordance with AASB 2 share based payments.

The STI award is determined following a review of the FY19 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 2019 financial year which were paid, and Performance Rights ("PRs") granted are detailed in the following table:

Name	Position	Opportunity STI Cash (\$)	Achieved STI Cash (\$)	Opportunity STI Performance Right	Vesting Outcome STI Performance Right
David McGowan	Chief Executive Officer	20,592	20,592	36,043	Note 1
Peter Alphonso	Chief Financial Officer	13,728	13,728	25,658	Note 2
James Llorca	GM, Geology & Resources	13,728	13,728	22,603	Note 2

Notes:

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

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

(k) Executive Remuneration Changes for FY2020 (continued)

(iv) 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. The LTI opportunity for the CEO is 90% and for Executives is 70%.
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.
Peer group	The Company's TSR performance for rights/options issued during FY2020 will be assessed against a peer group comprised of members of the ASX 300 Metals and Mining Index.

On 13 March 2020, the Company issued Long Term Performance Rights 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.

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

(k) Executive Remuneration Changes for FY2020 (continued)

(iv) Long-term Incentive Plan Outline (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 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
Blackham Resources Limited	BLK
Dacian Gold Limited	DCN
Emerald Resources Limited	EMR
Kingrose Mining Limited	KRM
Millennium Minerals Limited	MOY
Oceana Gold Limited	OGC
Pantoro Limited	PNR
Persues Mining Limited	PRU
Ramelius Resources Limited	RMS
Red 5 Limited	RED
Regis Resources Limited	RRL
St Barbara Limited	SBM
Troy Resources Limited	TRY

DIRECTORS' REPORT

13. REMUNERATION REPORT (Audited) (continued)

(I) 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.

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

Contract description:	Employment contract between the Company and David McGowan ("Employee").
Term:	Commencement date of 01 February 2017 until the Employee is terminated.
Services:	The Employee is employed as Chief 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:</u> The Employee may be entitled to participate in the Short-Term Incentive 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 its 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>

James Llorca (General Manager, Geology & Resources)

Contract description:	Employment contract between the Company and James Llorca ("Employee").
Term:	Commencement date of 10 October 2016 until the Employee is terminated.
Services:	The Employee is employed as General Manager, Geology & Resources of the Company and is responsible all matters pertaining to geology in the Company.
Remuneration:	<p><u>Fixed remuneration:</u> A\$368,000 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:</u> The Employee may be entitled to participate in the Short-Term Incentive 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 its 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

13. REMUNERATION REPORT (Audited) (continued)

(I) Statutory Remuneration Disclosures (continued)

(i) Executive Contracts (continued)

Peter Alphonso (Company Secretary/Chief Financial Officer)

Contract description:	Employment contract between the Company and Peter Alphonso ("Employee").
Term:	No set term and the agreement will continue until Employee is terminated.
Role:	The Employee is as Company Secretary/Chief Financial Officer and is responsible for the day to day management of all financial, administrative and corporate functions of the Company.
Remuneration:	<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 will consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short term incentive:</u> The Employee may be entitled to participate in the Short Term Incentive 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 (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. The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of its obligations and does not remedy that default in addition to other standard default situations.</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. 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 Director of Medusa Mining Limited and President of Philsaga Mining Corporation)

On 10 December 2012, Philsaga Mining Corporation ("PMC") executed an employment contract with Raul Villanueva.

Under the terms of the contract, PMC has 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 who is also a Director of Medusa Mining Limited, receives an annual salary of \$425,000 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.

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

13. 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 (eg hedges or derivatives) which have the effect of reducing or eliminating the risk associated with any equity incentives that Medusa may offer from time to time (for example, a person may be granted an equity incentive award that vests at a time in the future subject to achieving certain performance goals; certain financial institutions offer products which act as an insurance policy if the performance goals are not met, thereby reducing the "at-risk" element of the person's incentive arrangements).

(m) Related Parties

Related parties:	Andrew Teo, Roy Daniel, Peter Hepburn-Brown, Simon Mottram, Boyd Timler, Raul Villanueva, David McGowan, Peter Alphonso 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>

At the Annual General Meeting of shareholders held on 7 November 2019 a 94.7% majority voted in favour of adopting the Remuneration Report.

End of Remuneration Report

(n) Un-issued shares under options/rights

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

Expiry date	Exercise price	No. of options/rights	No. of shares issued if options/rights exercised
<u>Employee options</u>			
24 November 2020	A\$1.00	90,000	90,000
24 November 2020	A\$1.25	90,000	90,000
24 November 2020	A\$1.50	90,000	90,000
24 November 2020	A\$1.75	90,000	90,000
8 January 2022	A\$1.00	416,250	416,250
8 January 2022	A\$1.25	416,250	416,250
8 January 2022	A\$1.50	416,250	416,250
8 January 2022	A\$1.75	416,250	416,250
TOTAL		2,025,000	2,025,000

(o) Shares issued on exercise of options/rights

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

DIRECTORS' REPORT

14. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the following current Directors and Officers of the Company, Messrs Teo, 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.

15. INDEMNIFICATION OF AUDITORS

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

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

16. ENVIRONMENTAL REGULATIONS

The Group's operations are subject to a number of environmental regulations in relation to its exploration, mining and processing activities in the Philippines 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.

17. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

18. NON-AUDIT SERVICES

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

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

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

The following fees were paid affiliated entities of BDO (Audit) Pty Ltd for non-audit services provided during the year ended 30 June 2020:

Item description	Unit	2020	2019
Taxation	US\$	29,363	39,745
Remuneration consulting	US\$	3,129	5,429
IFRS Advisory	US\$	10,950	2,874
Total	US\$	43,442	48,048

DIRECTORS' REPORT

19. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2020 has been received and can be found on page 76 of this Report.

20. ROUNDING OFF AMOUNTS

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

Signed in accordance with a resolution of the Board of Directors

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

Andrew Teo
Chairperson

Dated at Perth this 31st day of August 2020

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 2020, 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, 31 August 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	Consolidated	
		2020 US\$000	2019 US\$000
Revenue	2	147,829	129,320
Cost of sales		(85,585)	(75,409)
Gross Profit		62,244	53,911
Other income	2	209	282
Exploration & Evaluation expenses		(1,583)	(1,688)
Administration expenses		(9,691)	(9,996)
Other expenses	3	(12,438)	(11,106)
Profit/(Loss) before income tax expense		38,741	31,403
Income tax (expense)/benefit	4	(3,356)	5,086
Profit/(Loss) for the year after income tax expense		35,385	36,489
Other comprehensive profit/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Movement in other reserves		(1,269)	310
Exchange differences on translation of foreign operations (net of tax)		405	5,950
Total comprehensive profit/(loss) attributable to the owners		34,521	42,749
<u>Overall operations:</u>			
Basic profit/(loss) per share	5	0.170	0.176
Diluted profit/(loss) per share	5	0.169	0.172

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Note	Consolidated	
		2020 US\$000	2019 US\$000
CURRENT ASSETS			
Cash & cash equivalents	24 (a)	38,852	18,109
Trade & other receivables	6	9,682	5,188
Inventories	7	15,479	12,739
Other current assets	8	732	789
Total Current Assets		64,745	36,825
NON-CURRENT ASSETS			
Trade & other receivables	9	19,307	28,506
Property, plant & equipment	10	15,070	15,743
Intangible assets		446	580
Mine Rehabilitation		1,425	1,793
Development expenditure	11	64,490	50,193
Deferred tax assets	17	23,080	18,427
Right-of-use assets	16	1,899	-
Total Non-current Assets		125,717	115,242
TOTAL ASSETS		190,462	152,067
CURRENT LIABILITIES			
Trade & other payables	13	16,011	14,379
Borrowings	14	5,457	6,679
Provisions	15	466	401
Lease Liabilities	16	532	-
Total Current Liabilities		22,466	21,459
NON-CURRENT LIABILITIES			
Borrowings	14	296	150
Deferred tax liability	17	257	778
Provisions	15	7,590	5,938
Lease Liabilities	16	1,432	-
Total Non-current Liabilities		9,575	6,866
TOTAL LIABILITIES		32,041	28,325
NET ASSETS		158,421	123,742
EQUITY			
Issued capital	19	102,902	102,902
Reserves	20	6,157	6,779
Retained profits/(accumulated losses)	23	49,362	14,061
TOTAL EQUITY		158,421	123,742

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Share capital ordinary	Retained profits/ Accumulated losses	Share based payment reserves	Other reserves US\$000	Foreign currency translation reserve	Total
Note	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
CONSOLIDATED						
Balance at 30 June 2018	102,902	(21,370)	994	-	317	82,843
Change in accounting policy	-	(1,982)	-	-	-	(1,982)
Balance as at 01 July 2018	102,902	(23,352)	994	-	317	80,861
Net profit/(loss) after tax	-	36,489	-	-	-	36,489
Other comprehensive profit/(loss)	-	-	-	310	5,950	6,260
Total comprehensive profit/(loss) for the year	-	36,489	-	310	5,950	42,749
<i>Transactions with owners, in their capacity as owners, and other transfers</i>						
Share options expensed	21	-	132	-	-	132
Transfer from option reserve	-	924	(924)	-	-	-
Balance at 30 June 2019	102,902	14,061	202	310	6,267	123,742
Balance at 01 July 2019	102,902	14,061	202	310	6,267	123,742
Net profit/(loss) after tax	-	35,385	-	-	-	35,385
Other comprehensive profit/(loss)	-	-	-	(1,269)	405	(864)
Total comprehensive profit/(loss) for the year	-	35,385	-	(1,269)	405	34,521
<i>Transactions with owners, in their capacity as owners, and other transfers</i>						
Share options expensed	21	-	158	-	-	158
Transfer from option reserve	-	(84)	84	-	-	-
Balance at 30 June 2020	102,902	49,362	444	(959)	6,672	158,421

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Consolidated	
	2020	2019
Note	US\$000	US\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	147,829	129,320
Payments to suppliers & employees	(84,456)	(71,392)
Payments for exploration & evaluation activities	(1,583)	(1,688)
Other income	79	118
Interest received	130	159
Income tax paid	(5,230)	(7,334)
Net cash provided by operating activities	56,769	49,183
	24(b)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for non-current assets	(6,624)	(6,680)
Payment for development activities	(27,723)	(36,312)
Net cash provided by/(used in) investing activities	(34,347)	(42,992)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for lease liabilities	(532)	-
(Payment of)/receipt from bank loans	(1,076)	324
Net cash (used in)/provided by financing activities	(1,608)	324
Net increase/(decrease) in cash held	20,814	6,515
Cash and cash equivalent at the beginning of the year	18,109	11,198
Exchange rate adjustment	(71)	396
Cash and cash equivalent at the end of the year	38,852	18,109
	24(a)	

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 2020

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The separate financial statements of the parent entity, Medusa Mining Limited, have not been presented within this financial report as permitted by the Corporations Act 2001. A summary of financial information for the parent is included in note 31.

The financial statements were authorised by the Directors on 27 August 2020.

Basis of preparation

Reporting Basis and Conventions

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

(a) Principles of consolidation

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as at 30 June 2020. 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 2020 is presented in note 22.

(b) New and amended accounting standards and interpretations issued but not yet effective

There are no new standards, amendments to standards and interpretations identified that may impact the entity in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Adoption of new and amended accounting standards

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

- Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation outlines recognition and measurement requirements of AASB 112 Income Taxes and how they should be applied when there is uncertainty over income tax treaties, having no material impact on the Group.

- AASB 16 Leases

The impact of the adoption of the standard and the new accounting policies are disclosed below.

AASB 16 Leases replaces AASB 117 Leases and Interpretation 4 in determining whether an arrangement contains a Lease. In accordance with the transitional provisions of AASB 16, the Group has elected to adopt AASB 16 using the modified retrospective approach, where the lease liability is measured at the present value of future lease payments on the initial date of application, being 1 July 2019. In determining the present value, the discount rate is determined by reference to the group's incremental borrowing rate on the date of initial application of the standard (1 July 2019).

On transition to AASB 16 the Group has measured its right of use assets at the amount of the lease liability, adjusted for any lease prepayments or accruals recognised under the old leasing standard, AASB 117.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics.
- Leases with a remaining term of 12 months or less from the date of application have been accounted for as short-term leases (i.e. not recognised on balance sheet) even though the initial term of the leases from lease commencement date may have been more than 12 months.

The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was 6.03%.

The Group's operating lease commitment at 30 June 2019 can be reconciled to the aggregate lease liability recognised in the statement of financial position at 1 July 2019 as follows:

	<u>US\$ 000</u>
Operating lease commitment at 30 June 2019	448
Add:	
Adjustment as a result of recognising different treatment of extension options discounted at an annual rate of 5.35% & 6.25%	<u>1,922</u>
Lease liability recognised as at 01 July 2019	2,370
of which are:	
Current Liability	415
Non-Current Liability	1,955
Right of use asset recognised as at 01 July 2019	2,370

Changes in Accounting Policies

The following discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Adoption of new and amended accounting standards (continued)

AASB 16 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Initial recognition - Lease liability

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Initial recognition - Right-of-use asset

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is required to dismantle, remove or restore the leased asset.

Subsequent measurement - lease liability and right of use asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Subsequent measurement - changes in estimates

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate (being the interest rate implicit in the lease for the remainder of the lease term or, if that cannot be readily determined, the Group's incremental borrowing rate at the re-assessment date). An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The carrying value of lease liabilities is also revised when the variable element of future lease payments dependent on a rate or index is revised or there is a revision to the estimate of amounts payable under a residual value guarantee. In both cases an unchanged discount rate is used. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Subsequent measurement - modifications

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Adoption of new and amended accounting standards (continued)

Subsequent measurement - modifications (continued)

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure it's carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, nor account separately for, any services provided by the supplier as part of the contract.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Changes in Critical Estimates and Judgements

Judgements:

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 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue Recognition

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.

(e) Income tax

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

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

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

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

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

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

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

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

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

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

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

(f) Property, Plant and Equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, Plant and Equipment (continued)

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.

(g) Right-of-use assets

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.

(h) Impairment of non-financial assets

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

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

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

(i) Operating leases

Up to the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. See Note 1 (c) and 16 for details.

(j) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid and are carried at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade payables approximates their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Borrowings

All borrowings are initially recognised at fair value less transaction costs. Borrowings are subsequently carried at amortised cost using the effective interest rate.

(l) Trade and other receivables

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.

(m) Exploration and evaluation expenditure

Exploration and Evaluation expenditure (“E&E”) incurred by or on behalf of the Group was accumulated separately for each area of interest. Such expenditure comprises direct costs and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

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

(n) Development expenditure

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

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

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource at an average rate of 26.38% (2019:22.47%). 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.

(o) 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 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 twelve (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.

(q) Goods and services tax

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

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

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxing authorities are classified as operating cash flows.

(r) Operating Segments

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

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

(s) Earnings per share

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

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

(t) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Foreign currency transactions and balances (continued)

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.

(u) Cash and cash equivalents

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

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

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

(v) Financial instruments

Recognition, Initial Measurement and Derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at Fair-Value-Through-Profit-or-Loss ('FVTPL')

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

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

Loans and Receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial instruments (continued)

Classification and subsequent measurement of financial liabilities (continued)

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

(w) Lease Liabilities

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.

(x) Inventories

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.

Consumables are valued at the lower of cost and net realisable value. Any allowance for obsolescence is determined by reference to stock items identified.

(y) Share based payments

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.

(z) Defined 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Defined Benefit Fund (continued)

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.

(aa) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates - Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets (refer note 1(h)). Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer to details of key elements and carrying values of non-financial assets at note 12.

Key estimates - E15 Service Shaft

The E15 Service Shaft officially commenced operations on 27 November 2018. Depreciation of this asset is based on the Life of Mine model which indicates a useful life of 5 years, commencing from 01 January 2019.

Key estimates - Recoverability of long-lived assets

Certain assumptions are required to be made in order to assess the recoverability of capitalised development expenditure. Key assumptions include the future price of gold, future cash flows, an estimated discount rate and estimates of ore reserves. In addition, cash flows are projected over the life

of mine, which is based on proved and probable ore reserves. Estimates of ore reserves in themselves are dependent on various assumptions, in addition to those described above, including cut-off grades. Changes in these estimates could materially impact on ore reserves and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

The Group has used the Reserve Statement released on 6th April 2020, taking into account ore utilised throughout the period and replenished to estimate the recoverable amount of long-lived assets. Estimates of ore reserves in themselves are dependent on various assumptions, in addition to those described above, including cut-off grades. Changes in these estimates could impact on ore reserves and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

Key estimates - Determination of ore reserves and remaining mine life

The Group estimates its ore reserves and mineral resources based on information compiled on 6th of April 2020 by Competent Persons (as defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised June 2012 code (the JORC code)). Reserves determined in this way are taken into account in the calculation of depreciation of mining plant and equipment (refer to note 10), amortisation of capitalised development expenditure (refer to note 11), and impairment relating to these assets (refer to note 12).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Critical accounting estimates and judgments (continued)

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

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

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

Key estimates - (Covid-19) pandemic

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.

Key estimates - Development expenditure

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

Key estimates - Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model or a Monte Carlo Simulation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. (Refer to note 21).

Key estimates - GST/VAT

The Group has net GST/VAT of \$28 million that comprises tax credit certificates ("TCC") and VAT claimable for cash and offsets. The current asset portion of VAT \$9 million comprises amounts that are estimated to be utilised within the current period. The non-current amount of VAT receivable of \$19 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 9) 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.

Key estimates - Deferred tax asset

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

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

The Group has recognised a deferred tax asset of US\$23 million at 30 June 2020. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Critical accounting estimates and judgments (continued)

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 - Inventories

Inventories require certain estimates and assumptions most notably in regard to grades, volumes and densities.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained ounces based on assay data, and the estimated recovery percentage. Stockpile tonnages are verified to periodic surveys.

Net reliable value tests are performed at each reporting date and represent the estimated future sales price of gold, less cost of completion (processing costs) and the estimated cost necessary to perform the sale.

Key estimates - Retirement Benefit Obligation

The Retirement Benefit in Non-Current Liabilities relates to the Philippine employees' defined benefit plan. Refer Note 15.

(ab) Rounding of amounts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

	Consolidated	
	2020	2019
Note	US\$000	US\$000
2. REVENUE AND OTHER INCOME		
<u>Operating activities:</u>		
Gold and silver sales	147,829	129,320
<u>Non-operating activities:</u>		
Interest income	130	164
Foreign exchange	79	118
Total revenue and other income	148,038	129,602
3. EXPENSES		
Profit/(loss) before income tax expense/(income) has been determined after charging/(crediting) the following items:		
<u>Depreciation & amortisation:</u>		
- Depreciation expense	7,186	3,955
- Amortisation expense	13,624	14,370
- Mine rehabilitation and right of use assets amortisation	839	443
Total depreciation & amortisation	21,649	18,768
Employee benefits expense	18,015	15,570
Interest expense & unwinding of discount on provisions (i)	1,209	830
<u>Other expenses:</u>		
VAT impairment/write off (ii)	11,546	10,357
Defined benefit plans	574	489
Assets impaired	1	86
Share-based payment expense	158	132
Bad debts write off	159	42
Total other expenses	12,438	11,106

Notes:

- (i) Disclosure for rehabilitation and lease expense; and
- (ii) Included in the FY20 balance of US\$11.5 million is an amount of approximately \$9.5 million relating to VAT Receivables (refer Note 9) 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 2020

	Consolidated	
	2020	2019
	US\$000	US\$000
4. TAXATION		
(a) The components of tax expense comprise:		
Current tax	7,999	3,550
Deferred tax	(4,627)	(8,535)
Prior year adjustment	(16)	(101)
	<u>3,356</u>	<u>(5,086)</u>
(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Operating (loss)/profit before income tax	<u>38,741</u>	<u>31,403</u>
Prima facie income tax expense/(credit) at 30% (2019: 30%) on operating profit	11,622	9,421
less - tax effect of:		
difference of effective foreign income tax rates	(100)	(41)
Interest income	360	248
amortisation and depreciation adjustment	(4,530)	(5,861)
VAT write off	(3,334)	(3,107)
share based payments expense	48	40
bad debts	-	13
foreign exchange	145	(51)
charitable contribution	-	112
representation, professional fees and insurance	-	150
other	(360)	(5,992)
deferred tax assets not brought to account	(495)	(18)
Income tax expense/(benefit)	<u>3,356</u>	<u>(5,086)</u>

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

- Temporary differences	17,306	17,447
- Australian tax losses	2,747	4,701
Total	<u>20,053</u>	<u>22,148</u>

The benefit of tax losses will only be obtained if:

- (i) the Group derives future assessable income of a nature & of an amount sufficient to enable the benefit to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

5. EARNINGS/(LOSS) PER SHARE

Profit/(Loss) used to calculate basic and diluted EPS	35,385	36,489
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	207,794,301	207,794,301
Weighted average unlisted options & performance rights outstanding	1,955,201	4,030,983
Weighted average of ordinary shares diluted as at 30 June 2020	<u>209,749,502</u>	<u>211,825,284</u>

1,955,201 weighted average unlisted options & performance rights outstanding for 2020 have been included in calculating the diluted EPS because the effect is anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

	Note	Consolidated	
		2020 US\$000	2019 US\$000
6. TRADE AND OTHER RECEIVABLES - CURRENT			
GST/VAT receivables	1(aa)	8,525	3,773
Other receivables		1,157	1,415
Total current receivables		9,682	5,188
7. INVENTORIES			
Consumables - net realisable value		6,924	4,914
Ore stockpile - at cost		2,735	2,665
Gold Inventory - at cost		5,820	5,160
Total inventories		15,479	12,739
8. OTHER CURRENT ASSETS			
Prepayments		732	789
9. TRADE AND OTHER RECEIVABLES - NON-CURRENT			
GST/VAT receivables	1(aa)	19,307	28,506
Total non-current receivables		19,307	28,506
<p>In FY2020 an amount of approximately \$9.5 million relating to VAT Receivables 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. Refer to note 3 for further details.</p>			
10. PROPERTY, PLANT & EQUIPMENT			
Plant & equipment:			
At cost		200,318	195,854
less - provision for impairment		(132,064)	(132,064)
less - accumulated depreciation		(58,068)	(50,941)
Total plant & equipment at net book value		10,186	12,849
Capital works in progress:			
At cost		4,815	2,812
less - provision for impairment		-	-
Total capital works in progress at net book value		4,815	2,812
Furniture & fittings:			
At cost		1,189	1,143
less - provision for impairment		(254)	(254)
less - accumulated depreciation		(866)	(807)
Total furniture & fittings at net book value		69	82
Total carrying amount at end of year		15,070	15,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

	Note	Consolidated	
		2020 US\$000	2019 US\$000
10. PROPERTY, PLANT & EQUIPMENT (continued)			
Reconciliations:			
Plant & equipment:			
Carrying amount at beginning of year		12,849	1,421
<i>plus</i> - additions		4,371	4,681
<i>plus</i> - net transfer from capital works in progress		-	10,819
<i>less</i> - forex differences on translation		94	(171)
<i>less</i> - disposal		(1)	(6)
<i>less</i> - impairment	12	-	-
<i>less</i> - depreciation		(7,127)	(3,895)
Carrying amount at end of year		10,186	12,849
Capital works in progress:			
Carrying amount at beginning of year		2,812	11,449
<i>plus</i> - additions		2,003	2,182
<i>less</i> - net transfer to plant and equipment		-	(10,819)
<i>less</i> - impairment	12	-	-
Carrying amount at end of year		4,815	2,812
Furniture & fittings:			
Carrying amount at beginning of year		82	87
<i>plus</i> - additions		46	51
<i>plus</i> - forex differences on translation		-	4
<i>less</i> - depreciation		(59)	(60)
Carrying amount at end of year		69	82
Total carrying amount at end of year		15,070	15,743
11. DEVELOPMENT EXPENDITURE			
Co-O Development expenditure:			
At cost		439,143	412,103
<i>less</i> - provisions for impairment		(246,260)	(246,260)
<i>less</i> - accumulated amortisation		(129,882)	(116,456)
Net Co-O development expenditure		63,001	49,387
Royal Crowne Vein Development expenditure:			
At cost		1,489	806
Net Royal Crowne Vein development expenditure		1,489	806
Total carrying amount at end of year		64,490	50,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

	Note	Consolidated	
		2020 US\$000	2019 US\$000
11. DEVELOPMENT EXPENDITURE (continued)			
Reconciliations:			
Co-O Development expenditure:			
Carrying amount at beginning of year		49,387	29,878
<i>plus</i> - costs incurred		27,040	33,692
<i>less</i> - amortisation expense		(13,426)	(14,189)
<i>less</i> - impairment	12	-	-
<i>less</i> - forex differences upon translation		-	6
Carrying amount at end of year		63,001	49,387
Royal Crowne Vein Development expenditure:			
Carrying amount at beginning of year		806	-
<i>plus</i> - costs incurred		683	806
Carrying amount at end of year		1,489	806
Total carrying amount at end of year		64,490	50,193

12. IMPAIRMENT OF NON-CURRENT ASSETS

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

When indicators of impairment exist, a formal estimate of the recoverable amount is made. External and internal indicators of impairment as at 30 June 2020 included;

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

12. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

a) Impairment testing (continued)

ii) Key Assumptions

The table below summarises the key assumptions used in the 30 June 2020 carrying value assessments. Comparison to the prior period has been provided.

Assumptions	Unit	2020 (2021 - 2024)	2019 (2020 - 2024)
Average gold price	US\$/ounce	1,643	1,347
Average AISC	US\$/ounce	1,203	1,049
Pre-Tax discount rate (%)	%	14.0	17.3
Probable reserves	ounces	332,000	350,000
Production capacity per annum	ounces	77,000 - 98,000	98,000 - 105,000

The average All-In-Sustaining-Costs ("AISC") comprises all operating, 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.

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 taken into account while assuming a constant recovery rate.

Resources and reserves

Resource and Reserve ounces were based on the Group's JORC 2012 compliant Annual Resource and Reserve Update Statement announced to the Australian Securities Exchange on 6th April 2020.

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 2020 (2019: nil).

Description	Note	2020			2019		
		Carrying amt (\$'000)	Impairment (\$'000)	Balance (\$'000)	Carrying amt (\$'000)	Impairment (\$'000)	Balance (\$'000)
Development	11	63,001	-	63,001	49,387	-	49,387
Plant & equipment	10	15,070	-	15,070	15,743	-	15,743
Inventories	7	15,479	-	15,479	12,739	-	12,739
Total		93,550	-	93,550	77,869	-	77,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

12. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

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 2020.

Assumption changes	2020	2019
	Effect on recoverable amount (\$'000)	Effect on recoverable amount (\$'000)
US \$100 per ounce increase/decrease in gold price	+/- 29,113	+/- 30,306
1% increase/decrease in the discount rate	+/- 2,583	+/- 2,226
5% increase in operating costs	-21,366	-18,596

In addition to the above, the level of production activity is also a key assumption in the determination of recoverable amount. Should the Group recognise decreases/increases in processing capacity, changes in recoverable amount estimates may arise. Due to the number of factors that could impact production activity, assessment to sensitivity has not been determined for these factors. The sensitivities above assume specific assumption moves are in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption.

Consolidated	
2020	2019
US\$000	US\$000

13. TRADE & OTHER PAYABLES

Trade creditors	8,509	8,879
Accruals	2,683	3,195
Income tax payable	4,168	1,515
Withholding tax	497	618
Other creditors	154	172
Total creditors	16,011	14,379

14. BORROWINGS

Current borrowings:

Secured liability - interest bearing loan	142	156
Unsecured liability - interest bearing loan	5,315	6,523
Total current borrowings	5,457	6,679

Non-current borrowings:

Unsecured liability - interest bearing loan	296	150
Total non-current borrowings	296	150
Total Borrowings	5,753	6,829

Secured Borrowing are bank loans secured by transportation equipment of the Group. Interest rates on the loans range between 5.84% to 7.89% (2019: 3.50% to 4%).

15. PROVISIONS

Current provisions:

Employee benefits	466	401
Total current provisions	466	401

Non-current provisions:

Retirement benefit	3,904	2,459
Mine rehabilitation	3,686	3,479
Total non-current provisions	7,590	5,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

15. PROVISIONS (continued)

Non-current provisions: (continued)

Retirement Benefit

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 2019 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 - 3.54% (2019: 5.92%);
- Expected rate of salary increase - 3.00% (2019: 3.00%)

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

	Consolidated	
	2020	2019
	US\$000	US\$000
Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
Current service cost	441	376
Interest on obligation	133	114
Total	<u>574</u>	<u>490</u>
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	3,904	2,459
Total	<u>3,904</u>	<u>2,459</u>
Movements in the present value of the defined benefit obligation in the current period were as follows:		
Opening balance	2,459	2,515
Current service cost	441	376
Interest costs	133	114
Benefits / Contributions paid	(941)	(103)
Actuarial gain/(loss)	1,812	(443)
Closing balance	<u>3,904</u>	<u>2,459</u>
The Company has no plan assets held by trustees but an employee retirement fund amounting to US\$1,439,587 (2019: US\$1,358,361) was held as at June 30, 2020. The employee retirement fund is presented as part of cash at bank (refer to Note 24 (c)).		
<u>Mine rehabilitation</u>		
Carrying amount at beginning of the year	3,479	1,645
(less)/plus - in provision	207	1,834
Carrying amount at end of year	<u>3,686</u>	<u>3,479</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

16. 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 and buildings	Plant and equipment	Total
	US\$000	US\$000	US\$000
Right-of-use assets			
<u>1 July 2019</u>	359	2,011	2,370
Additions	-	-	-
Amortisation	(73)	(398)	(471)
At 30 June 2020	<u>286</u>	<u>1,613</u>	<u>1,899</u>

Up to the previous financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 1 (c) for details. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

	Consolidated	
	2020	2019
	US\$000	US\$000
Lease Liabilities		
<u>1 July 2019</u>		
Current	532	-
Non-Current	1,432	-
At 30 June 2020	<u>1,964</u>	<u>-</u>

The Group accounts for short term leases and low value items on a straight-line basis over the lease term.

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

	2020
	US\$000
Interest expense (included in Interest expense)	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)	-
At 30 June 2020	<u>126</u>

The Group's total cash outflow for leases in the year ended 30 June 2020 was \$531,912.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

	Consolidated			
	Opening balance	Forex on translation	Credit/(charged) to income	Closing balance
	US\$000	US\$000	US\$000	US\$000
17. DEFERRED TAX				
Consolidated Group				
<u>30 June 2020</u>				
Deferred tax liability				
Other	778	(521)	-	257
Total deferred tax liability	778	(521)	-	257
Deferred tax assets				
Carried forward tax losses	1,826	-	(816)	1,010
Other	16,601	341	5,128	22,070
Total deferred tax asset	18,427	341	4,312	23,080
<u>30 June 2019</u>				
Deferred tax liability				
Capitalised exploration & evaluation expenditures	232	-	(232)	-
Other	-	118	660	778
Total deferred tax liability	232	118	428	778
Deferred tax assets				
Carried forward tax losses	-	-	1,826	1,826
Other	10,059	(595)	7,137	16,601
Total deferred tax asset	10,059	(595)	8,963	18,427

	Consolidated	
	2020	2019
	US\$000	US\$000
18. 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	140,843	130,990
• other services provided by related entities of auditor:		
Taxation	29,363	39,745
Remuneration consulting	3,129	5,429
IFRS Advisory	10,950	2,874
Total remuneration of the Company's auditors	184,285	179,038
<i>Remuneration of other auditors of the Company's Philippines and Hong Kong subsidiaries for:</i>		
• auditing or reviewing the financial reports	80,065	73,372
• other services provided by related practice of auditor - taxation & compliance	3,400	3,883
Total remuneration of other auditors of the Company's Philippines subsidiaries	83,465	77,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

	Consolidated	
	2020 US\$000	2019 US\$000
19. ISSUED CAPITAL		
207,794,301 ordinary shares (30 June 2019: 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 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.

Capital for the reporting period under review is summarised as follows:

Total equity	158,421	123,742
Cash and cash equivalents	(38,852)	(18,109)
Total	119,569	105,633
Total equity	158,421	123,742
Borrowings	5,753	6,829
Overall financing	164,174	130,571
Capital-to-overall financing ratio	73%	81%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

	Consolidated	
	2020 US\$000	2019 US\$000
20. RESERVES		
Share based payment reserves	444	202
Other reserves	(959)	310
Foreign currency translation reserve	6,672	6,267
Total Reserves	6,157	6,779

(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 2020

- 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 21 (i).

All options had expired at reporting date (2019: 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 21 (ii).

All options had expired at reporting date (2019: Nil).

- 1,200,000 options expiring 24 November 2020 and are exercisable at various prices as disclosed in note 21 (iii).

840,000 options were forfeited at 30 June 2019 and 360,000 options vested at 30 June 2020 - nil for 30 June 2020 (2019: 360,000).

- 1,665,000 options expiring 8 Jan 2022 and are exercisable at various prices as disclosed in note 21 (iv).

999,000 options were vested at reporting date (2019: 499,500)

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 and have a nil exercise price.

(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 2020

21. SHARE BASED PAYMENTS

The following share-based payment arrangements existed during 30 June 2020:

- (i) On 16 December 2014, 3,200,000 options were issued to Australian and Philippine based employees. The options, which hold no voting or dividend rights have an expiry date of 16 December 2018 and are exercisable at A\$1.00 per option.

Under the terms of the Issue the employees would be required to remain in the employment of the Company at 16 December 2015 to achieve 30% vesting of the options, at 16 December 2016 to achieve 30% vesting of the options, with full vesting if they remain employees of the Company a year later on 16 December 2017.

At reporting date, all options 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 at 9 February 2016 to achieve 30% vesting of the options, at 9 February 2017 to achieve 30% vesting of the options, with full vesting if they remain employees of the Company a year later on 9 February 2018.

At reporting date, all options had expired.

- (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.

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:

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

21. SHARE BASED PAYMENTS (continued)

- (v) 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.

The terms of the Long-Term Incentive Rights include the following (there are no previously issued Performance Rights from previous periods):

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

21. SHARE BASED PAYMENTS (continued)

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 - 51.76 cents
- o Fair Value - 26 cents

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

- (vi) 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.
- (vii) Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses were as follows:

	Consolidated	
	2020 US\$000	2019 US\$000
Options	31	132
Performance Rights	127	-
Total share-based payment expense	158	132

Share based options	2020		2019	
	Number of options	Weighted average exercise price (A\$)	Number of options	Weighted average exercise price (A\$)
Outstanding at start of year	2,025,000	1.3157	6,030,000	1.1782
Granted	-	-	-	-
Forfeited	200,000	1.6563	840,000	1.5179
Expired	-	-	3,165,000	1.0000
Exercised	-	-	-	-
Outstanding at year end	1,825,000	1.2784	2,025,000	1.3157
Exercisable at year end	1,359,000	1.1489	859,500	1.0417

During the year, 200,000 options were forfeited (2019: 840,000 options) and nil options expired (2019: 3,165,000 options).

The options outstanding at 30 June 2020 (all of which are unlisted) had a weighted average exercise price of A\$1.2784 and a weighted average remaining contractual life of 15.34 months.

Performance Rights	2020		2019	
	Number of performance rights	Weighted average exercise price (A\$)	Number of performance rights	Weighted average exercise price (A\$)
Outstanding at start of year	-	-	-	-
Granted	5,467,000	0.4529	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding at year end	5,467,000	0.4529	-	-
Exercisable at year end	-	-	-	-

The performance rights outstanding at 30 June 2020 (all of which are unlisted) had a weighted average exercise price of A\$0.4529 and a weighted average remaining contractual life of 30.47 months.

Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is US\$158,387 (2019:US\$131,708) and relates, in full, to equity-settled share-based payment transactions relating to employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

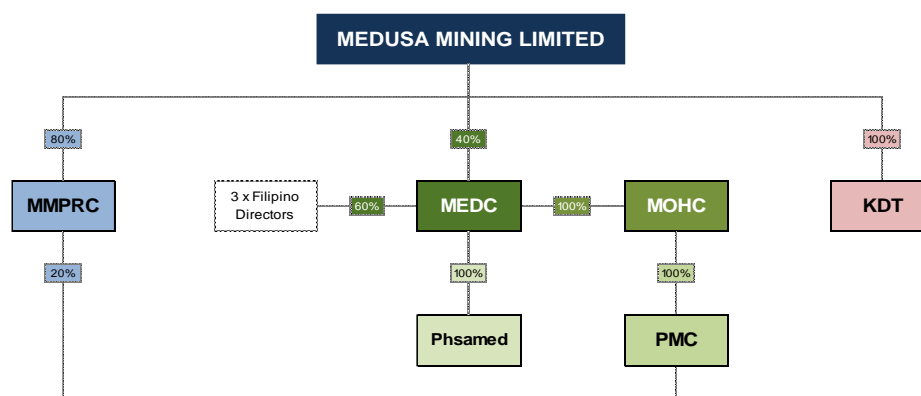
for the year ended 30 June 2020

22. INVESTMENT IN SUBSIDIARIES

The following companies are controlled entities of Medusa Mining Limited as at 30 June 2020:

Controlled Entities	Date of incorporation	Country of incorporation	% interest held	
			2020	2019
Medusa Exploration & Development Corporation	29 May 2003	Philippines	40%	40%
Phsamed Mining Corporation	23 Apr 2003	Philippines	40%	40%
Medusa Overseas Holding Corporation	08 May 2003	Philippines	40%	40%
Philsaga Mining Corporation	17 May 2001	Philippines	40%	40%
Mindanao Mineral Processing and Refining Corporation	03 Nov 2005	Philippines	100%	100%
Komo Diti Traders Limited	23 Jan 2017	Hong Kong	100%	100%

ORGANISATION CHART



Philippines entities:

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

Hong Kong entity:

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

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

	Consolidated	
	2020	2019
	US\$000	US\$000
Retained profit/(loss) at start of year	14,061	(21,370)
Change in accounting policy - Note 1(c)	-	(1,982)
Net profit/(loss) attributable to members of Company	35,385	36,489
Transfer from share option reserve	(84)	924
Retained profits/(accumulated losses) at the end of year	49,362	14,061

23. RETAINED PROFITS AND ACCUMULATED LOSSES

Retained profit/(loss) at start of year	14,061	(21,370)
Change in accounting policy - Note 1(c)	-	(1,982)
Net profit/(loss) attributable to members of Company	35,385	36,489
Transfer from share option reserve	(84)	924
Retained profits/(accumulated losses) at the end of year	49,362	14,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

24. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of cash:

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

	Consolidated	
	2020 US\$000	2019 US\$000
Cash at bank	38,814	18,108
Cash on hand	38	1
Total cash assets	38,852	18,109

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

Profit/(Loss) after income tax	35,385	36,489
<i>add/(less) -</i>		
Non-cash items:		
- Depreciation/amortisation	20,809	18,325
- Mine rehabilitation amortisation	839	443
- Retirement Benefit	574	489
- Gain on asset disposal	1	-
- Exploration expenses	1,583	-
- Recognition of share-based expenses	158	132
- Impairment expense	-	-
- VAT write off	11,546	10,357
- Foreign exchange (gain) / loss	(77)	(118)
- Bad debts written off	159	42
- Inventory write off	-	81
- Income tax deferred	(4,616)	(8,606)
- Income tax credit/(expense)	7,971	3,520
	74,332	61,154
<i>add/(less) -</i>		
Changes in assets & liabilities		
- (increase)/decrease in trade & other receivables	(6,879)	7,093
- (increase)/decrease in prepayments	58	3
- (increase)/decrease in inventories	(2,740)	1,484
- (decrease)/increase in trade & other payables	(3,870)	(16,340)
- (increase)/decrease in deferred taxes assets	(4,653)	-
- increase/(decrease) in deferred taxes liabilities	521	(4,211)
Net cash provided by operating activities	56,769	49,183

(c) Restricted Funds

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

- (i) a rehabilitation fund of US\$5,192,428 (2019: US\$3,703,399) to be used at the end of life of mine for environmental rehabilitation.
- (ii) an employee retirement fund of US\$1,439,587 (2019: US\$1,358,361) established to meet employee entitlements on retirement.

The Company has a provident fund of US\$707,250 (2019: US\$597,136) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

Total restricted funds amount to US\$7,339,264.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

25. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

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

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

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

(i) Treasury risk management

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

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

(ii) Financial risk exposures and management

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

Interest rate risk

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

Price risk

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

Liquidity risk

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

Credit risk

Credit risk 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 2020 the Company had a provision for credit loss of nil (2019: nil). Subsequent to 30 June 2020, 100% (2019: 100%) of the trade receivables balance of nil (2019: 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

25. FINANCIAL RISK MANAGEMENT^(continued)

(b) Financial instruments

(i) Financial instrument composition and maturity analysis

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

Consolidated Group	Weighted avg		Floating interest rate		Within 1 Year		Within 1 to 5 Years		Non-Interest Bearing		Total	
	Effective interest		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	2020	2019										

Financial Assets

Cash & cash equivalent	0.15	0.16	23,475	10,412	-	-	-	-	15,377	7,697	38,852	18,109
Loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-
			23,475	10,412	-	-	-	-	15,377	7,697	38,852	18,109

Financial Liabilities

Financial liabilities at amortised cost

Bank Loan - Current	5.84	6.29	-	-	5,457	6,679	-	-	-	-	5,457	6,679
Bank Loan - Non-current	7.89	7.89	-	-	-	-	296	150	-	-	296	150
Lease Liabilities - Current	6.03	-	-	-	532	-	-	-	-	-	532	-
Lease Liabilities - Non-Current	6.03	-	-	-	-	-	1,432	-	-	-	1,432	-
Trade & sundry payables	-	-	-	-	-	-	-	-	16,011	14,379	16,011	14,379
			-	-	5,989	6,679	1,728	150	16,011	14,379	23,728	21,208

Consolidated

2020 2019
US\$000 US\$000

As at 30 June 2020 and 2019, all receivables were neither past due nor impaired.

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

Less than 6 months	16,011	14,379
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(ii) Net fair values

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

(iii) Sensitivity analysis

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

Interest Rate Sensitivity Analysis

At 30 June 2020, 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

25. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial Instruments (continued)

(iv) Sensitivity analysis (continued)

Interest Rate Sensitivity Analysis (continued)

At 30 June 2020, 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	
	2020	2019
	US\$000	US\$000
<u>Change in profit/(loss) before income tax/equity</u>		
- increase in interest rate by 100 basis points	253	116
- decrease in interest rate by 100 basis points	(253)	(116)

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 2019 and 2020 financial years.

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

Consolidated	Net Financial Assets/(Liabilities) in US\$000			
	A\$	US\$	PHP	TOTAL US\$
2020				
Functional currency of Group Entity	-	12,233	-	12,233
Australian Dollar	-	-	459	459
US Dollar	-	13,047	-	13,047
Philippine Peso	-	-	-	-
Total	-	25,280	459	25,739
2019				
Functional currency of Group Entity	-	-	-	-
Australian Dollar	-	5,805	-	5,805
US Dollar	-	-	524	524
Philippine Peso	-	4,209	-	4,209
Total	-	10,014	524	10,538

	Consolidated	
	2020	2019
	US\$000	US\$000
<u>Change in profit/(loss) before income tax/equity:</u>		
- strengthening of A\$ to US\$ by 15%	(1,596)	(757)
- strengthening of Philippine Peso to US\$ by 15%	(1,956)	(630)
Total	(3,552)	(1,387)
- weakening of A\$ to US\$ by 15%	1,596	757
- weakening of Philippine Peso to by 15%	1,956	630
Total	3,552	1,387

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\$1,569 (2019: US\$1,264) 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\$14,807 million (2019: US\$13,045 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 2020

Consolidated	
2020	2019
US\$000	US\$000

26. COMMITMENTS

(a) Exploration commitments:

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

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

- no later than 1 year	195	261
- 1 year or later and no later than 5 years	1,113	1,113
Total exploration commitments	1,308	1,374

(b) Operating lease expense commitments:

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

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

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

- no later than 1 year	-	85
- 1 year or later and no later than 5 years	-	363
Total operating lease expense commitments	-	448

From 1 Jul 2019, the Group has recognised a right-of-use asset for this lease.

(c) Other contractual commitments:

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

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

- no later than 1 year	853	1,437
- 1 year or later and no later than 5 years	214	1,013
Total other contractual commitments	1,067	2,450

(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	68	76
- 1 year or later and no later than 5 years	236	243
Total other contractual commitments	304	319

27. CONTINGENT LIABILITIES

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\$9,800,000 for any deficiency in the subsidiary's obligations and liabilities under the Refining & Transportation Agreement with Heraeus Limited.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

28. RELATED PARTIES

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

Key Management Personnel related parties

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

Directors:

Non-Executive Directors -

Andrew Teo (Chairperson);

Roy Daniel; and

Simon Mottram (appointed Non-Executive Director on 11 June 2020).

Executive Directors -

Raul Villanueva.

Executive Officers:

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

Peter Alphonso (Chief Financial Officer/Company Secretary); and

James Llorca (General Manager, Geology & Resources).

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

	Consolidated	
	2020	2019
	US\$000	US\$000
<u>Key management personnel compensation:</u>		
Short term employee benefits	1,495	1,485
Post-employment benefits	52	53
Long-term benefits	8	6
Equity-settled share-based payments	53	88
Termination benefits	-	277
Total	1,608	1,909

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

29. EVENTS SUBSEQUENT TO REPORTING DATE

- 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.
- The Company announced to the ASX on 28 August 2020, production guidance for FY21 of between 90,000 ounces to 95,000 ounces at All-In-Sustaining-Costs ("AISC") of between US\$1,200 to US\$1,250 per ounce.

The slight increase in year-on-year AISC for FY21 has been anticipated, after taking into account the ongoing impact of COVID-19 restrictions to people movement, logistics and associated costs.

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 2020

30. SEGMENT INFORMATION

The Consolidated Group has identified its reportable operating segments based on the internal management reports that are reviewed and used by the Managing Director/Chief Executive Officer (the chief operating decision maker) and his management team in assessing performance and in determining the allocation of resources.

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

Segment Result, Segment Assets and Segment Liabilities

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

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

Segment Revenues represent gold and silver sales at spot prices.

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

Segment Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment Liabilities include trade and other payables.

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- income tax expense;
- gain on disposal of assets;
- deferred tax assets and liabilities;
- interest revenue;
- intercompany receivables and payables.

12 months to June 2020:	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	147,829	-	209	148,038
Segment Result	3,611	(1,624)	(5,837)	(3,850)
Reconciliation of segment result to group result:				
<i>add back:</i>				
Forex realised	-	-	79	79
Interest revenue	-	-	130	130
Depreciation	7,177	-	9	7,186
Amortisation	14,463	-	-	14,463
Exploration write off	-	1,583	-	1,583
Bad debts write off	16	-	143	159
VAT write off	11,546	-	-	11,546
Share based expense	-	-	158	158
Retirement expense	574	-	-	574
Income tax expense	-	-	3,356	3,356
Asset write off	1	-	-	1
Group profit/(loss)				35,385
Segment Assets	154,443	50	12,889	167,382
Reconciliation of segment asset to group assets:				
<i>plus:</i> Deferred tax assets	23,080	-	-	23,080
Total group assets				190,462
Segment Liabilities	30,765	36	983	31,784
<i>plus:</i> Deferred tax liabilities	257	-	-	257
Total group liabilities				32,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

30. SEGMENT INFORMATION (continued)

12 months to June 2019:	Mining	Exploration	Other	Total
	US\$000	US\$000	US\$000	US\$000
Segment Revenue	129,320	-	-	129,320
Reconciliation of segment revenue to group revenue				
<i>add:</i>				
Interest revenue	-	-	282	282
Group revenue				129,602
Segment Result	9,329	(767)	1,789	10,351
Reconciliation of segment result to group result:				
<i>add back:</i>				
Interest revenue	-	-	164	164
Forex realised	-	-	118	118
Depreciation	3,943	-	12	3,955
Amortisation	14,813	-	-	14,813
Exploration write off	-	1,688	-	1,688
Bad debts write off	43	-	-	43
VAT write off	10,357	-	-	10,357
Inventory write off	80	-	-	80
Asset write off	6	-	-	6
Impairment	-	-	-	-
Income tax expense / (benefit)	-	-	(5,086)	(5,086)
Group profit/(loss)	38,571	921	(3,003)	36,489
Segment Assets	126,563	74	7,003	133,640
Reconciliation of segment asset to group assets:				
<i>plus:</i> Deferred tax assets	18,427	-	-	18,427
Total group assets				152,067
Segment Liabilities	26,410	29	1,108	27,547
Reconciliation of segment liabilities to group liabilities				
<i>plus:</i> Deferred tax liabilities	778	-	-	778
Total group liabilities				28,325

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

12 months to June 2020:

Segment Revenue	-	-	147,829	147,829
Non-Current Assets	404	125,313	-	125,717

12 months to June 2019:

Segment Revenue	-	-	129,320	129,320
Non-Current Assets	697	114,545	-	115,242

All gold and silver sales have been produced from the Co-O mine in the Philippines and were sold to one customer.

Gold and silver sales 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 disclosure requirements Non-Current Assets shown in geographical information include tangible and intangible assets but exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

The Group sells its gold on the open market. Selection of a customer is at the Group's discretion and there is no commitment to exclusive sales to a particular customer. During the financial year ended 30 June 2020, all of the Group's revenues depended on a single customer (2019:100%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

31. PARENT COMPANY INFORMATION

	2020	2019
	US\$000	US\$000
<u>Parent Entity:</u>		
Current Assets	12,485	6,306
Total Assets	27,792	29,299
Current Liabilities	678	1,108
Total Liabilities	982	1,108
Net Assets	26,810	28,191
Issued capital	102,902	102,902
Option premium reserve	444	202
Foreign exchange reserve	11,894	11,894
Accumulated losses	(46,161)	(44,538)
Dividends paid	(42,269)	(42,269)
Total Equity	26,810	28,191
Profit/(Loss) for the year	(1,539)	(918)
Total Comprehensive Profit/(Loss)	(1,539)	(918)

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

32. COMPANY DETAILS

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

Suite A, Level 1
1 Preston Street
Como
Western Australia 6152

DIRECTOR'S DECLARATION

for the year ended 30 June 2020

1. In the opinion of the Directors' of Medusa Mining Limited:
 - a) The consolidated financial statements and notes of Medusa Mining Limited are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements: and
 - b) There are reasonable grounds to believe that Medusa Mining Limited will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chairman and Chief Financial Officer for the financial year ended 30 June 2020.
3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors



Andrew Teo
Chairperson

Dated the 31st day of August 2020

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 2020, 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 2020 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) 30 June 2020

Key audit matter	How the matter was addressed in our audit
<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; • performing a site visit to the CO-O mine during the year; • 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; • 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 contained in the Directors' report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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 57 to 73 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Medusa Mining Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to be 'Neil Smith', written over a small, faint BDO logo.

Neil Smith

Director

Perth, 31 August 2020

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 September 2020

1. Shareholding

(a) Distribution of shareholders and shares

Distribution	Number of shareholders	Number of shares
1 - 1,000	1,188	522,979
1,001 - 5,000	1,208	3,176,608
5,001 - 10,000	418	3,167,115
10,001 - 100,000	552	16,122,832
1,000,000 and over	66	184,804,767
Total	3,432	207,794,301

The number of shareholdings held in less than marketable parcels is 752

(b) Voting rights

The voting rights attaching to ordinary shares are, on a show of hands, every member present in person or by proxy shall have one vote and upon a poll, each share shall have a vote.

(c) Twenty largest shareholders

Total number of ordinary shares on issue - 207,794,301

Name of shareholders	Number of shares held	(%)
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	66,142,195	31.83
2. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	26,711,014	12.85
3. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <MLPRO A/C>	21,865,427	10.52
4. CITICORP NOMINEES PTY LIMITED	19,488,889	9.38
5. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	12,003,669	5.78
6. MR CARL ERIC HOLT + MRS LORRAINE HOLT <HOLT SUPER FUND A/C>	4,093,328	1.97
7. AMALGAMATED DAIRIES LIMITED	3,296,881	1.59
8. BERNE NO 132 NOMINEES PTY LTD <594138 A/C>	2,591,880	1.25
9. NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,520,205	1.21
10. BNP PARIBAS NOMS PTY LTD <DRP>	2,455,229	1.18
11. MR SAMUEL GONZALES AFDAL	2,260,000	1.09
12. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,809,370	0.87
13. CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,563,291	0.75
14. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,446,476	0.70
15. NATIONAL NOMINEES LIMITED	1,148,568	0.55
16. OZLEXA PTY LTD <DEVIN FAMILY A/C>	1,000,000	0.48
17. RIVERLOW PTY LTD <GREENFIELD SF A/C>	932,732	0.45
18. MR ROY PHILIP DANIEL + MRS DONNA MARY DANIEL <DANIEL SUPER FUND A/C>	815,875	0.39
19. FULTON SECURITIES PTY LTD <STEPHEN FULTON SUPER A/C>	800,000	0.38
20. JD FAMILY INVESTMENT NOMINEES PTY LTD <HSU'S FAMILY A/C>	751,922	0.36
Total: Top 20 holders of Ordinary Fully Paid Shares	173,696,951	83.59
Total: Remaining Holder Balance	34,097,350	16.41
Total: Ordinary Fully Paid Shares	207,794,301	100.00

(d) On market buy back

There is no current on-market buy back.

ADDITIONAL SHAREHOLDER INFORMATION

1. Shareholding (continued)

(e) Substantial shareholders

An extract of the Company's register of substantial shareholders is set out below:

Name	Ordinary shares held	
	Number of shares	(%)
Ruffer LLP	33,477,713	16.11%
Arbiter Partners Capital Management LLP	31,045,518	14.94%
Paradice Investment Management Pty Ltd	11,55,331	5.56%

2. Unquoted Equity Securities and Restricted Securities

The following classes of unquoted equity securities and restricted securities are on issue:

Type of securities	Number of securities	(%)
<ul style="list-style-type: none"> 360,000 unquoted options (comprising of 4 equal tranches of 90,000 options per tranche) to subscribe for ordinary shares exercisable at the following tranche prices of \$1.00, \$1.25, \$1.50 and \$1.75 per share respectively, with an expiry date of 24 November 2020 <p><u>Persons holding 20% or more:</u> Boyd Timler</p>	360,000	100%
<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> James Llorca David McGowan</p>	500,000 300,000	20% 34%
<ul style="list-style-type: none"> 79,000 short term incentive ("STI") performance rights were granted at a share price of \$0.89, and subject to the satisfaction of remaining as employees and any adjustments in accordance with the rules of the Executive Incentive Plan. <p>The STIs will automatically vest on 21 January 2021.</p> <p><u>Persons holding 20% or more:</u> Peter Alphonso James Llorca</p>	42,000 37,000	53% 47%
<ul style="list-style-type: none"> 4,340,000 long term incentive ("LTI") performance rights were granted. 50% being non-market, valued at a share price of \$0.45 and 50% being market, valued using the Monte Carlo Simulation Model. <p>All LTIs are subject to the satisfaction of remaining as employees and any adjustments in accordance with the rules of the Executive Incentive Plan.</p> <p>The LTIs will automatically vest on 13 March 2023.</p> <p><u>Persons holding 20% or more:</u> -</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 2020

Name	Tenement ID	Registered Holder	Company's Interest as at		Royalty ¹	Area (hectares) as at	
			30 June 2019	30 June 2020		30 June 2019	30 June 2020
Co-O Mine	MPSA 262-2008-XIII	PMC	100%	100%	-	2,539	2,539
	MPSA 299-2009-XIII	PMC	100%	100%	-	2,200	2,200
Co-O	APSA 00012-XIII	BMMRC	100%	100%	-	340	340
	APSA 00088-XIII	Phsamed	100%	100%	-	4,742	4,742
	APSA 00098-XIII	Philcord	100%	100%	1% NPI	507	507
	APSA 00099-XIII	Philcord	100%	100%	1% NPI	592	592
Saugon	EP 017-XIII	PMC	100%	100%	-	3,132	3,132
	EPA 00066-XIII	PMC	100%	100%	-	6,769	6,769
	EPA 00069-XIII ⁽²⁾	Phsamed	100%	100%	-	2,519	2,540
	EPA 00087-XIII ⁽²⁾	PMC	100%	100%	-	87	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 00056-XIII	Corplex	100%	100%	-	162	162
	APSA 00077-XIII	Corplex	100%	100%	4% GSR	810	810
	EPA 00186-XIII	Corplex	100%	100%	3% GSR	7,111	7,111
Sinug-ang	EPA 00114-XIII	Salcedo/PMC	100%	100%	-	190	190

Notes:

- Royalties payable to registered holders, aside from the prescribed royalties¹ payable to the Philippine government and the indigenous people.
- Awaiting approval and confirmation by MGB of area reduction.

ABBREVIATIONS:

Tenement Types

MPSA Granted Mineral Production Sharing Agreement
 EP Granted Exploration Permit

APSA Application for Mineral Production Sharing Agreement
 EPA Application for Exploration Permit

Registered Holders

PMC Philsaga Mining Corporation
 BMMRC Base Metals Mineral & Resources Corporation
 Phsamed Phsamed Mining Corporation
 Philcord Mindanao Philcord Mining Corporation
 Corplex Corplex Resources Incorporated

Philex Philex Gold Philippines Incorporated
 Das-Agan Das-Agan Mining Corporation
 Apmedoro APMEDORO Mining Corporation
 Salcedo Neptali P. Salcedo

Royalty

NPI Net Profit Interest
 NSR Net Smelter Royalty

GSR Gross Smelter Royalty

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ABN: 60 099 377 849

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1 Preston Street, Como WA 6152

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South Perth WA 6951

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Website: www.medusamining.com.au