MEDUSA

MEDUSA MINING LIMITED

ABN 60 099 377 849

Consolidated Entity

ANNUAL REPORT

2019

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Andrew Boon San Teo
Non-Executive Chairperson

Roy Philip Daniel
Non-Executive Director

Raul Conde Villanueva
Executive Director
President Philippines subsidiaries

COMPANY SECRETARY

Peter Stanley Alphonso

EXECUTIVE MANAGEMENT

David Angus McGowan
Chief Executive Officer

Peter Stanley Alphonso
Chief Financial Officer

James Piñgul Llorca
General Manager, Geology & Resources

Patrick Chang
Corporate Development Officer & Investor Relations

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Website: www.medusamining.com.au

AUSTRALIAN BUSINESS NUMBER

ABN 60 099 377 849

STOCK EXCHANGE LISTING

Australian Securities Exchange Ltd (ASX)
Trading Code: MML

AUDITORS

Australia:

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Subiaco
West Perth WA 6008

Philippines:

RSB & Associates
18 Floor Cityland Condominium 10 - Tower 1
Makati City Philippines 1200

SOLICITORS

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BANKERS

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Investor enquiries: 1300 557 010

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

Appendix 4E

Preliminary final report
Period ending 30 June 2019

Name of entity

MEDUSA MINING LIMITED

ABN or equivalent company reference	Half yearly (tick)	Preliminary final (tick)	Half year/ financial ended ("current period")
60 099 377 849		√	**30 June 2019**

Results for announcement to the market

Revenues and profits:		US$'000		US$'000
Revenues from ordinary activities	up 4%	124,593	to	129,602
Profit/(Loss) from ordinary activities after tax attributable to members	up from	(55,554)	to	36,489
Net profit/(loss) for the period attributable to members	up from	(55,554)	to	36,489

(All comparisons to the previous period ended 30 June 2018)

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

No dividends were declared and paid for period ended 30 June 2019.

Net tangible assets per share:

The net tangible assets per share as at 30 June 2019 was US$0.593 (30 June 2018: US$0.396)

Change in control of entities:

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

Associates and Joint Venture entities:

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

Un-audited Financial Statements:

This report is based on accounts which are audited.

Other information:

Except for matters noted above, all disclosure requirements pursuant to ASX Listing Rule 4.3A are contained within the Company's consolidated financial statements for the year ended 30 June 2019 which accompany this report.

HIGHLIGHTS OF 2019 FINANCIAL YEAR

FINANCIALS

Description	Unit	30 June 2019	30 June 2018 (1)	Variance	(%)
Revenues	US$	$129.6M	$124.6M	$5.0M	4%
EBITDA (1)	US$	$51.4M	($25.3M)	$76.7M	N/A
NPAT (1)	US$	$36.5M	($55.6M)	$92.1M	N/A
EPS (basic)	US$	$0.176	($0.267)	$0.443	N/A
(1) includes asset impairment losses of US$81.1M for year ended 30 June 2018.					

- Revenues of US$129.6 million compared to US$124.6 million for the previous year, an increase of 4%.

  Medusa is an un-hedged gold producer and received an average gold price of US$1,259 per ounce from the sale of 102,500 ounces of gold for the year (2018: 96,056 ounces at US$1,293 per ounce);

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") of US$51.4 million (2018: EBITDA of (US$25.3M) including asset impairment losses of (US$81.1M));

- Basic earnings per share ("EPS") of US$0.176 on a weighted average basis, based on NPAT of US$36.5 million (2018: EPS of (US$0.267) based on NPAT of (US$55.6M));

- The Company had total cash and cash equivalent in gold on metal account of US$23.4 million at year end (2018: US$15.1M);

- Depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US$18.8 million (2018: US$29.2M);

- US$6.9 million was expended on capital works associated with the new shaft construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2018: US$14.6M);

- Exploration expenditure, inclusive of underground diamond drilling was US$8.9 million (2018: US$5.4M);

- Capitalised mine development costs totalled US$27.3 million for the year (2018: US$24.5M); and

- Corporate overheads of US$8.7 million (2018: US$7.3M).

HIGHLIGHTS OF 2019 FINANCIAL YEAR

OPERATIONS

Description	Unit	30 June 2019	30 June 2018	Variance	(%)
Ore mined	WMT	606,675	550,400	56,275	10%
Ore milled	DMT	544,601	494,989	49,612	10%
Head grade	g/t	6.28	6.33	(0.05)	(1%)
Recovery	%	94.75	94.70	0.05	-
Gold produced	ounces	103,307	95,705	7,602	8%
Cash costs [(1)]	US$/oz	$546	$562	16	3%
Gold sold	ounces	102,500	96,056	6,444	7%
Avg gold price received	US$/oz	$1,259	$1,293	($34)	(3%)

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

The Company produced 103,307 ounces of gold for the year, compared to 95,705 ounces from the previous corresponding period, at an average recovered grade of 6.28 g/t gold (2018: 6.33 g/t gold).

Average cash costs was US$546 per ounce, inclusive of royalties and local business taxes, which was lower than the previous year's average cash costs of US$562 per ounce, and All-in-Sustaining-Costs ("AISC") for the year was US$1,045 per ounce of gold (2018: US$1,083 per ounce).

FY2020 OUTLOOK

The production guidance for the 2020 financial year ("FY2020") is expected to be between 95,000 to 105,000 ounces at AISC of between US$1,025 to US$1,125 per ounce of gold produced.

The guided AISC includes cash production costs, royalties and local business taxes, mine development, capital works and associated sustaining capital, exploration expenditure and corporate overheads.

CORPORATE

Dividend:

No dividends were declared nor paid during the year.

Board retirements:

- Mr Boyd Timler retired as Managing Director on 6 July 2018; and
- Mr Peter Hepburn-Brown retired as a Non-Executive Director on 3 September 2018

Management changes:

- Mr Andrew Teo assumed the role of interim Chief Executive Officer following the resignation of Mr Boyd Timler from 6 July 2018 until 28 February 2019; and
- Mr David McGowan, previously Chief Operating Officer was promoted to the role of Chief Executive Officer on 1 March 2019.

CHAIRPERSON'S REVIEW

Dear Shareholder,

I am delighted to present the Annual Report for the 2019 Financial Year ("FY2019") following a remarkable year at Medusa Mining Limited ("Medusa" or the "Company"). In FY2019 we maintained our position as a high-grade, unhedged, sustainable and self-funding gold producer focussed on growth in the Asia-Pacific region. We concluded FY2019 on a positive note by achieving the following milestones:

- Net profit after tax of US$36.5 million, our strongest result for three years;
- production of 103,307 ounces, exceeding our initial guidance of between 90,000 to 100,000 ounces;
- All-In-Sustaining-Costs ("AISC") of US$1,045 per ounce, outperforming guidance of between US$1,050 to US$1,150 per ounce;
- increased both the Mineral Resource and Ore Reserve net of depletion at our Co-O operation in the Philippines;
- successful near-mine exploration resulted in the reporting of a maiden Mineral Resource at Royal Crowne Vein;
- development of the Company's culture by ensuring ownership exists at all levels of the organisation to achieve our goals and vision of sustainable, profitable growth within our established licence to operate in the Philippines;
- maintained its licence to operate by continuing our high community, safety and environmental standards; and
- continued project evaluation in the Asia Pacific region with the goal of achieving operational diversification.

Medusa continued to generate free cash from its operations. At the start of FY2019 the Company's cash position (and equivalent in gold on metal account) was US$15.1 million and by the end of the period had increased to US$23.4 million. This was achieved after all internal capital requirements, including the completion of construction of the E15 Service Shaft ("E15"), as well as a US$5.1 million reduction in creditor/borrowings during the year.

Commissioning of the E15 in the December 2018 quarter increased overall skipping capacity at the Co-O mine and will facilitate the establishment of more optimally located drilling stations for continued expansion of Mineral Resources and the Ore Reserve. The construction of winzes to Level 12 continued. This focus will ensure the deeper, high-grade Ore Reserve blocks are sufficiently developed for exploitation.

As part of Medusa's long-term strategy to ensure longevity of the Co-O mine and improve operational efficiencies, the Company continued the evaluation of preferred options to access deeper part of the mine below Level 12. We anticipate updating shareholders on the outcomes of the study in FY2020.

The exploration focus has been on defining the resource limits of the Co-O mine. We now have a greater understanding of the controls on the vein system following completion of the resource drilling program from Levels 8 and 10 which indicate the epithermal vein system remains open at depth and to the east. Results show the main Great Hamish vein extends at depth and to the east on Level 16. Drilling of the other main veins between Level 8 and Level 12 show mineralisation trends to the north and east while remaining open down plunge.

CHAIRPERSON’S REVIEW

Drilling in FY2019 resulted in a 2.8% increase in resource ounces to 890,000 ounces and a 7.0% increase in the contained ounces in the Ore Reserve which now sits at 1.58 million tonnes grading 6.86 g/t gold for 350,000 ounces. This year’s drilling program focused on better understanding the orebody characteristics to mitigate risk to gain higher levels of resource confidence. The Measured and Indicated Resources to Ore Reserve conversion remains strong at 76%.

Our near mine surface exploration program has resulted in the declaration of a maiden Mineral Resource on Royal Crowne Vein. While the initial endowment of 50,300 ounces is modest compared to our existing inventory at Co-O, the resource has only been drilled to a shallow depth of 150 metres and remains open down plunge at depth. Follow up exploration is scheduled in FY2020 to test the extensions of the mineralisation. The prospect is located within a 3km radius of our processing facility and is on a granted MPSA, thereby significantly enhancing the potential to contribute to mill feed should exploration be successful.

Business development activities in the Asia-Pacific region for additional opportunities increased during FY2019. Our strategy remains to leverage our expertise in exploring epithermal gold deposits, underground narrow vein mining and operating in the region with a strong social licence.

The Company continued its enviable record of partnering with our host communities and providing a number of community-based projects. These programs include providing education, health care, infrastructure and livelihood projects to our host communities. Our effort has been acknowledged by municipal and regional governments, and at a national level.

We concluded FY2019 with outperformance on production and cost guidance, improved gold inventory at Co-O and an enhanced cash and bullion position. I am confident we are on the right path of continued and sustainable success. 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 FY2020.

Yours sincerely,

Andrew Teo

Non-Executive Chairperson

REVIEW OF OPERATIONS

HIGHLIGHTS

Co-O OPERATIONS:

"The Company continues to improve production, achieving 103,307 ounces for the financial year ending 30 June 2019, an increase of 8% on the previous year."

- Annual gold production totalled 103,307 ounces, with annual gold sales of 102,500 ounces at cash costs of US$ 546 per ounce;
- The annual AISC was US$1,045 per ounce, an improvement of 3% from the previous year. The ASIC includes continued capital costs portions related to the infrastructure projects progressed and exploration expenditure in FY 2018/19;
- Mill recoveries remained high at 94.8% for the year;
- The E15 Service Shaft was completed and commissioned in November 2018 allowing the L8 Shaft to be utilised more for hoisting;
- The sinking of the 35E internal inclined shaft from level 8 to level 12, is 81% completed. Connections have been established on levels 9 and 10, and plats developed on level 11;
- Level 10 development has advanced with all internal shafts now connected to the E15 Service Shaft.

GROUP ORE RESERVES AND MINERAL RESOURCES:

"The Company's Ore Reserves increased by 7% to 350,000 ounces after mining depletion, compared to the previous year's estimate of 327,000 ounces.""

Table I: Total Mineral Resources and Ore Reserves estimates as at 31 December 2018 (as per ASX announcement dated 9 April 2019). 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	96,000	9.57	29,000
	Indicated	1,385,000	11.03	491,000
	Measured & Indicated	1,481,000	10.93	520,000
	Inferred	1,179,000	9.75	369,000
Total Co-O Resources	**Measured, Indicated & Inferred**	**2,660,000**	**10.41**	**890,000**
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	**Inferred**	**311,300**	**5.03**	**50,300**
Total Royal Crowne Vein (JORC 2012)	**Inferred**	**311,300**	**5.03**	**50,300**
TOTAL RESOURCES	**Measured**	**96,000**	**9.57**	**29,000**
	Indicated	**9,522,500**	**3.05**	**935,900**
	Inferred	**1,724,300**	**8.18**	**453,300**
TOTAL RESOURCES	**Measured, Indicated & Inferred**	**11,342,800**	**3.88**	**1,418,200**
ORE RESERVES [(2)]				
Co-O Reserves [(2)] (JORC 2012)	Proven	93,000	9.62	29,000
	Probable	1,491,000	6.68	321,000
TOTAL RESERVES	**Proven and Probable**	**1,585,000**	**6.86**	**350,000**

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.

(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 January 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/cm^3 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 ≥50°) and 1.5 metres (stopes <50°) 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$1,275 per ounce has been applied.

EXPLORATION ACTIVITIES:

"The Company's exploration activities achieved success with the announcement of a maiden Mineral Resource of 50,300 ounces at its Royal Crowne Vein Project and also broadened is exploration area with commencement of Earn-in-Agreements at Mt Clarke West and Hill 212 in Central Queensland."

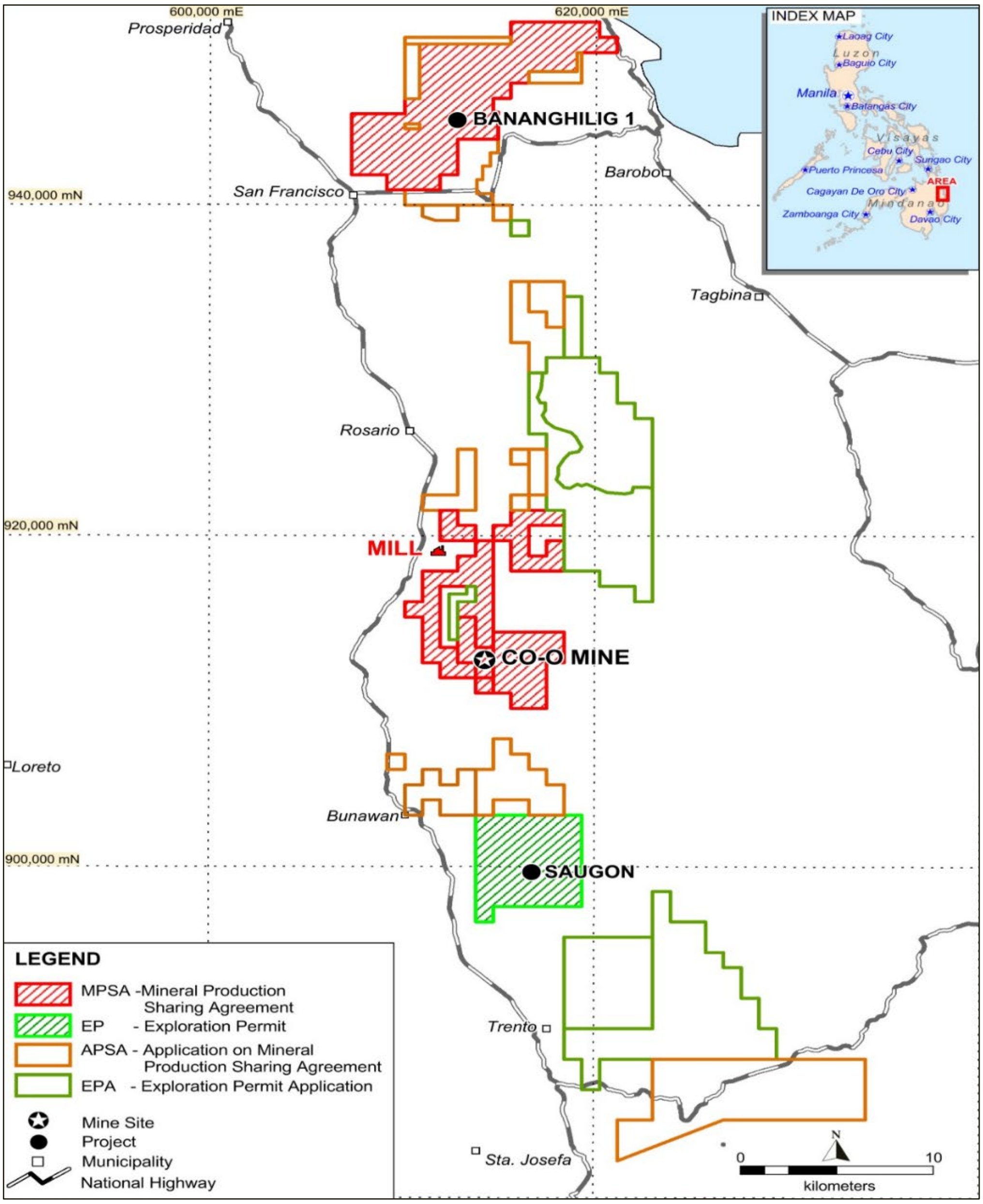


Figure 1. Eastern Mindanao tenement location plan, showing consolidated tenement outlines Deposits and Projects.

REVIEW OF OPERATIONS

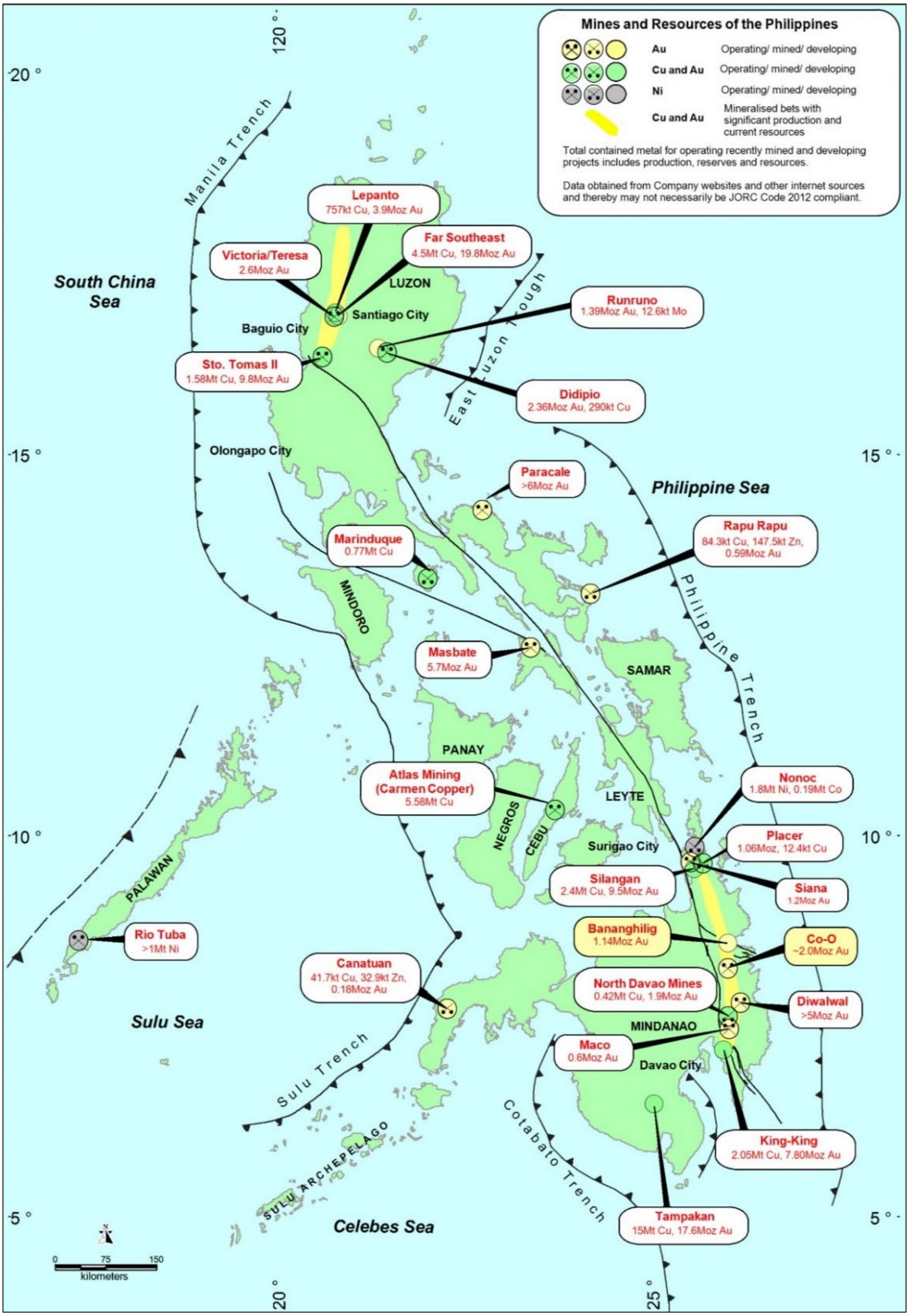


Figure 2. Location diagram of the Company's main project areas in relation to the significantly mineralised belts of the Philippines.

REVIEW OF OPERATIONS

EXPLORATION - PHILIPPINES

Co-O MINE

The drilling program continued to focus on understanding and defining the geological limits of the main epithermal veins, particularly at the eastern 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 sucessfully shows the veins are returning economic grade intercepts at and below Level 12, and remaining open to the east and down dip. Current and future drilling campaigns are to prove the downdip extension of the vein system and develop the resource base.

Co-O SURFACE EXPLORATION

Exploration activities for FY2019 focused on the evaluation of prospects within the Co-O and Royal Crowne Vein (Old Sinug-ang) areas, as well as review of Philsaga Mining Corporation ("PMC") granted tenements and applications.

ROYAL CROWNE VEIN PROJECT (OLD SINUG-ANG)

The Royal Crowne Vein ("RCV") Project corresponds to a 200+ metres projected vein segment along the northern portion of the 1,500 metres long Sinug-ang vein system that has not been fully tested by drilling.

A 2-phase 22-hole, 6,020 metre drilling program was implemented commencing 15 August 2018 to validate the continuity of gold mineralisation along the 500 metre long projected strike length of the NNW-trending RCV. By the end of FY2019, a total of 20 holes were completed with a cumulative metreage of 5,086 metres.

Geological interpretation and modelling were completed as input and basis to the subsequent maiden resource estimation. The mineralisation extends from surface to 150 metres below surface and is open along strike and at depth.

The maiden Inferred Resources estimation at a nominated 2.0 g/t gold cut-off gave 311,300 tonnes @ 5.03 g/t gold for 50,300 ounces gold. The full ASX announcement of the resources was published on 16 April 2019. Further drilling is planned in FY2020 to upgrade the resource category and extend the resource base.

DURIAN PROJECT

The Durian Project is located about 1km north of the Co-O Mine and is defined by an oblong-shaped moderate to high IP chargeability anomalous zone with coincident low resistivity anomalous zones. The geometry of the IP anomaly suggests the potential presence of a structurally-controlled vein-style mineralisation associated with a diatreme structure and/or shallow intrusion.

Scout drilling of the Durian Project aimed at validating observed IP chargeability anomalies associated with outcropping moderate grade (i.e. 1 to 3 g/t gold) veins and stockworks, and moderate to high grade (i.e. > 5.0 g/t gold) historical drill intercepts, was concluded 9 March 2019. 4 drill holes (EXP's 244, 245, 246 and 247) with a total metreage of 1,618 metres were completed to test the SW and NE blocks of the IP anomaly.

The 2 drill holes in the SW block intercepted weak mineralised structure with narrow width. Of the 149 core samples, 7 samples returned grades above 1.0 g/t gold, and peak assay at only 2.42 g/t gold. Based on these initial results, drilling has been discontinued while the best approach going forward is being re-evaluated.

At the NE block of the Durian IP anomaly, EXP 246 validated the interpreted diatreme-related structure, but failed to intercept significant mineralised vein structure. Host rocks exhibited localised weak to moderate argillic alteration with associated 1% to 5% disseminated pyrite. The drill holes also failed to intercept significant mineralised vein structures related to a NW trending linear ridge anomaly with associated minor outcropping stockworks. Based on the poor results achieved, drilling of the last proposed hole in this NE sector of the Durian Project was also discontinued.

TSF #1 TAILINGS PROJECT

The Tailings Storage Facility ("TSF") #1 was the TSF 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 and coupled with old extraction techniques used at that time. Previous assessment completed on October 2015, focused on metallurgical testing using samples collected from auger drill holes.

TSF #1 TAILINGS PROJECT (continued)

The drilling results were modelled in Surpac and a resource estimation using a lower cut-off grade of 0.85 g/t gold gave 510,169 tonnes with 1.72 g/t gold containing 28,200 ounces of gold in the Indicated category that is compliant to the JORC 2012 code reporting standard. The geological model interpretation reveals that concentration of the higher grades at the upper portion of the tailings section will simplify mining, minimising the need of disturbing the lower grade basal tailings material.

Metallurgical testing to date, has confirmed the potential for preg-robbing and identified options for neutralising this effect and improving recoveries. However, a more detailed study is underway into the feasibility of mining and processing this material, including more detailed metallurgical testing to identify the optimal flow sheet for processing the material. The objective of this work is to determine the best option for gaining value from TSF #1 resource.

BANANGHILIG GOLD DEPOSIT

There has been no development or material change on the Bananghilig Deposit since the Company completed an exhaustive 2 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 first disclosed under JORC 2004. It has not been updated since to comply with the JORC 2012 on the basis that the information has not materially changed since it was last reported.

EXPLORATION - OTHER AREAS

QUEENSLAND EPITHERMAL GOLD & COPPER PROJECT

The Company announced on 5 July 2018 that it has 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 is an epithermal gold-silver opportunity approximately 30km east of Mt Coolon. The Mt Clark West (EPM 26008) exploration project is a copper-gold opportunity approximately 24km north-west of Nebo. Both projects have well defined drill targets generated through previously completed geochemical and geophysical work programs.

Ellenkay currently has a 100% interest in both projects and under the terms of the EIA, Medusa may earn an equity position of up to 90% in either or both projects by managing and funding work programs through to the completion of a Pre-Feasibility Study.

Mt Clarke West Copper Project (EPM 26008)

A 4-hole drilling program aggregating 1,288 metres was completed during May. This is the first drilling for minerals in the vicinity of Mt Clark. The initial drilling has intercepted 100’s of metres of moderate to intense stockworks with predominantly pyrite in-fills. Alteration shows propylitic (chlorite, epidote) to phyllic (sericite vein selvages, with patchy tentatively identified potassic (biotite) alteration.

The assays from the 4 drill holes returned low values for copper and gold. The Company is now reviewing its options on the way forward with respect to this Project.

Hill 212 Epithermal Gold (EPM 26217)

A fully executed Conduct and Compensation Agreement has been finalised with landholders in late June. Future works are planned for preparation of the initial drilling program, which is expected to commence in early FY2020.

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 2018 and 2019.

Description	Unit	30 June 2019	30 June 2018	Variance	(%)
Ore mined	WMT	606,675	550,400	56,275	10%
Ore milled	DMT	544,601	494,989	49,612	10%
Head grade	g/t	6.28	6.33	(0.05)	(1%)
Recovery	%	94.75	94.70	0.05	0%
Gold produced	ounces	103,307	95,705	7,602	8%
Cash costs (1)	US$/oz	$546	$562	16	3%
Gold sold	ounces	102,500	96,056	6,444	7%
Avg gold price received	US$/oz	$1,259	$1,293	($34)	(3%)

Notes:

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

- The Company produced 103,307 ounces of gold for the year at an average recovered grade of 6.28 g/t gold which was above the upgraded production guidance (June 2018: 95,705 ounces at an average recovered grade of 6.33 g/t gold);
- The average cash costs of US$546 per ounce, inclusive of royalties and local business taxes, was lower than the previous year's average cash costs of US$562 per ounce; and
- All-in-Sustaining-Costs ("AISC") for the year was US$1,045 per ounce of gold (2018: US$1,083 per ounce).

FY2020 Production Guidance

The production guidance for the 2020 financial year ("FY2020") at the Co-O mine is expected to be between 95,000 to 105,000 ounces at AISC of between US$1,025 to US$1,125 per ounce.

The guided AISC includes cash production costs, royalties and local business taxes, mine development, capital works and associated sustaining capital, exploration expenditure and corporate overheads.

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.

REVIEW OF OPERATIONS

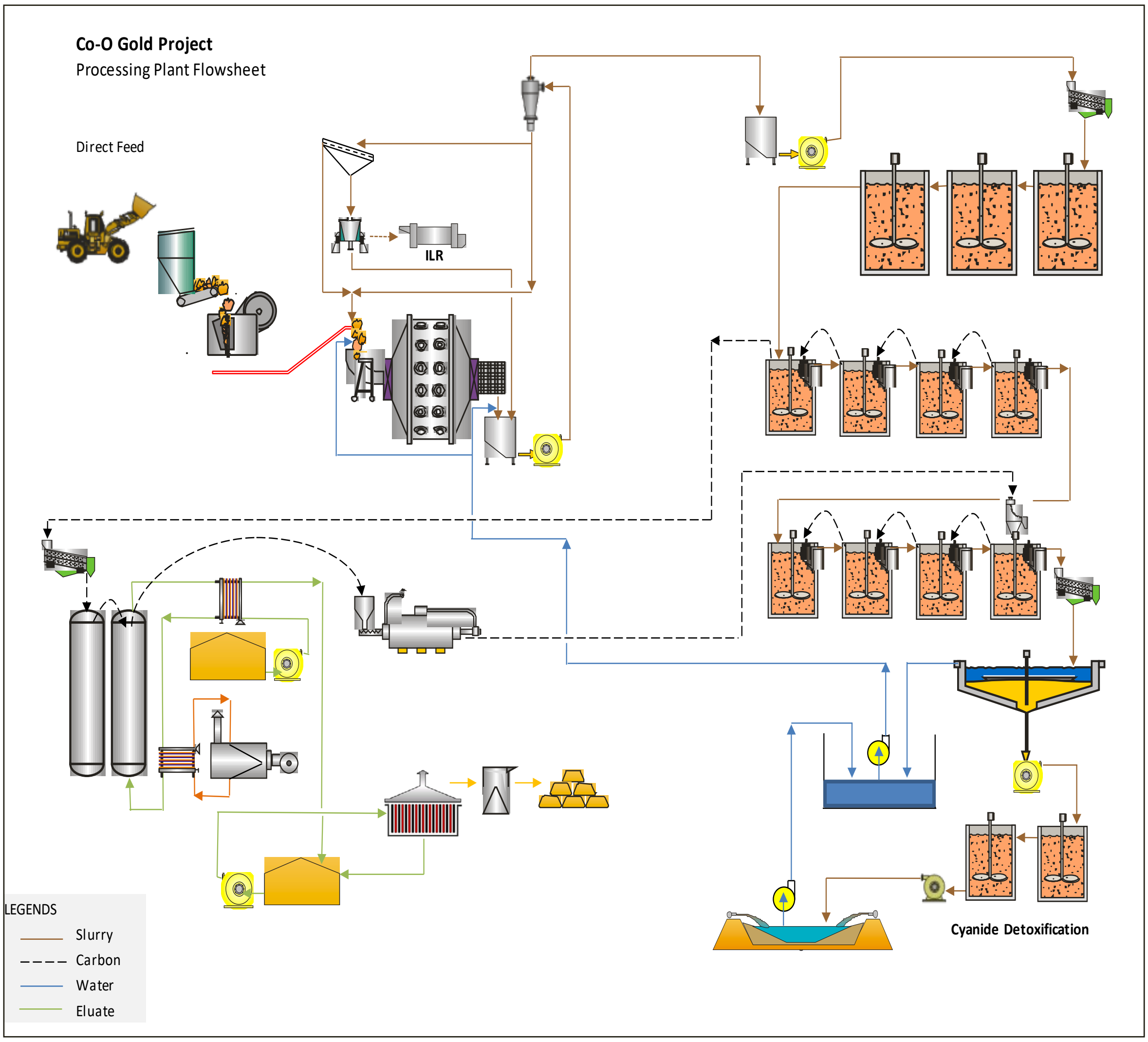


Diagram 1. Co-O Processing Plant flow sheet.

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

The processing plant is powered from the regional grid, with emergency generators installed with sufficient capacity to run the plant at full capacity.

The Co-O Mill performed efficiently throughout the fiscal year with mill recovery of 94.8%, with head grades of 6.28 g/t gold.

Mill throughputs were restricted by availability of ore from the mine, resulting in low utilisation of the processing plant. Cost reductions were achieved through the optimisation of the processing plant operation and maintenance including utilisation of onsite personnel in lieu of contract labour for mill relines and major shutdowns as these were completed during scheduled down time.

Low processing plant utilisation is expected to continue into FY2020.

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 2 years. Work has progressed on the planning and design of the next TSF with aim of starting construction at the beginning of next year.

Picture 1. Co-O Processing Plant

Co-O MINE

The Co-O Mine is a shaft access, underground track mine, utilising battery powered locomotives and mine cars. Air-leg mining is used to extract the ore and waste is hauled to surface via the main L8 Production Shaft, two 60-degree inclined shafts; Baguio and Agsao, and through the original portals. The primary infrastructure of the Co-O mine is represented in Diagram 2.

Typical strike length of any of the current 10 extraction levels is approximately 1,000 metres, running west to east. Levels are developed 50 metres apart vertically, with Level 10 being approximately 500 metres below surface.

There are 4 winzes operating between Level 8 and Level 9 with three 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. When complete the other 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 increased utilisation of the L8 Shaft for hoisting of ore.

As Ore Reserves are diminished from the upper levels, the utilisations of the Portals, Agsao and Baguio shafts for hoisting of ore will reduce partially offsetting the increased skipping expected from L8 Shaft.

REVIEW OF OPERATIONS

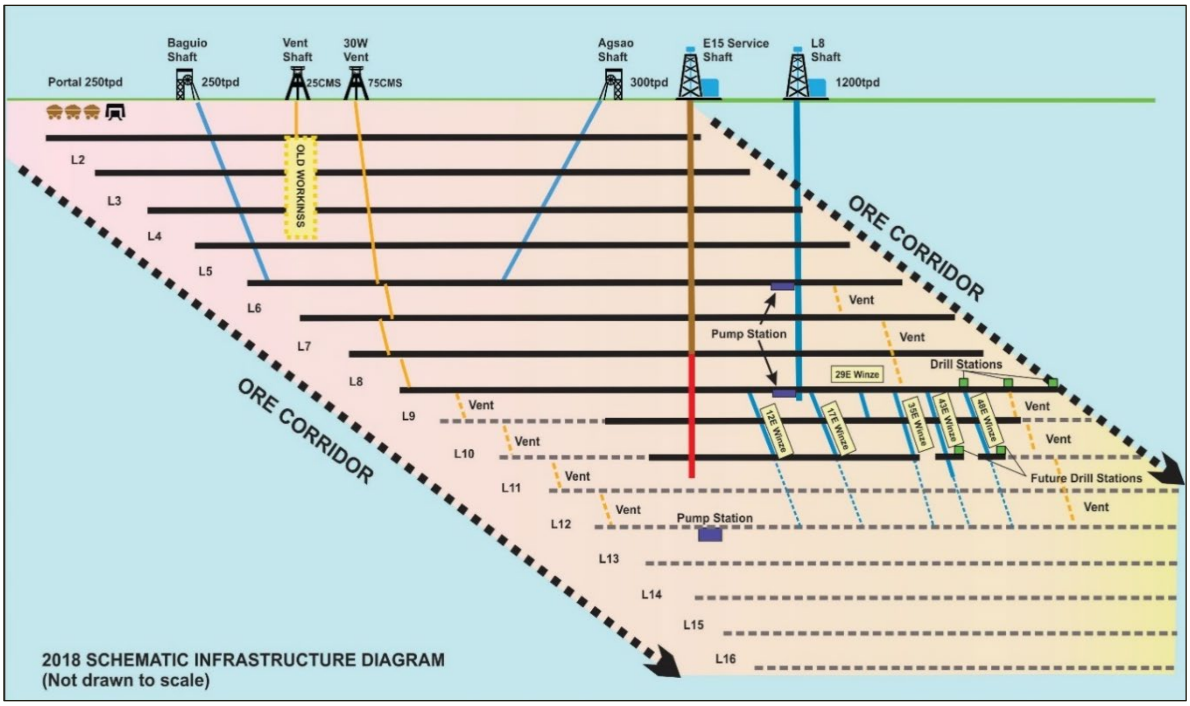


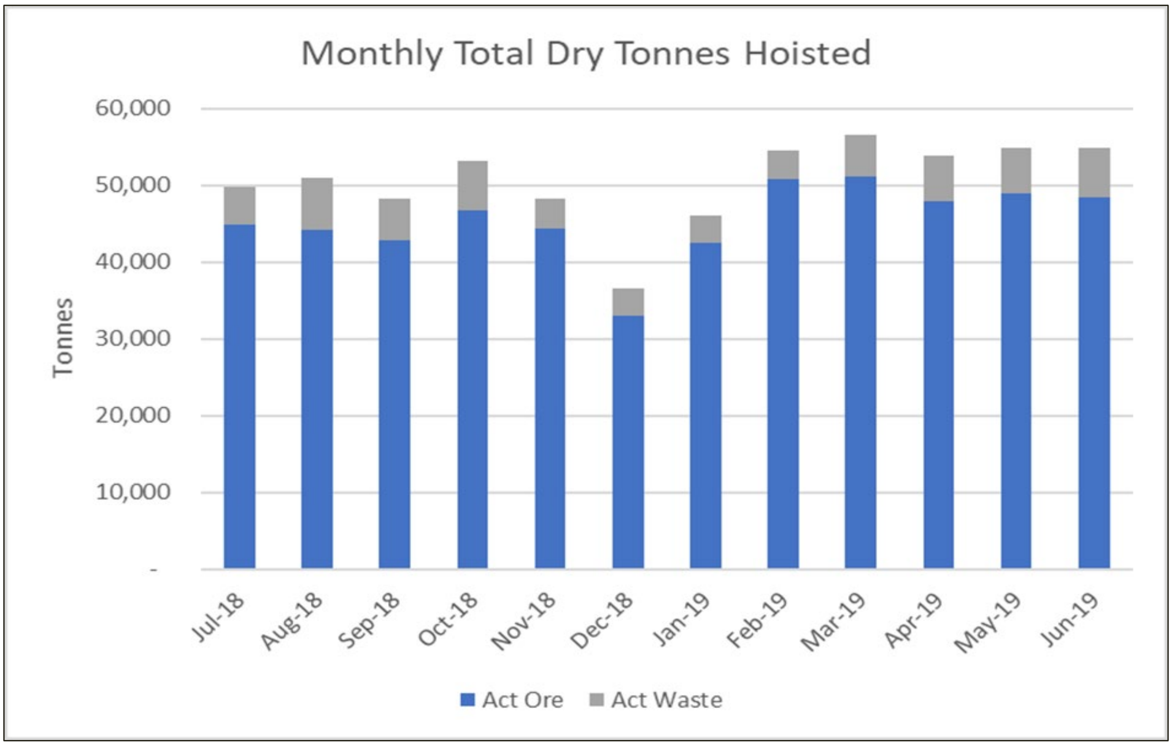
Diagram 2. Shows location of major infrastructure in the Co-O mine.

Underground hoisting capacity has improved since the operation of E15 Service Shaft commenced in November 2018, with ongoing works to optimise existing hoisting systems. The resources in the upper levels are being diminished, reducing the number of available production areas. This will reduce hoisting from the Agsao shaft, Baguio shaft and the portals over time.

Several projects were implemented 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;

- Expansion of the Level 8 pump station. With increased number of working areas below level 7, the pumping requirements also increased, necessitating the expansion of the Level 8 pump station.
- Planned major maintenance on the L8 winder and loading pocket was completed during periods of low productivity such as Christmas, New Year and Easter. This work was successfully planned and executed, minimising disruption to scheduled mine production.
- L8 Shaft structure refurbishment. Inspections on the L8 shaft structures have identified work required to maintain the long-term functionality of the shaft. A plan has been developed and commenced to progressively replace section of the shaft structures. This work is being conducted during weekends when there is minimal disruption to hoisting operations.
- L8 shaft productivity improvement project. Work continued to identify and improve traffic congestion on Level 8, this improves the availability of ore for hoisting in the L8 shaft which results in improving hoisting productivity of the shaft. Significant gains have been made to date and further work will continue.
- Development of Internal shaft to Level 12. To maintain production into the future requires Levels 11 and 12 to be developed in a timely manner. The 35E Internal Shaft is being developed to Level 12. When completed, development will commence on Level 12 to extend the other internal shafts to level 12 also. The work is ongoing.
- Improved loading of internal shaft skips. An improved ore-pass and skip loading arrangements were implemented on the 43E and 48E internal shafts which has reduced level congestion and improved shaft hoisting productivity. A similar system will be implemented on 12E and 35E shafts in the future.
- Integration of the long-range planning, short-range planning and mine geology data has improved the planning and scheduling process of the mine. This is being expanded to include project management to improve the design, planning and implementation of future infrastructure projects.
- Commenced a study to determine the best option for accessing and extracting the resources below Level 12. This study is expected to be completed in the first half of FY2020.

REVIEW OF OPERATIONS



Graph 1. Co-O Mine dry tonnes hoist for FY 18/19 by month

The mine tonnes hoisted in the first half of the year was consistently above 48,000 tonnes per month, this increased to 54,000 tonnes per month in the second half FY2019. The exceptions were the months of December and January when miners attendance at the mine were low due to the Christmas/New Year holidays. Major shaft maintenance work was carried out during this period.

The increase in hoisting in the second half of the year is a result of improved utilisation of the L8 shaft for hoisting of rock.

Stoping methods

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

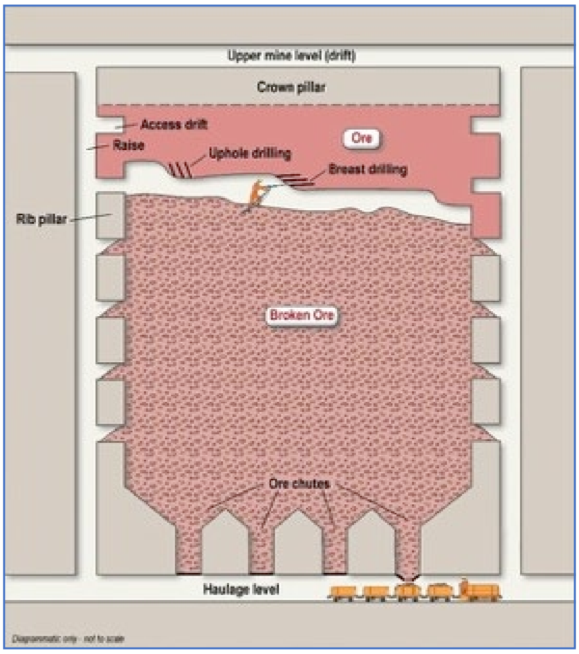


Diagram 3. Schematic diagram of a **shrink stope**.

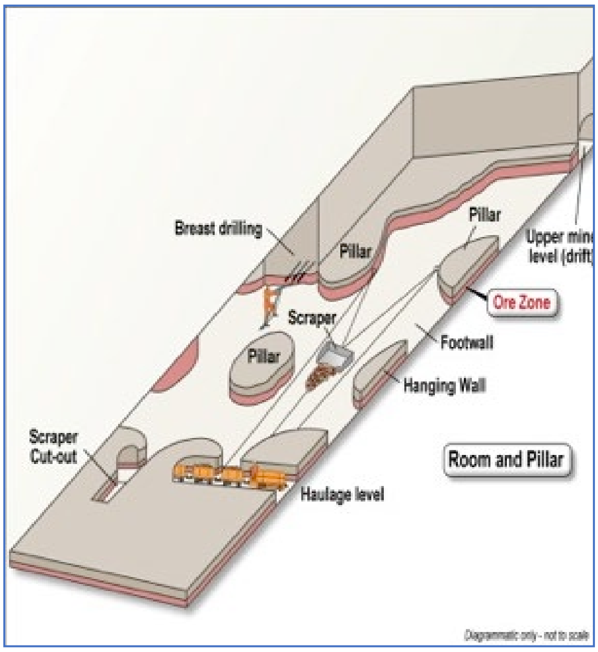


Diagram 4. Schematic diagram of a **room and pillar (slot) stope**.

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

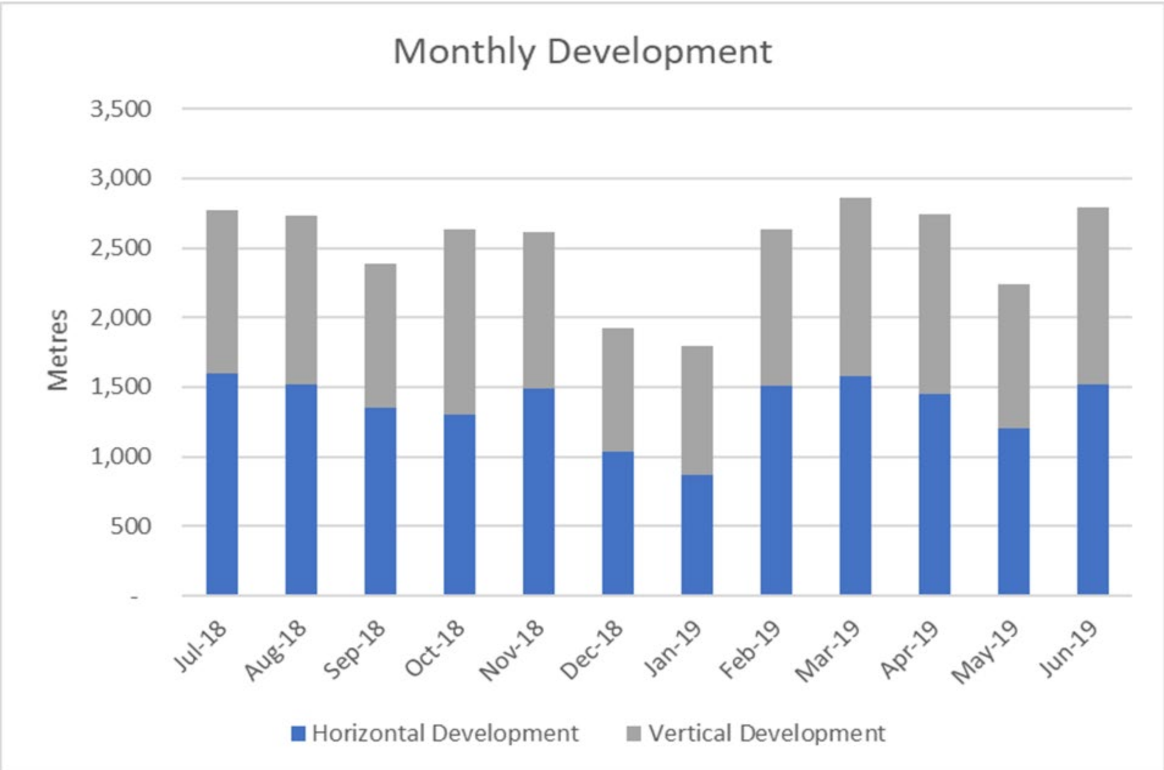
This method is used on the low-angle veins where the ore would not naturally flow to the draw points. (Diagram 4). The broken ore needs to be scraped to the haulage Level by mechanical slushers, and pillars need to be left behind for ground support. The minimum mining width for low angle veins is 1.5 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 on Levels 2, 4, 5, 6, 7, 8, 9 and 10 during the year, as well as winzes (internal shafts) from Level 8 down to Levels 9, 10 and 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 30,142 metres of horizontal and vertical development was completed in FY2019. This was an increase of 16% over the previous year. The focus is on the development of the lower sections of the mine (Levels 7, 8, 9 and 10).

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



Graph 2. FY2019 mine development (horizontal and vertical) by month.

REVIEW OF OPERATIONS

L8 Shaft

Major planned maintenance on the shaft and the winder were carried out during scheduled maintenance days (Sundays) and over the festive periods, Christmas/New Year and Easter. This work included rope changeout, change out of winder braking components, and replacements of worn components in the shaft. Inspections of the shaft structures have identified the shaft is functional but will require some refurbishment in the future to maintain functionality. A plan has been developed and commenced to progressively replace section of the shaft structures. This work is being conducted during weekends when there is minimal disruption to hoisting operations. This disciplined approach to inspections and planned maintenance has seen the shaft maintenance down time reduce.

With the completion of the E15 Service Shaft in November 2018 the utilisation of the L8 Shaft for rock hoisting has increased, resulting in increased hoisting.

E15 Service Shaft

The E15 Service Shaft ("E15") was built for the transportation of manpower and materials to Levels 4, 5, 6, 7, 8, 9 and 10. Its completion in November 2018 has allowed the L8 Shaft to be utilised more for hoisting.

The E15 has also improved access to the levels giving improved efficiencies to the operations and mine planning.

Picture 2. E15 service shaft in use: Miners disembarking on level 10

Internal Winzes (shafts) from Level 8 to Level 10

During FY2019, 5 primary winzes (internal inclined shafts) were in operation hoisting from Levels 9 and 10 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 reduced level congestion and improved shaft hoisting productivity. A similar system will be implemented on 12E shaft in the future.

Development of Level 10 has now connected all internal shafts and the E15 on the level. This has improved access and ventilation to work areas on the level improve utilisation of the internal shafts.

Two diamond drill stations were developed on level 10 and are being utilised to for resource drilling of the areas below Level 10.

The 35E internal shaft is being developed to Level 12 and is currently below Level 11. Once complete the other winzes will systematically be extended to Level 12.

Primary Ventilation

The second phase of the primary ventilation upgrade project has commenced with the development of cross cuts on Level 8 and Level 5, and the commencement of raising from Level 8. The system 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.

Co-O MINE GEOLOGY

The detailed discussions and interpretations of the Co-O geology and mineralisation were initially reported on 14 August 2012 and were progressively updated to contain plans and sections, in the 2012 to 2018 Annual Reports.

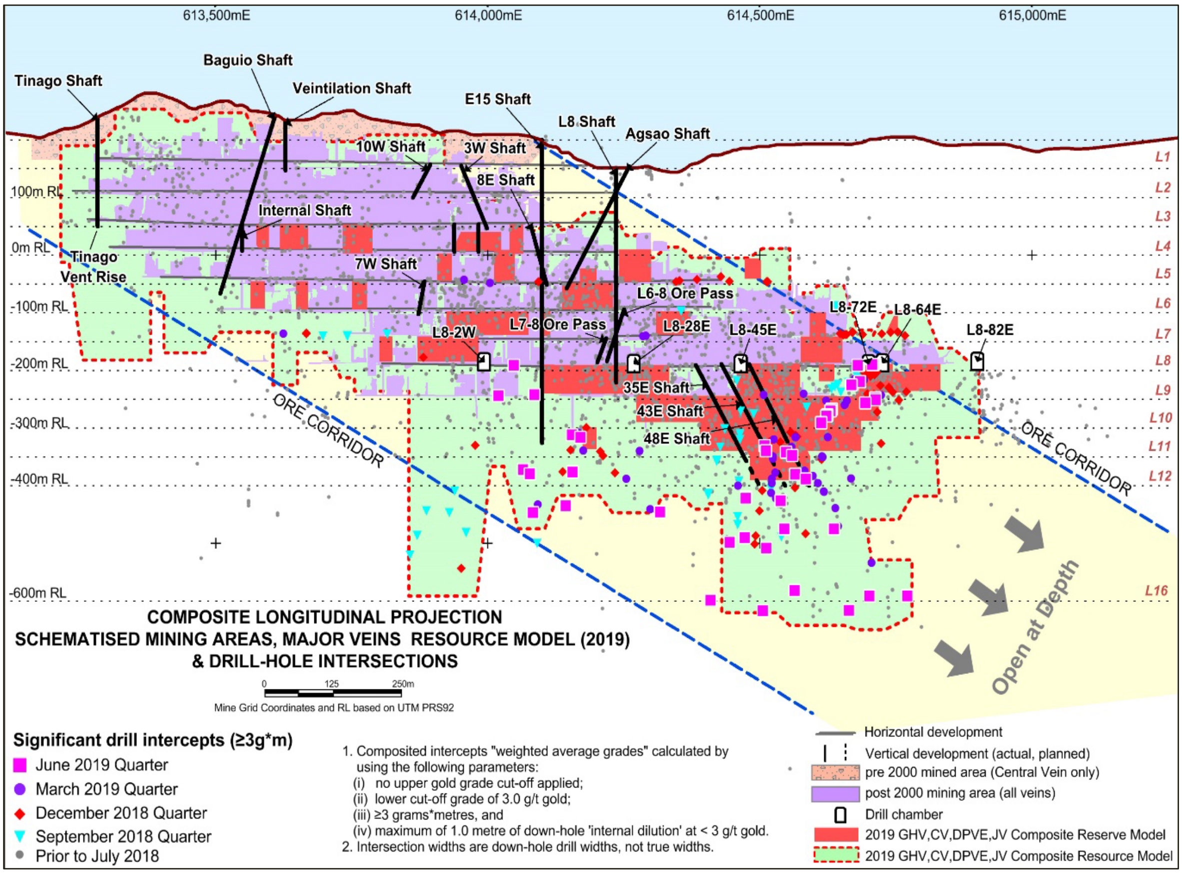


Figure 3: Co-O Mine composite longitudinal projection showing the locations of reported significant drill intercepts (since 2010), underground development, E15 Shaft. The 2019 Measured, Indicated and Inferred resource model (light green) is also shown, demonstrating the potential for down plunge extensions at depth.

REVIEW OF OPERATIONS

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 a number of 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). Figure 4 indicates the geological complexity of the Co-O vein system, its primary veins and the numerous associated splay veins.
- The GHV at Level 16 is returning economic intercepts open to the east and down dip;
- 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.

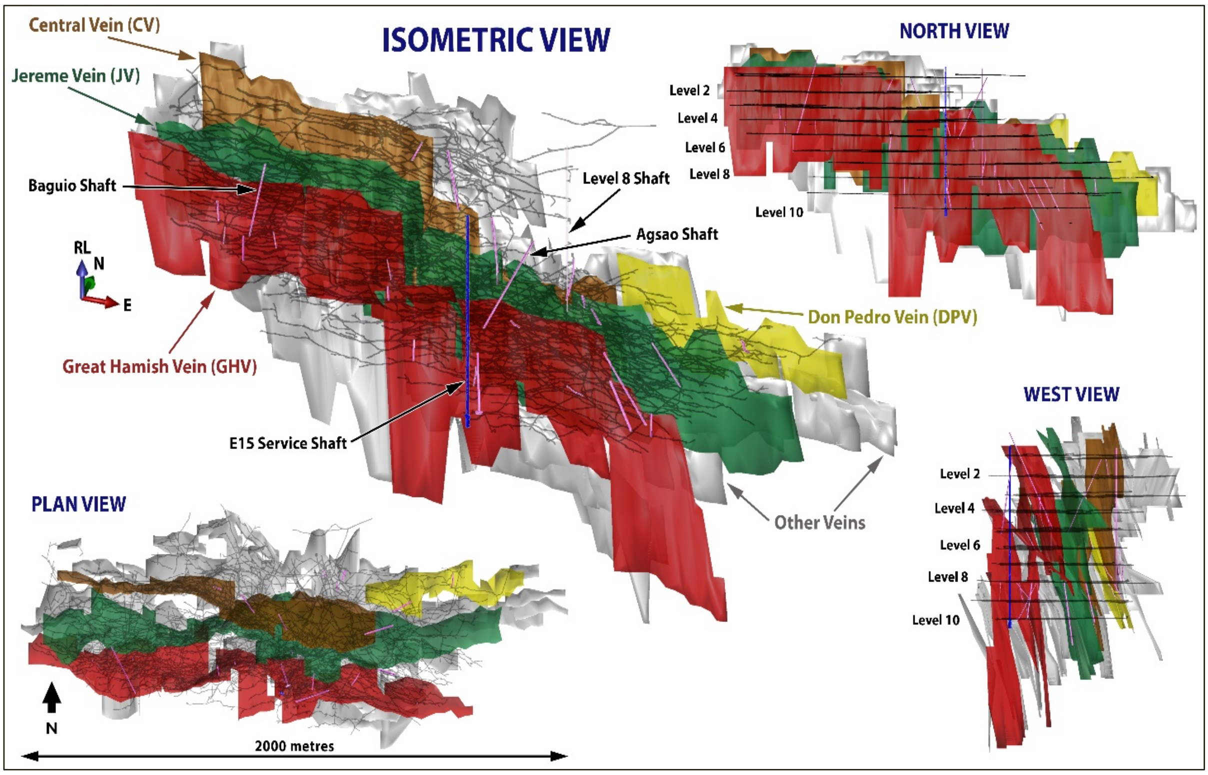


Figure 4: Isometric and Orthogonal views of the Co-O Mine's 2019 resource model, major veins (GHV, Jereme, Central and Don Pedro Veins) in colour and associated sub-parallel and link veins in translucent grey, plus underground development and production shafts.

REVIEW OF OPERATIONS

GROUP ORE RESERVES AND MINERAL RESOURCES

The Annual Mineral Resources Update Statement and Annual Ore Reserves Update Statements for the Company were released on 09 April 2019, 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 has 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 9 April 2019 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.

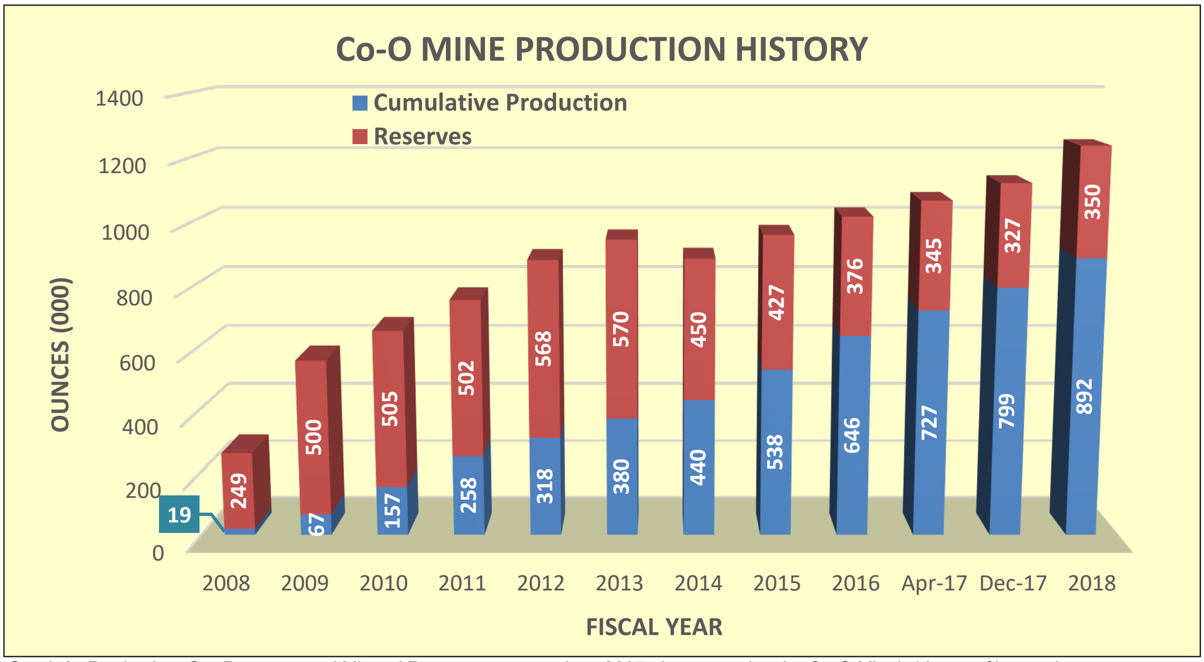
The Co-O Mine has a long history of Ore Reserve replacement by way of diamond drilling and conversion of Measured and Indicated Resources (Graph 3). The Company remains confident in the long-term future of the Co-O Mine given the current Mineral Resource inventory, the nature of the geology and mineralisation and the historic conversion rate (~70%), 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.

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 2018 and has been depleted for mining to 31 December 2018.

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

- Mineral Resources - US$1,500 per ounce gold
- Ore Reserves - US$1,275 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; and

FY2019 - Ore Reserves estimated using gold price of $1,275 per ounce, the same as for FY2018.

Co-O MINE MINERAL RESOURCES

Total Measured, Indicated and Inferred Mineral Resources for the Co-O Mine are now estimated at 2.66 million tonnes at a grade of 10.41 g/t gold for a total 890,000 ounces contained gold (Table I), compared to the 31 December 2017 estimate of 2.53 million tonnes at a grade of 10.65 g/t gold for a total 865,000 ounces contained gold (Table III).

There has been a slight increase in the total number of ounces in the Co-O Mine's Mineral Resources even though there has been a mining depletion of 93,000 ounces.

While the ounces in the Measured and Indicated Resource category have increased by 6.6%, the grade remained the same at 10.93 g/t gold. In the Inferred Resource category there has been an increase in the ounces of 3.3% with a grade reduction of 5.3%. Overall the total ounces have increased by 2.8% while the grade has reduced by 2.2%. 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; and
- 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.

Table II: Comparison summary of total undiluted Co-O Mineral Resource estimates for 31 Dec 2017 & 31 Dec 2018.

Mineral Resource Category (1)	31 December 2017			31 December 2018			Variance		
	Tonnes	Gold (g/t)	Gold (oz)	Tonnes	Gold (g/t)	Gold (oz)	Tonnes	Gold (g/t)	Gold (oz)
Measured	Not reported			96,000	9.57	29,000	100%	100%	100%
Indicated (2)	1,389,000	10.93	488,000	1,385,000	11.03	491,000	-0.29%	0.91%	0.61%
Inferred (2)	1,141,000	10.30	378,000	1,179,000	9.75	369,000	3.33%	-5.33%	-2.38%
Total	**2,530,000**	**10.65**	**865,000**	**2,660,000**	**10.41**	**890,000**	**5.14%**	**-2.25%**	**2.77%**

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 9 April 2019).

The Co-O Mine Proven and Probable Ore Reserves are now estimated at 1.585 million tonnes at a grade of 6.86 g/t gold for a total 350,000 ounces contained gold, compared to the 31 December 2017 estimate of 1.52 million tonnes at a grade of 6.69 g/t gold for a total 327,000 ounces contained gold.

The drilling program and mine development, as at 31 December 2018 has resulted in a Proven and Probable Reserve of 350,000 ounces.

This Proven and Probable Reserve represents a 125% replenishment of the ounces mined. This is because in 2018 a large proportion of the mined ore has come from outside of the previously stated Resources and Reserves due to underground drilling locating Resource areas which were mined during the 2018 calendar year and development of previously discounted Resource areas also being mined and milled at grades higher than anticipated. There has been an increase in total ounces of 7% when compared to the 31 December 2017 Probable Reserve of 327,000 ounces. Moreover, the 31 December 2018 Proven and Probable Reserve grade has increased slightly by 2.5% to a grade of 6.86 g/t gold.

The changes in the Co-O Mine Ore Reserves are primarily due to:

- mining depletion; and
- 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, with adjustments relating to the expansion capital improvements. The conversion of Indicated Resource to Ore Reserve stands at approximately 70%. 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$1,275 per ounce.

Table IV: Comparison summary of Co-O Mine's Ore Reserve estimate for 31 Dec 2017 & 31 Dec 2018.

Ore Reserve Category	31 December 2017			31 December 2018			Variance		
	Tonnes	**Gold** (g/t)	**Gold** (oz)	**Tonnes**	**Gold** (g/t)	**Gold** (oz)	**Tonnes**	**Gold** (g/t)	**Gold** (oz)
Proven	Not reported			93,000	9.62	29,000	100%	100%	100%
Probable [1]	1,520,000	6.69	327,000	1,491,000	6.68	321,000	-1.90%	-0.15%	-1.83%
Total	**1,520,000**	**6.69**	**327,000**	**1,585,000**	**6.86**	**350,000**	**4.21%**	**2.54%**	**7.03%**

Note:

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

EXPLORATION ACTIVITIES

EXPLORATION - PHILIPPINES

Co-O UNDERGROUND EXPLORATION

"The underground drilling during FY2019 continued to focus on the definition and conversion of wide-spaced intersections between Levels 8 to 16 into resources, and to develop additional mineral resources."

RESOURCE AND DEFINITION DRILLING

In FY2019, 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. In the course of FY2019, drilling was carried out at Levels 4, 5, 6,7,8,9 and 10.

The significant drill intercepts from are presented in Figure 3; this includes results from prior to July 2018 (grey dots).

Table III: Summary of Co-O Mine underground drilling for FY2019.

Project	Purpose	Levels	Number of Holes	Meterage
Co-OMine Underground	Resource drilling	8 and 10	74	31,254
	Definition drilling	4,5,6,7,8 and 9	89	12,313
	TOTAL DRILLING		**163**	**43,567**

Details of significant intersection results obtained during the FY2019 have been reported in the September 2018, December 2018, March 2019 and June 2019 quarterly reports.

Table V below summarises the more significant drill intersections obtained in FY2019.

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

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
UNDERGROUND RESOURCE DRILLING - LEVEL 5											
L5-37E-002	614357	912922	-45	250.3	10	-1	166.35	166.80	0.45	46.53	20.94
L5-37E-003	614359	912920	-45	234.5	55	1	183.00	184.10	1.10	14.70	16.17
							184.95	186.80	1.85	4.14	7.66
							Including		1.00	5.47	5.47
									0.85	4.38	3.72
L5-37E-004	614360	912922	-45	227.70	35	4	119.95	120.50	0.55	12.61	6.94
L5-37E-006	614357	912921	-44	250.00	356	0	68.80	69.15	0.35	11.33	3.97
							183.10	183.70	0.60	63.39	38.03
UNDERGROUND RESOURCE DRILLING - LEVEL 6											
L6-30E-002	614313	912981	-93	120.10	152	-1	91.10	91.80	0.70	39.93	27.95
							92.25	93.05	0.80	44.43	35.54
							93.50	94.15	0.65	9.47	6.16
L6-67E-002	614644	912786	-88	150.10	211	2	0.20	0.45	0.25	37.24	9.31
							8.65	9.60	0.95	18.57	17.64

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 7											
L7-17W-002	613815	912931	-136	140.00	327	0	0.00	1.00	1.00	15.83	15.83
L7-19W-001	613773	912852	-138	150.10	199	-1	93.15	96.70	3.55	60.28	213.99
							Including		0.45	33.20	14.94
									1.00	62.43	62.43
									1.10	115.03	126.53
									1.00	10.10	10.10
L7-19W-003	613773	912852	-137	150.20	220	-1	116.80	117.55	0.75	8.91	6.68
L7-30W-001	613658	912849	-135	150.50	173	4	78.40	79.70	1.30	63.85	83.01
							Including		0.30	42.95	12.89
									0.35	50.60	17.71
									0.25	124.70	31.18
									0.40	53.10	21.24
L7-61E-002	614631	912936	-138	151.40	38	0	42.15	42.45	0.30	12.73	3.82
							46.00	46.80	0.80	8.13	6.50
							150.00	150.35	0.35	21.83	7.64
L7-61E-003	614630	912933	-138	100.90	155	2	43.50	44.50	1.00	16.93	16.93
							97.00	98.55	1.55	6.23	9.66
							Including		1.00	5.57	5.57
									0.55	7.44	4.09
L7-63E-002	614664	912931	-138	150.30	53	1	31.20	31.65	0.45	20.00	9.00
L7-71E-002	614679	912762	-135	150.40	48	0	79.95	80.15	0.20	142.90	28.58
							96.50	97.10	0.60	29.20	17.52
L7-30W-005	613657	912848	-135	150.40	208	-2	69.00	69.50	0.50	112.90	56.45
L7-37E-003	614295	912731	-140	70.10	352	0	28.85	30.05	1.20	5.92	7.10
							including		1.00	3.23	3.23
									0.20	19.34	3.87
UNDERGROUND RESOURCE DRILLING - LEVEL 8											
L8-2W-034	613992	913099	-189	550.60	196	-46	300.25	301.25	1.00	24.80	24.80
L8-45E-053	614466	913037	-191	551.10	168	-39	132.25	132.85	0.60	39.73	23.84
							468.60	469.30	0.70	425.27	297.69
L8-45E-054	614465	913037	-191	551.10	181	-41	122.30	123.05	0.75	12.00	9.00
							181.60	182.10	0.50	20.18	10.09
							183.60	184.60	1.00	10.60	10.60
							401.10	401.90	0.80	24.60	19.68
L8-45E-055	614465	913037	-191	551.10	195	-44	36.50	37.55	1.05	8.87	9.31
							157.80	159.30	1.50	14.88	22.32
							Including		1.00	18.43	18.43
									0.50	7.77	3.88
							236.40	236.80	0.40	40.82	16.33
							237.80	239.10	1.30	15.14	19.68
							Including		0.30	42.52	12.76
									1.00	6.93	6.93
							317.70	318.70	1.00	7.97	7.97
							321.35	321.75	0.40	26.73	10.69
L8-72E-001	614699	912850	-188	550.10	333	-17	54.65	56.00	1.35	32.45	43.81
							Including		1.00	15.87	15.87
									0.35	79.83	27.94
							160.05	160.35	0.30	40.97	12.29
							264.35	265.35	1.00	11.97	11.97
L8-72E-002	614699	912850	-188	550.10	338	-21	54.60	54.80	0.20	210.40	42.08
L8-72E-005	614700	912850	-188	551.10	348	-20	49.20	50.40	1.20	29.40	35.28
							Including		0.20	140.07	28.01
									1.00	7.27	7.27
							208.10	208.70	0.60	18.20	10.92
							177.35	177.70	0.35	37.47	13.11

REVIEW OF OPERATIONS

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
L8-2W-037	613993	913099	-189	550.60	186	-53	442.10	442.50	0.40	47.83	19.13
L8-72E-006	614700	912850	-188	550.10	353	-14	43.95	44.15	0.20	165.20	33.04
							63.30	64.10	0.80	10.43	8.34
L8-72E-007	614700	912850	-188	550.10	359	-21	46.10	46.80	0.70	198.26	138.79
							Including		0.20	53.60	10.72
									0.50	256.13	128.07
							144.90	145.90	1.00	13.35	13.35
							161.10	162.10	1.00	18.94	18.94
L8-72E-009	614700	912850	-188	550.10	3	-18	173.45	175.05	1.60	12.56	20.09
							Including		1.00	4.43	4.43
									0.60	26.10	15.66
L8-72E-010	614701	912850	-188	550.00	14	-24	45.50	47.70	2.20	7.47	16.42
							Including		1.00	5.19	5.19
									0.20	16.17	3.23
									1.00	8.00	8.00
							92.70	93.30	0.60	64.00	38.40
L8-72E-011	614701	912850	-188	551.10	19	-20	44.80	45.00	0.20	47.30	9.46
							45.55	46.75	1.20	36.64	43.97
							Including		0.20	38.33	7.67
									1.00	5.64	5.64
L8-72E-012	614702	912850	-188	550.10	24	-25	113.00	113.90	0.90	9.03	8.13
L8-72E-013	614700	912850	-189	551.10	30	-19	145.05	145.50	0.45	18.27	8.22
L8-72E-014	614698	912850	-188	550.10	330	-24	165.00	165.55	0.55	18.27	10.05
L8-72E-015	614699	912850	-188	550.00	344	-26	167.35	169.35	2.00	8.72	17.43
							including		1.00	8.00	8.00
									1.00	9.43	9.43
L8-72E-016	614699	912850	-189	550.10	335	-27	59.70	59.90	0.20	100.37	20.07
							60.90	61.60	0.70	9.40	6.58
L8-72E-018	614700	912850	-188	551.10	352	-32	53.60	53.80	0.20	52.13	10.43
L8-72E-020	614701	912850	-188	551.10	15	-31	107.70	107.90	0.20	94.61	18.92
L8-67E-003	614711	912980	-188	100.80	200	-1	5.05	5.90	0.85	8.51	7.23
							83.90	84.20	0.30	30.18	9.05
L8-72E-021	614699	912850	-188	550.10	343	-32	56.75	58.15	1.40	29.13	40.79
							including		0.40	19.97	7.99
									1.00	32.80	32.80
L8-72E-023	614698	912850	-189	550.60	330	-32	67.95	69.25	1.30	35.12	45.66
							including		0.30	140.26	42.08
									1.00	3.58	3.58
							151.25	151.95	0.70	17.89	12.52
							155.50	157.40	1.90	11.28	21.43
							including		1.00	17.96	17.96
									0.90	3.85	3.47
							173.05	175.05	2.00	4.68	9.36
							including		1.00	6.33	6.33
									1.00	3.03	3.03
							196.60	198.10	1.50	15.64	23.45
							including		0.60	10.71	6.43
									0.90	18.92	17.03
L8-72E-024	614701	912845	-189	551.10	158	-65	63.15	64.00	0.85	171.78	146.01
							67.20	68.55	1.35	42.90	57.91
							including		0.85	65.16	55.39
									0.50	5.05	2.53
							441.80	443.65	1.85	11.22	20.76
							including		1.00	4.34	4.34
									0.85	19.32	16.42
L8-72E-027	614700	912845	-188	601.10	197	-72	69.10	69.65	0.55	81.18	44.65

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 9											
L9-22E-001	614137	913010	-240	250.00	253	-1	123.50	124.50	1.00	6.16	6.16
L9-22E-002	614141	913010	-240	200.10	221	0	83.80	84.60	0.80	9.47	7.58
UNDERGROUND RESOURCE DRILLING - LEVEL 10											
L10-25E-001	614177	912696	-292	551.10	6	-10	42.25	42.80	0.55	23.52	12.94
							318.65	319.90	1.25	7.27	9.09
							Including		0.50	4.33	2.17
									0.75	9.23	6.92
							484.70	485.70	1.00	8.46	8.46
L10-25E-002	614178	912695	-292	550.10	354	-9	267.00	267.80	0.80	22.27	17.82
L10-50E-001	614525	913101	-288	551.10	160	-12	97.10	99.10	2.00	10.52	21.04
							Including		1.00	10.67	10.67
									1.00	10.37	10.37
							126.15	135.90	9.75	11.76	114.63
							Including		1.00	19.47	19.47
									1.00	23.97	23.97
									1.00	7.50	7.50
									1.00	4.77	4.77
									1.00	32.23	32.23
									1.00	3.84	3.84
									1.00	13.60	13.60
									1.00	3.36	3.36
									1.00	3.17	3.17
									0.75	3.63	2.72
L10-50E-002	614524	913104	-288	551.10	167	-29	78.95	80.10	1.15	6.57	7.56
							Including		0.40	9.50	3.80
									0.75	5.01	3.76
							254.10	254.80	0.70	19.83	13.88
							434.60	435.60	1.00	83.00	83.00
L10-50E-003	614524	913104	-288	550.10	184	-28.9	73.40	74.55	1.15	29.92	34.41
							Including		0.40	3.41	1.36
									0.75	44.06	33.05
							243.60	244.60	1.00	6.22	6.22
							311.80	312.30	0.50	25.87	12.94
							425.15	425.65	0.50	25.57	12.79
L10-25E-003	614177	912696	-293	550.50	360	-20	138.75	139.65	0.90	32.03	28.83
L10-25E-004	614178	912696	-292	550.00	21	-10	290.50	291.50	1.00	7.33	7.33
L10-50E-004	614524	913101	-289	551.10	162	-25	210.70	211.10	0.40	15.33	6.13
							211.65	211.90	0.25	71.23	17.81
L10-50E-005	614524	913101	-288	550.10	180	-18	321.80	322.35	0.55	16.40	9.02
							344.75	345.75	1.00	6.06	6.06
							397.40	397.80	0.40	16.00	6.40
L10-50E-006	614525	913101	-288	535.60	155	-17	96.50	97.50	1.00	27.23	27.23
							98.10	98.85	0.75	18.67	14.00
							213.95	215.70	1.75	11.30	19.77
							including		0.75	20.80	15.60
									1.00	4.17	4.17
							216.95	217.35	0.40	18.47	7.39
							344.80	345.70	0.90	9.40	8.46
L10-50E-007	614525	913102	-289	551.10	153	-32	87.55	87.80	0.25	37.94	9.49
							237.90	238.30	0.40	29.50	11.80
L10-50E-008	614524	913102	-288	551.10	179	-24	328.00	328.40	0.40	48.66	19.46
L10-25E-010	614178	912696	-292	550.10	20	-21	433.90	434.10	0.20	109.21	21.84
L10-25E-012	614175	912696	-293	550.10	334	-22	236.40	237.40	1.00	28.71	28.71
L10-25E-014	614176	912696	-293	551.10	355	-23	57.20	58.25	1.05	14.38	15.10
							212.30	214.35	2.05	14.00	28.71

REVIEW OF OPERATIONS

Hole Number	East	North	RL	Depth (metres)	Azim (°)	Dip (°)	From (metres)	To (metres)	Width (metres)	Gold (g/t)	Accumulations (gm*m)
L10-25E-014	614176	912696	-293	551.10	355	-23	including		1.00	10.07	10.07
									1.05	17.75	18.64
L10-50E-009	614524	913101	-289	551.10	175	-32	231.30	231.95	0.65	12.03	7.82
							505.60	506.45	0.85	169.44	144.02
L10-50E-010	614523	913102	-289	551.10	195	-35	71.90	72.65	0.75	11.20	8.40
							227.95	228.70	0.75	44.19	33.14
							362.10	362.70	0.60	14.92	8.95
L10-50E-011	614525	913102	-289	551.10	159	-40	142.05	142.80	0.75	18.90	14.18
L10-50E-012	614524	913104	-289	551.10	148	-42	452.20	452.75	0.55	12.90	7.10
L10-50E-013	614524	913102	-289	551.10	183	-47	298.15	298.75	0.60	15.76	9.46
L10-50E-014	614523	913102	-289	551.10	194	-44	71.70	72.50	0.80	9.56	7.65
							291.30	291.75	0.45	49.97	22.49

Notes:

1. Composited 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 composited 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.

REVIEW OF OPERATIONS

Co-O SURFACE EXPLORATION

Exploration activities for FY2019 focused on the evaluation of prospects within the Co-O tenements, review of Philsaga Mining Corporation ("PMC") granted tenements and applications. Exploration highlights of these exploration initiatives are as follows:

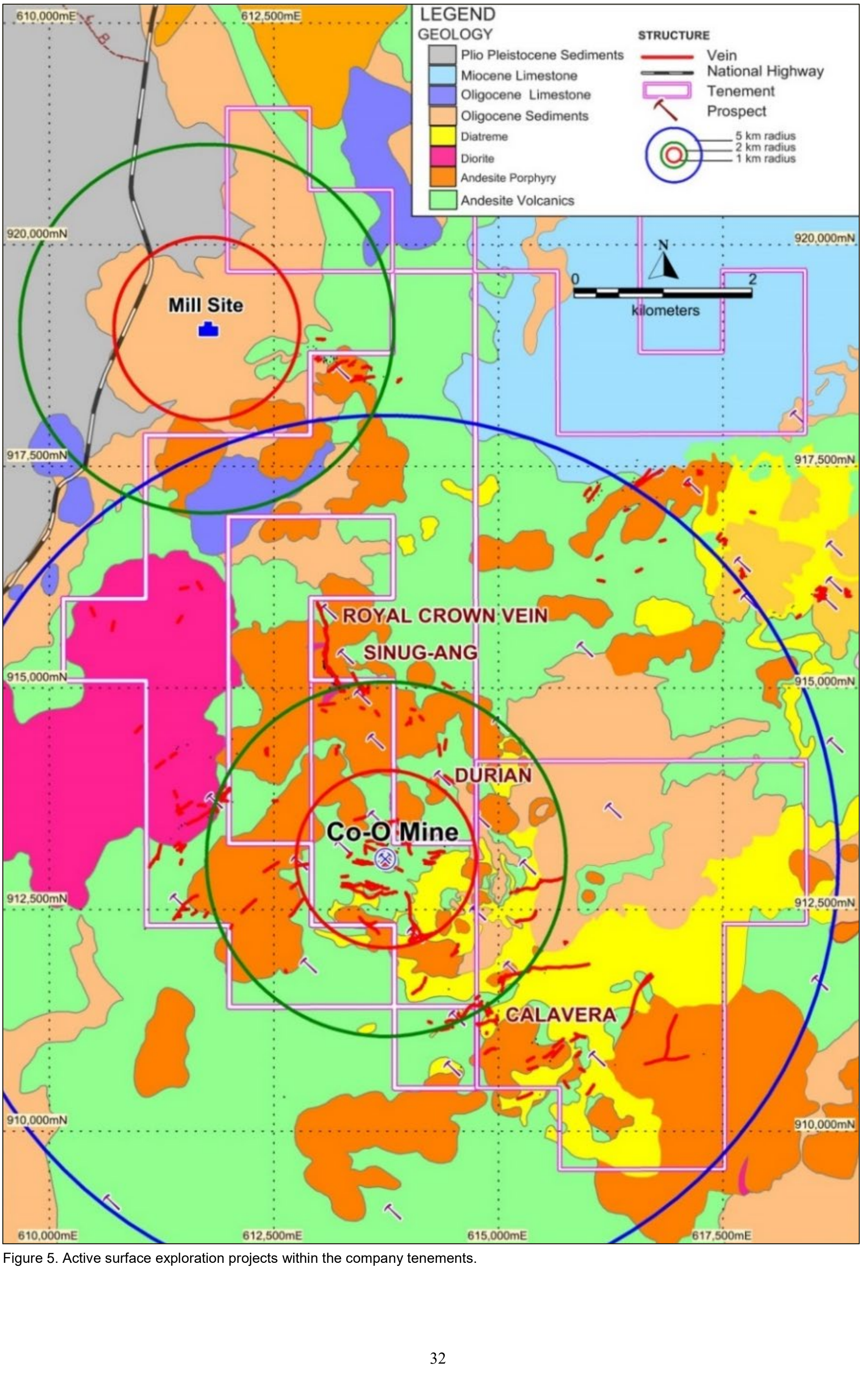


Figure 5. Active surface exploration projects within the company tenements.

REVIEW OF OPERATIONS

ROYAL CROWNE VEIN PROJECT (MPSA 262-2008-XIII PARCEL 2)

In FY2019, a 20-hole 5,087 metres scout drilling program (i.e. Phase 1 and Phase 2) was successfully completed at the Royal Crowne Vein ("RCV") project in the old Sinug-ang area (Figure 8). The drilling program validated the continuity of mineralisation along the projected 500 metre+ long strike length of the RCV vein system where a maiden JORC 2012 Inferred Mineral Resource estimated at 311,204 tonnes with a grade of 5.03 g/t gold, equivalent to 50,300 ounces gold was announced in 16 April 2019.

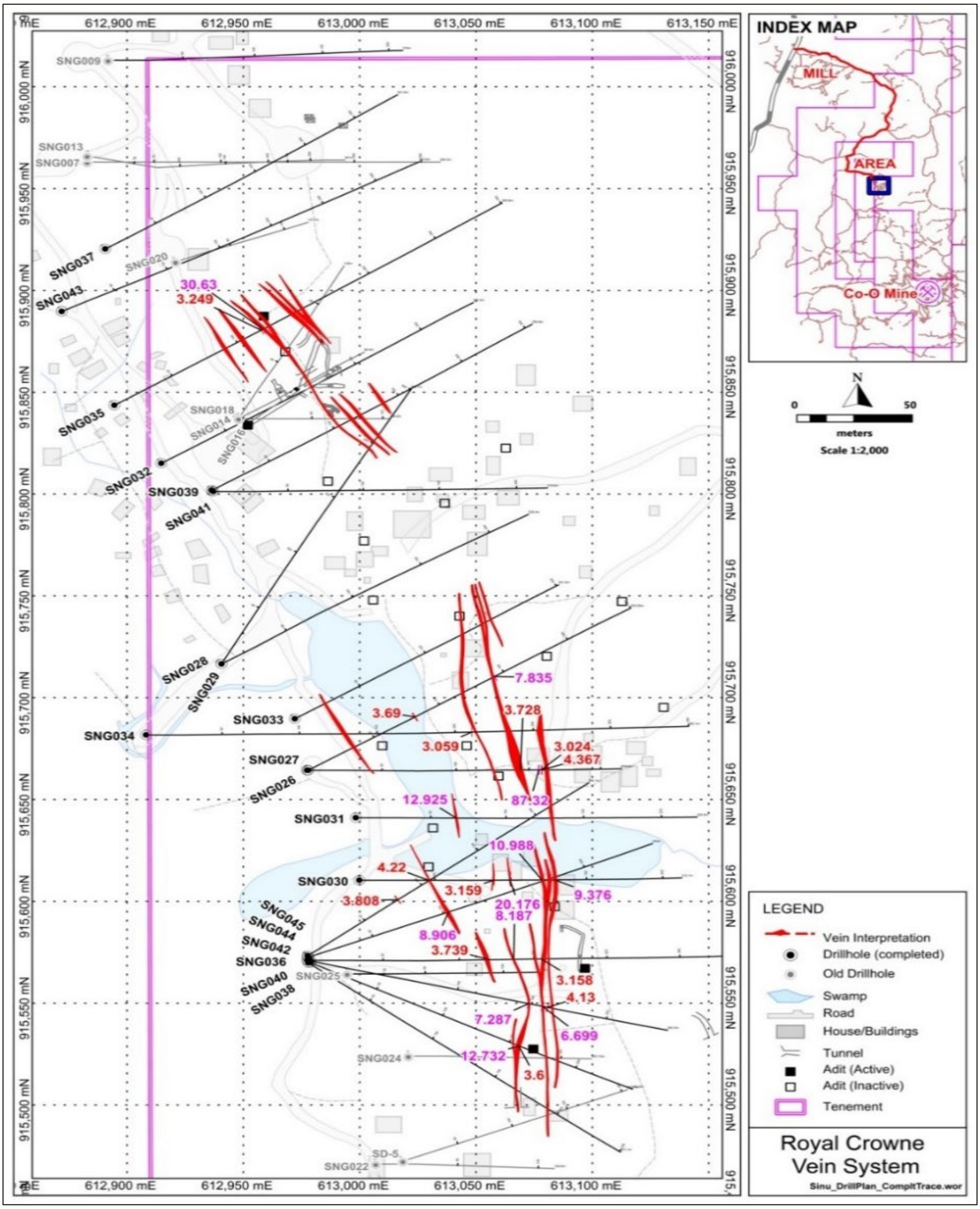


Figure 6. Map showing the location of completed holes, significant drill intercepts (ie above 3.0 g/t gold) and interpreted veins validated by the drilling campaign.

A follow-up (Phase 3) resource infill drilling program is proposed to increase and upgrade the current mineral resource. The drill program will target the strike length and depth extensions illustrated in Figures 6 and 7

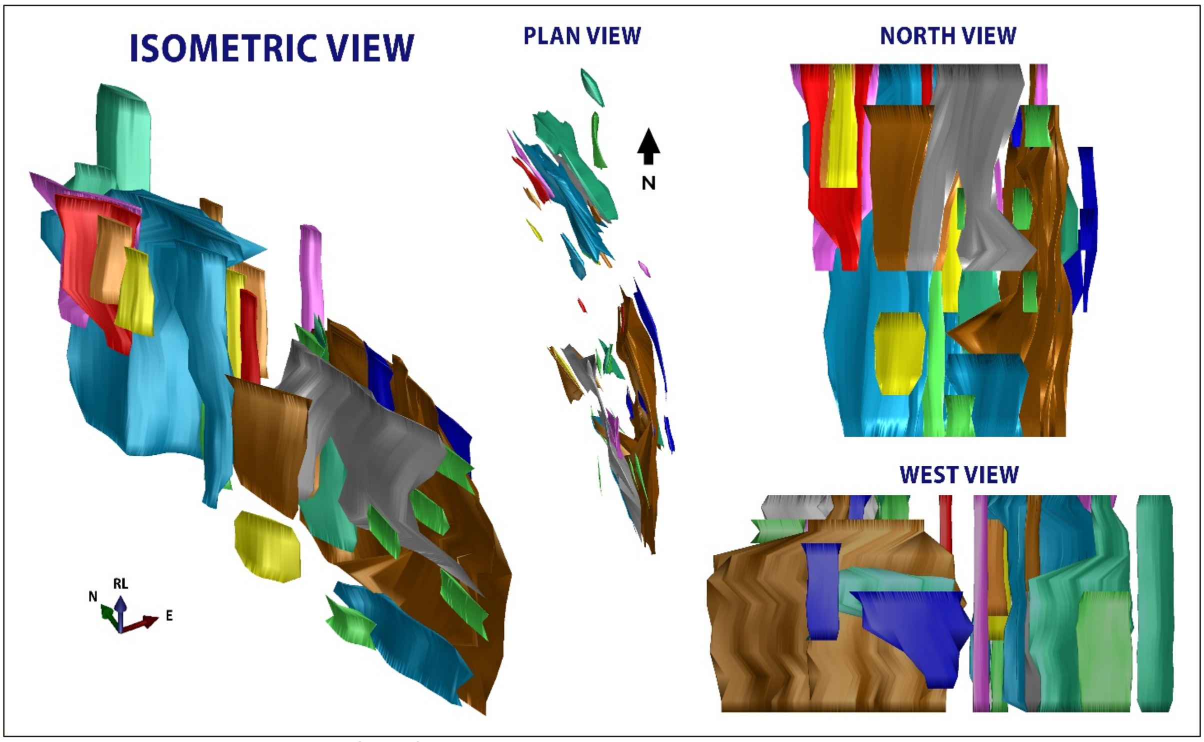


Figure 7. Isometric and orthogonal views of the RCV 2019 resource model.

DURIAN PROJECT

Scout drilling of the Durian Project aimed at validating observed IP chargeability anomalies associated with outcropping moderate grade (i.e. 1 to 3 g/t gold) veins and stockworks, and moderate to high grade (i.e. > 5.0 g/t gold) historical drill intercepts, was concluded on 9 March 2019. 4 drill holes (EXP's 244, 245, 246 and 247) with a total metreage of 1,618 metres were completed to test the SW and NE blocks of the IP anomaly (Figure 8).

The 2 drill holes in the SW block intercepted weak mineralised structure with narrow width. Of the 149 core samples, 7 samples returned grades above 1.0 g/t gold, and peak assay at only 2.42 g/t gold. Based on these initial results, drilling has been discontinued while the best approach going forward is being re-evaluated.

At the NE block of the Durian IP anomaly, EXP 246 validated the interpreted diatreme-related structure, but failed to intercept significant mineralised vein structure. Host rocks exhibited localised weak to moderate argillic alteration with associated 1% to 5% disseminated pyrite. The drill holes also failed to intercept significant mineralised vein structures related to a NW trending linear ridge anomaly with associated minor outcropping stockworks. Based on the poor results achieved, drilling of the last proposed hole in this NE sector of the Durian Project was also discontinued.

TSF #1 TAILINGS PROJECT

The Tailings Storage Facility ("TSF") #1 was the TSF utilised by the original processing plant since the 1980s. The TSF #1 material is from the earlier higher gold grade Co-O mine ore and coupled with old extraction techniques used at that time. Previous assessment completed on 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 gave 510,169 tonnes with 1.72 g/t gold containing 28,200 ounces of gold in the Indicated category that is compliant to the JORC 2012 code reporting standard. The geological model interpretation reveals that concentration of the higher grades at the upper portion of the tailings section will simplify mining, minimising the need of disturbing the lower grade basal tailings material.

Metallurgical testing to date, has confirmed the potential for preg-robbing but has identified options for neutralising this effect and improving recoveries. However, a more detailed study is underway into the feasibility of mining and processing this material, including more detailed metallurgical testing to identify the optimal flow sheet for processing the material. The objective of this work is to determine the best option for gaining value from TSF #1 resource.

WEST ROAD 17 GOLD PROJECT (MPSA 299-2009-XIII)

Exploration activities in the West Road 17 prospect delineated a 300 metres roughly E-W and NE trending and steeply dipping to the north vein system. A total of 21 grab and channel samples returned grades above 1.0 g/t gold with a peak grade of 31.3 g/t gold from a 0.5 metre channel sample (Figure 9). The West Road 17 vein system appears to be contiguous to a similar E-W trending vein system mapped at the Road-17 prospect.

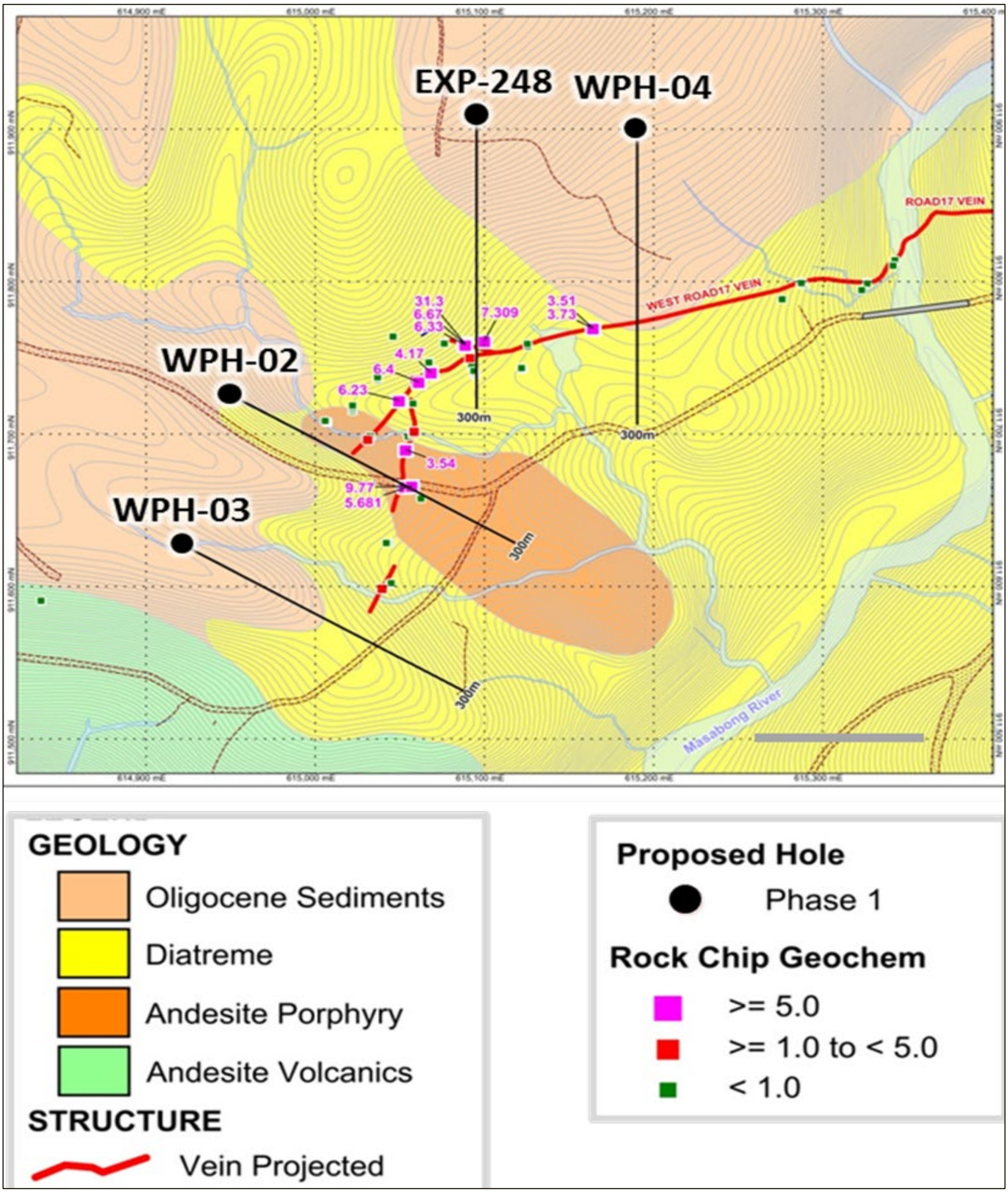


Figure 8. Geologic map showing the location of on-going and proposed drill holes at the West Road 17 prospect, and assay results of surface channel and grab samples.

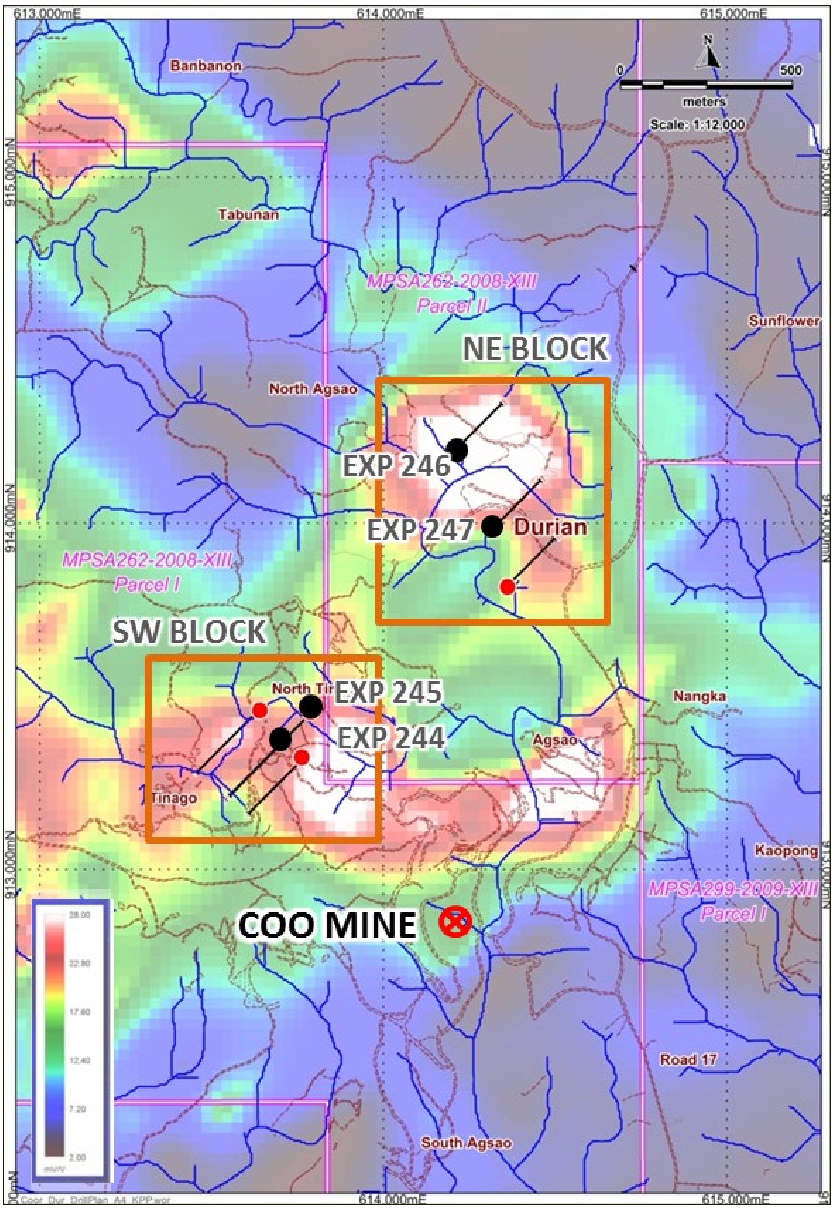


Figure 9. Map showing the IP chargeability anomaly at a depth slice of -45m, and the location of completed drill holes of the Durian Scout Drilling Program.

REGIONAL PROJECTS

BANANGHILIG GOLD DEPOSIT

There has been no development or material change on the Bananghilig Deposit since the Company completed an exhaustive 2 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 first disclosed under JORC 2004. It has not been updated since to comply with the JORC 2012 on the basis that the information has not materially changed since it was last reported.

EXPLORATION - OTHER AREAS

QUEENSLAND EPITHERMAL GOLD & COPPER PROJECT

The Company announced on 5 July 2018 that it has entered into an Earn-in-Agreement ("EIA") with Ellenkay Gold Pty Limited ("Ellenkay") regarding two exploration projects in Central Queensland, Australia (Figure 10).

Ellenkay currently has a 100% interest in both projects and under the terms of the EIA, Medusa may earn an equity position of up to 90% in either or both projects by managing and funding work programs through to the completion of a Pre-Feasibility Study.

Medusa must spend a combined minimum of A$1 million on exploration activities across both projects in the first year. Following this minimum expenditure commitment, Medusa can increase its interest in the projects by electing to meet and satisfying the following expenditure and development milestones:

Milestone	Mt Clark West		Hill 212	
	Medusa project equity	Expenditure	Medusa project equity	Expenditure
Year 2	49%	A$750,000	49%	A$750,000
Year 3	70%	A$750,000	70%	A$750,000
Pre-Feasibility Study	90%	Fund study	90%	Fund study

Following the completion of a Pre-Feasibility Study, Medusa can elect to sole fund a Feasibility Study on either or both projects.

Due to the delays in securing a Conduct and Compensation Agreements with the land owners, drilling activities in both projects commenced late in the fiscal year. It has been agreed by both parties that in consideration of the project commencement delays, to extend the Year 1 deadline to 1 November 2019.

The Hill 212 (EPM 26217) exploration project is an epithermal gold-silver opportunity approximately 30km east of Mt Coolon. The Mt Clark West (EPM 26008) exploration project is a porphyry copper-gold opportunity approximately 24km northwest of Nebo. Both projects have defined drill targets generated through previously completed geochemical and geophysical work programs.

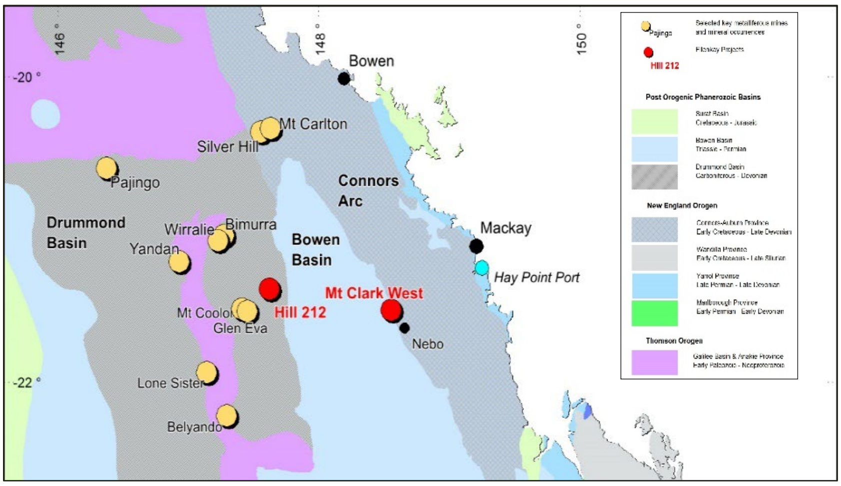


Figure 10. Location map showing the two projects (red dots).

Mt Clarke West Copper Project (EPM 26008)

A 4-hole drilling program aggregating 1,288 metres was completed during May. This is the first drilling for minerals in the vicinity of Mt Clark. The initial drilling has intercepted 100's of metres of moderate to intense stockworks with predominantly pyrite in-fills. Alteration shows propylitic (chlorite, epidote) to phyllic (sericite vein selvages, with patchy tentatively identified potassic (biotite) alteration.

The assays from the 4 drill holes returned low values for copper and gold. The Company is now reviewing its options on the way forward with respect to this Project.

Hill 212 Epithermal Gold (EPM 26217)

A fully executed Conduct and Compensation Agreement has been finalised with landholders in late June. Future works are planned for preparation of the initial drilling program, which is expected to commence in early FY2020.

RATIONALISATION OF TENEMENT

At the start of FY2019, the Company had a tenement portfolio comprising of 17 tenement holdings with a combined area of 412km^2 (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 are in the operation stage.

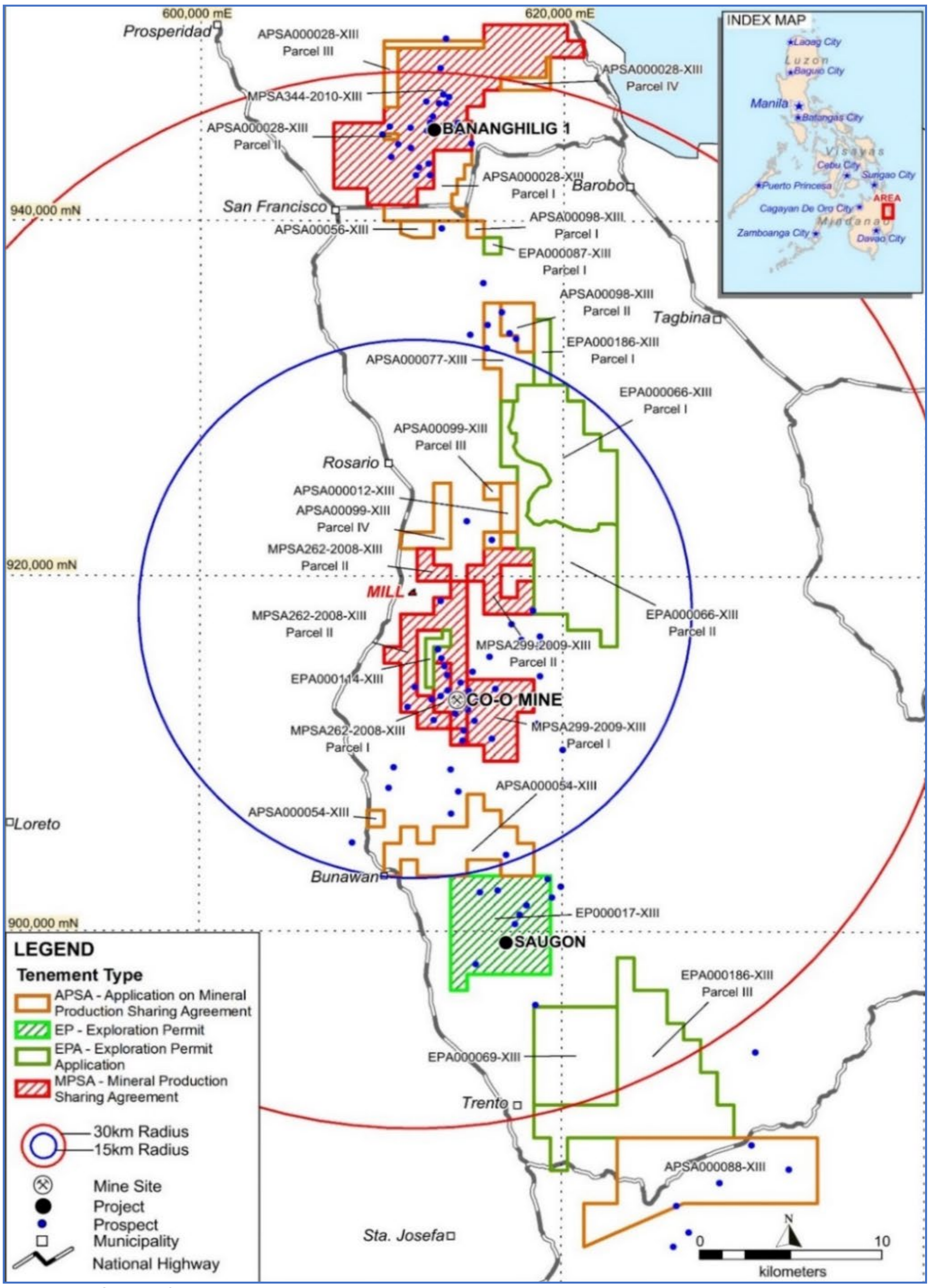


Figure 11. Status of tenement holdings at end June 2019.

Exploration activities during FY2019 focused on the Co-O district (Figure 11) within the Co-O Mine tenement grounds (i.e. MPSA 262-2008-XIII Parcel 1) and adjacent granted tenements (i.e. MPSA 262-2008-XIII Parcel 2 and MPSA 299-2009-XIII).

The 2 year exploration permit covering MPSA 262-2008-XIII Parcel 2 (MPSA 262 P2) expired last 17 January 2019, and an application for the renewal of its exploration permit has been submitted to the Mines and Geosciences Bureau ("MGB"). By the end of the fiscal year two granted tenements are still under review by MGB for the renewal of their exploration permits. These are MPSA 262 P2 and EP-00017-XIII (EP-17) where the Company's Royal Crowne Vein and Saugon Gold Projects are located, respectively. Communications with the MGB has possitivelty assured the company of granting approval to these licenses.

REVIEW OF OPERATIONS

SUSTAINABILITY

The Company continues to believe that its business should be founded on four 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 four key components are:

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

HEALTH AND SAFETY

Safety and Health Programs have been implemented at all our sites to manage the Safety and Health of all personnel working on those sites.

The majority of the people involved in our operations and projects are based at the Philsaga Mining Corporation sites.

These Safety and Health programs include;

- comprehensive and continued safety awareness;
- comprehensive emergency preparedness planning and training and programs at mine and mill sites, including fire and earthquake responsiveness drills;
- regular comprehensive health checks for all employees;
- expanded mining and safety training activities for all underground personnel, including bi-annual refresher training;
- hazard prevention and control, through improved hazard awareness training, program of workplace inspections, conducting Job Hazard Analysis, 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”) like chemical spill, mine rescue and firefighting, with the teams participating in annual national competitions;
- development and implementation of a system and operational audits;
- implementation of more systematic planned inspections; and
- greater focus on completion of improvement action plans.

The 12 month Total Reportable Injury Frequency Rate for FY2019 was 2.0 per million-man hours which is significantly down from last year (4.3 per million man hours).

Exploration activities at Mt Clarke and Hill 212 in Central Queensland recorded no reportable injuries during the year.

Unfortunately, one person was fatally injured at the Co O mine when he fell down an internal shaft. As a result of this incident, a system of audits is being implemented and greater emphasis placed on education, communication and training for all employees and contractors.

The Company hospital has been operating as a fully staffed and functional hospital during the year with services available for all Company personnel, their families and local residents.

REVIEW OF OPERATIONS

Picture 4. PMC ERT participants to the 1st BFP CARAGA Ultimate Fire Competition, Surigao City; 3 May 2019.

Picture 5. Behaviour-based Safety training, Co-O Mine; 20 May 2019.

Picture 6. Competing in ERT competition 17-18 November 2018.

ENVIRONMENTAL PROTECTION, MANAGEMENT AND MONITORING

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

Code of Conduct

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

In accordance with the Code of Conduct, the Company:

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

Safety, Health and Environment Committee

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

The charter reflects the Company's commitment to achieving continuous improvement in targeting high environmental performance and best practice.

Picture 7. Seedlings.

Co-O Gold Project Environmental Conditions

The Company's flagship Co-O Gold Project has established processing facilities which are subject to regular inspections by the various authorities and which have achieved a high Level of recognition for adherence to statutory requirements.

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

Picture 8. Composting.

REVIEW OF OPERATIONS

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

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

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

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

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

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

Picture 9. Mangrove Reforestation at Brgy. Wakat and Talisay, Surigao del Sur.

Adopt-a-Creek Program

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

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

Regional Wildlife Rescue Centre

The Company' has supported the Department of Environment and Natural Resources (DENR) – CARAGA Region, launch its program in the restoration of the Regional Wildlife Rescue Centre, located at Kitcharao, Agusan del Sur. The objective of this program is to preserve, restore, extend and multiply our inhabiting and remaining wildlife in the area.

ISO 14001

On 29 March 2018, the operating companies, Philsaga Mining Corporation and Mindanao Mineral Processing and Refining Corporation, renewed their ISO 14000 commitment, both were issued Certificates of compliance with the standards of ISO 14001:2015, demonstrating continued compliance with good environmental management systems as well as good environmental controls and protection.

COMMUNITY PARTICIPATION, DEVELOPMENT PROGRAMMES AND BENEFITS

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

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

EDUCATION

Scholarships

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

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

Company schools and Adopt-a-School programme

As in past years, the Company supported the Philsaga High School Foundation at the mill and the Upper Co-O Elementary School at the Co-O Mine. In addition, it continued its "adopt-a-school" programme, in July 2018 extended it program to support for 13 schools in the Rosario and Bunawan municipalities until 2021.

Picture 10.   MOA signing and Launching of Adopt- A- School Program last July 24, 2018.

REVIEW OF OPERATIONS

HEALTH

Supplemental Feeding

Philsaga Mining Corporation through it Social Development and Management Program conducted Supplemental Feeding which caters 60 undernourished children aging 6-71 months old benefited the feeding program. The activity was conducted with the coordination of the Municipal Nutrition Officer of Bunawan and Rural Health Unit Office of the municipality.

Medical Mission

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

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

LIVELIHOOD AND SKILLS DEVELOPMENT PROGRAM

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

These program involve working with Local, Regional and National authorities, local Associations and local people to assist them to develop knowledge and skills and setting up and establishing 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 oil production, expanding water distribution network, ballot production, tilapia production, goat meat production, cacao production, abaca production, bakery, amakan weaving, fashion and jewellery design and beauty care saloon.

INFRASTRUCTURE/FACILITY CONSTRUCTION AND IMPROVEMENT

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

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

EMPLOYMENT, LOCAL SUPPLIERS AND PAYMENT OF LOCAL TAXES & WAGES

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

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

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, Geology and Resources, and is a full-time employee of Medusa Mining Ltd, and has more than 30 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. Philsaga's mine planning engineers also worked at Carras' Perth office.

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. During 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 2019 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 30 August 2019 and has been approved by the Board. Further information on the Company's corporate governance policies and practices is publicly available on the Corporate Governance page of the Company's website at www.medusamining.com.au.

1. BOARD OF DIRECTORS

Role and Responsibilities of the Board

ASX Principles, 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, the following key duties and responsibilities are reserved for the Board under the Board Charter:

- oversight of the Company, including its control and accountability systems;
- appointing and removing the Chief Executive Officer or Managing Director (as applicable) in respect of his or her executive role;
- ratifying the appointment and removal of the Company Secretary;
- providing input into and final approval of the Company's corporate strategy;
- providing input into and final approval of the annual operating and capital budget of the Company;
- approving and monitoring the progress of acquisitions and divestments (as applicable);
- monitoring compliance with the Company's 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 senior management's performance and implementation of strategy and policies, and ensuring appropriate resources are available to senior management; 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.

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 following the passing of Peter Hepburn-Brown in September last year, the number of Directors on the Board shall be three, currently comprising two Non-Executive Directors (Andrew Teo and Roy Daniel) and one Executive Director (Raul Villanueva). The Board will appoint an additional Director when an appropriate replacement is found.

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 57 to 58.

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.

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 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 57 to 58 of the Company's Directors' Report, which forms part of the Annual Report.

The Board is, therefore, comprised of a majority of independent Directors. Further, the Board is chaired by 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 Page 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).

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

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

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

Details of the process for evaluating the performance of Senior Executives and Directors, and the conduct of that process in the reporting period, are included in the Remuneration Report, which forms part of the Directors' Report on pages 62 to 74.

Board access to independent advice

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

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

2. BOARD COMMITTEES

Nomination Committee

ASX Principles, Recommendations 1.2 and 2.1

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

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

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

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

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

Audit Committee

ASX Principles, Recommendation 4.1

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

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

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

The members of the Audit Committee, who are all Non-Executive Directors, are Roy Daniel (Chairperson of the Audit Committee) and Andrew Teo. 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 57.

Safety, Health and Environmental Committee

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

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

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

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

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

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 inside information;
- trading of the Company's shares;
- alcohol and drug abuse;
- equal opportunity and employee discrimination,
- environmental responsibilities;
- occupational health and safety; and
- economy and efficiency.

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

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

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.

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	31	36%	57	64%
Supervisory / professional	34	17%	180	83%
Middle management	12	36%	20	64%
Senior Management	11	19%	44	81%
Total	88	23%	301	77%
Board members	-	-	3	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 page of the Company's website at www.medusamining.com.au.

4. RISK MANAGEMENT

ASX Principles, Recommendations 7.1, 7.2, 7.3 and 7.4

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

Having regard to the size of the operations of the Company, the nature of its activities and the composition of the Board, a "Risk Committee" has not been established. However, in order to comply with the spirit of Recommendation 7.1 (and Recommendation 7.1(b) in particular), the full Board has the responsibility to perform the functions of the Risk Committee.

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

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

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. 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 does not believe that it has material exposure to social sustainability risks. The Company has a Code of Conduct for employees dealing with stakeholders and ensures integrity and fair dealing in business affairs.

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

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

ASX Principles, Recommendations 4.2, 7.2 and 7.3

Before the adoption by the Board of the Company's financial statements for the year ended 30 June 2019, 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.

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

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

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 page 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 Peter Gordon Hepburn-Brown (1)	from 15 June 2018 to 3 September 2018
Executive Directors:	
Mr Boyd Walter Timler (Managing Director) (2)	from 9 January 2017 to 6 July 2018
Mr Raul Conde Villanueva	since 24 January 2013

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.

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, with annual turnover in excess of $2 billion and 7,000 plus staff (including sub-contractors). Mr Teo worked in BGC in excess of 35 years and remains a Non-Executive Director of BGC.

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 38 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.

2. DIRECTORS' INFORMATION (continued)

Mr Peter Gordon Hepburn-Brown
B App Sc - Mining Engineering (1980), Grad Dip Human Resources (1996), Member of Inst of Engineers, Australia
Independent Non-Executive Director

Mr Peter Hepburn-Brown was appointed Non-Executive Director on 15 June 2018. His previous association with the Company dates back to September 2009 when he was first appointed as a non-executive member of the Board. In July 2010, Mr Hepburn-Brown assumed the role of Executive Director (Operations) and served in that position until June 2011, where he was then appointed Managing Director of Medusa until his retirement from office in August 2014.

Mr Hepburn-Brown had more than 38 years of mining experience, including senior management and Board positions in Australia and overseas. He has successfully brought many operations into development, and brings significant and relevant experience, including hands-on shaft sinking and air leg mining in narrow vein mines.

He was a Non-Executive Director of Calidus Resources Ltd and Focus Minerals Ltd.

Mr Hepburn-Brown was a member of the Audit, Remuneration and Health, Safety & Environment Committees and sadly passed away on 3 September 2018.

Mr Boyd Walter Timler
B.Sc (Geology), U of A, GAICD.
Managing Director

Mr Boyd Timler joined Medusa as CEO on 21 March 2016, was appointed Managing Director on 09 January 2017 and retired as Managing Director on 6 July 2018.

Mr Timler brought extensive operational experience to Medusa, having spent the first 15 years of his career working in underground narrow high-grade gold projects culminating at Kinross Gold's Hoyle Pond Mine in Canada, and subsequently at Placer Dome following a joint venture between the two. He has held senior level positions at operations in Canada, USA, Australia, Tanzania, Zambia and Brazil, and has taken expansion projects from pre-feasibility through board approval to operations.

Previously, Mr Timler also held the positions of Chief Operating Officer of Beadell Resources Limited, Managing Director at Lumwana Mining Company, in Zambia, and has also served as General Manager at various mine sites owned in Australia and Africa. Mr Timler holds a B.Sc. Specialization in Geology from the University of Alberta, and is a GAICD with over 30 years of progressive international experience in exploration, technical services, operations, project evaluations and senior/executive management.

During the past three years, Mr Timler did not serve as a Director of any other ASX listed entities.

Mr Timler was a member of the Safety, Health and Environment Committee.

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 36 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 associations 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	4	4	2	2	2	2	4	4	2	2
Roy Daniel	4	4	2	2	2	2	4	4	2	2
Peter Hepburn-Brown (2)	1	-	-	-	-	-	-	-	-	-
Boyd Timler (3)	-	-	-	-	-	-	-	-	-	-
Raul Villanueva	4	4	-	-	-	-	4	4	2	2

Notes:
(1) Number of meetings held during the time the Director held office during the year;
(2) Mr Hepburn-Brown retired from the Board on 3 September 2018; and
(3) Mr Timler retired from the Board on 6 July 2018.

5. PRINCIPAL ACTIVITIES

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

6. OPERATING RESULTS

The net consolidated profit for the financial year attributable to members of Medusa Mining Limited after provision of income tax was US$36.5 million [2018: Consolidated loss of (US$55.6) million].

Key financial results:

Description	Unit	30 June 2019	30 June 2018	Variance	(%)
Revenues	US$	$129.6M	$124.6M	$5M	4%
EBITDA (1)	US$	$51.4M	($25.3M)	$76.7M	N/A
NPAT (1)	US$	$36.5M	($55.6M)	$92.1M	N/A
EPS (basic)	US$	$0.176	($0.267)	$0.443	N/A

Notes:
(1) includes asset impairment losses of (US$81.1M) for year ended 30 June 2018;

Medusa recorded earnings before interest, tax depreciation and amortisation ("EBITDA") of US$51.4 million for the year to 30 June 2019. EBITDA for the previous year was a loss of (US$25.3) million including asset impairment losses of (US$81.1M).

Revenues increased by approximately 4% from US$124.6 million in the previous year to US$129.6 million.

Medusa is an un-hedged gold producer and received an average price of US$1,259 per ounce from the sale of 102,500 ounces of gold for the year (previous year: 96,056 ounces at US$1,293 per ounce).

At year end, the Company had total cash and cash equivalent in gold on metal account of US$23.4 million (2018: US$15.1M).

During the year,

- depreciation of fixed assets and amortisation of capitalised mine development and mine exploration was US$18.8 million (2018: US$29.2M);
- US$6.9 million was expended on capital works associated with the new shaft construction and infrastructure, mine expansion and sustaining capital at the mine and mill (2018: US$14.6M);
- exploration expenditure, inclusive of underground diamond drilling was US$8.9 million (2018: US$5.4M);
- capitalised mine development costs totalled US$27.3 million for the year (2018: US$24.5M); and
- corporate overheads of US$8.7 million (2018: US$7.3M).

7. REVIEW OF OPERATIONS

Description	Unit	30 June 2019	30 June 2018	Variance	(%)
Ore mined	WMT	606,675	550,400	56,275	10%
Ore milled	DMT	544,601	494,989	49,612	10%
Head grade	g/t	6.28	6.33	(0.05)	(1%)
Recovery	%	94.75	94.70	0.05	-
Gold produced	ounces	103,307	95,705	7,602	8%
Cash costs (1)	US$/oz	$546	$562	16	3%
Gold sold	ounces	102,500	96,056	6,444	7%
Avg gold price received	US$/oz	$1,259	$1,293	($34)	(3%)

Notes:

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

The Company produced 103,307 ounces of gold for the year, compared to 95,705 ounces from the previous corresponding period, at an average recovered grade of 6.28 g/t gold (2018: 6.33 g/t gold).

Average cash costs was US$546 per ounce, inclusive of royalties and local business taxes, which was lower than the previous year's average cash costs of US$562 per ounce, and All-in-Sustaining-Costs ("AISC") for the year was US$1,045 per ounce of gold (2018: US$1,083 per ounce).

A full review and summary information concerning the Group's operations and exploration activities for the financial year and the results of those operations are set out in the Chairperson's Review which will be available in the Full 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 Boyd Timler retired as Managing Director on 6 July 2018;
- Mr Peter Hepburn-Brown retired as Non-Executive Director on 3 September 2018;
- Mr Andrew Teo assumed the role of interim Chief Executive Officer following the resignation of Mr Boyd Timler from 6 July 2018 until 28 February 2019;
- the appointment of Mr David McGowan (previously Chief Operating Officer) as Chief Executive Officer of Medusa on 1 March 2019; and
- On 5 July 2018 the Company announced that it had entered into an earn-in agreement regarding earn in of up to 90% in two exploration projects in Queensland Australia. The earn-in requires the Company to manage and fund exploration programs through to completion of a Pre-Feasibility Study. The Company must spend a combined minimum of A$1 million on both projects before it is able to withdraw

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

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 also 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	-	-
Peter Hepburn-Brown [1]	-	-	-
Boyd Timler [2]	-	-	-
Raul Villanueva	50,000	-	-

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.

13. REMUNERATION REPORT (Audited)

The Directors present the FY2019 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 2019.

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.

In November 2018 the Medusa Mining remuneration report was voted down by shareholders for the 2018 financial year. During FY2019, the Company has sought feedback on its remuneration practices through communication with key shareholders and proxy advisors. Following feedback in FY2019, the Company undertook a wholesale review of its executive performance and remuneration framework, which has resulted in changes to executive remuneration components and structure commencing FY2020.

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.

FY2019 has been an important year for the Company and on 1 March 2019 David McGowan, Medusa's Chief Operating Officer, was appointed as Chief Executive Officer.

(a) Details of Key Management Personnel

There were no loans to Key Management Personnel during the period 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;

Peter Hepburn-Brown (retired from the Board on 3 September 2018).

Executive Directors -

Boyd Timler, Managing Director (retired from the Board on 6 July 2018); and

Raul Villanueva.

Executive Officers:

David McGowan (Chief Executive Officer);

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

James Llorca (General Manager, Geology & Resources).

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 2019 and the previous financial year.

Name	Year	Short term benefits					Post-employment benefits	Long-term benefits		Equity-settled share-based payments		Cash-settled share-based payments	Termination benefits	TOTAL	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary/ fees	Directors' fees	Non-monetary	Bonus (1)	Other (2)	Super	Incentive plans	LSL (3)	Shares/ units	Options/ rights (4)					
Directors:																
Non-Executive																
Andrew Teo (5)	2019	90,000	105,990	-	-	-	-	-	-	-	-	-	-	195,990	-	-
	2018	25,134	96,275	-	-	-	-	-	-	-	-	-	-	121,409	-	-
Ciceron Angeles (6)	2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2018	-	19,699	-	-	-	-	-	-	-	-	-	-	19,699	-	-
Roy Daniel	2019	22,278	52,656	-	-	-	-	-	-	-	-	-	-	74,934	-	-
	2018	22,701	57,833	-	-	-	-	-	-	-	-	-	-	80,534	-	-
Peter Hepburn-Brown (7)	2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2018	-	2,488	-	-	-	-	-	-	-	-	-	-	2,488	-	-
Executive																
Boyd Timler (8)	2019	15,618	-	-	-	-	331	-	-	-	-	-	277,457	293,406	-	-
	2018	385,980	-	-	36,760	14,511	18,380	-	-	-	-	-	-	455,631	8.1%	-
Raul Villanueva	2019	425,000	-	-	-	-	-	-	-	-	-	-	-	425,000	-	-
	2018	425,000	-	-	-	-	-	-	-	-	-	-	-	425,000	-	-
Executive Officers:																
Peter Alphonso	2019	251,587	-	-	-	-	17,520	-	6,302	-	-	-	-	275,409	-	-
	2018	263,937	-	-	14,704	-	18,380	-	6,469	-	32,077	-	-	335,567	4.4%	9.6%
David McGowan (9)	2019	276,009	-	-	-	12,580	17,520	-	-	-	-	-	-	306,109	-	-
	2018	238,940	-	-	7,352	15,780	18,380	-	-	-	97,201	-	-	377,653	2.0%	25.7%
James Llorca	2019	230,388	-	-	-	2,173	17,520	-	-	-	-	-	-	250,081	-	-
	2018	238,940	-	-	7,352	13,837	18,380	-	-	-	97,201	-	-	375,710	2.0%	25.9%
Total	**2019**	**1,310,880**	**158,646**	**-**	**-**	**14,753**	**52,891**	**-**	**6,302**	**-**	**-**	**-**	**277,457**	**1,820,929**	**-**	**-**
	2018	**1,600,632**	**176,295**	**-**	**66,168**	**44,128**	**73,520**	**-**	**6,469**	**-**	**226,479**	**-**	**-**	**2,193,691**	**3.0%**	**10.3%**

Notes:
(1) Bonuses are generally paid in October and relate to the previous year's financial results. No bonuses were paid out to any Key Management personnel in the reported financial year;
(2) Comprises Annual Leave accrued during the year but not paid;
(3) Comprises Long Service Leave accrued during the year but not paid;
(4) Comprises value of options granted but not yet vested;
(5) Mr Teo assumed the role of Interim Chief Executive Officer ("CEO") from 7 July 2018 until 28 February 2019;
(6) Mr Angeles retired from the Board on 31 October 2017;
(7) Mr Hepburn-Brown retired from the Board on 3 September 2018;
(8) Mr Timler retired from the Board on 6 July 2018;
(9) Mr McGowan, previously Medusa's Chief Operating Officer was promoted to the position of CEO on 1 March 2019.

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 (LTI)
Directors:			
Non-Executive			
Andrew Teo	100.0%	-	-
Ciceron Angeles	100.0%	-	-
Roy Daniel	100.0%	-	-
Peter Hepburn-Brown	100.0%	-	-
Executive			
Boyd Timler	100.0%	-	-
Raul Villanueva	100.0%	-	-
Executive Officers:			
David McGowan	100.0%	-	-
Peter Alphonso	100.0%	-	-
James Llorca	100.0%	-	-

(c) 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;

(d) 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.

(e) Option/rights holdings

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

Financial year 2018/2019:

Name	Balance 01/07/18	Options/rights granted as remuneration	Options/ rights exercised	Options/ Rights 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)	1,200,000	-	-	(840,000)	360,000	360,000	-
Raul Villanueva	500,000	-	-	(500,000)	-	-	-
Executive Officers:							
Peter Alphonso	330,000	-	-	(165,000)	165,000	49,500	115,500
David McGowan	500,000	-	-	-	500,000	150,000	350,000
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; and

(4) Mr Timler retired from the Board on 6 July 2018.

13. REMUNERATION REPORT (Audited) (continued)

(e) Option/rights holdings (continued)

Financial year 2017/2018:

Name	Balance 01/07/17	Options/rights granted as remuneration	Options/ rights exercised	Options/ Rights not exercised and lapsed	Balance held 30/06/18	Vested & exercisable 30/06/18 (1)	Total not exercisable 30/06/18 (2)
Directors:							
Non-Executive							
Andrew Teo	-	-	-	-	-	-	-
Ciceron Angeles (3)	-	-	-	-	-	-	-
Roy Daniel	-	-	-	-	-	-	-
Peter Hepburn-Brown (4)	-	-	-	-	-	-	-
Executive							
Boyd Timler	1,200,000	-	-	-	1,200,000	360,000	840,000
Raul Villanueva	500,000	-	-	-	500,000	500,000	-
Executive Officers:							
Peter Alphonso	165,000	165,000	-	-	330,000	165,000	165,000
David McGowan	-	500,000	-	-	500,000	-	500,000
James Llorca	-	500,000	-	-	500,000	-	500,000

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 Angeles retired from the Board on 31 October 2017; and
(4) Mr Hepburn-Brown joined the Board on15 June 2018.

(f) 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 2018/19:

Name	Balance 30/06/18	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	50,000	-	-	-	-	(50,000)	-
Raul Villanueva	50,000	-	-	-	-	-	50,000
Executive Officers:							
Peter Alphonso	127,500	-	-	-	-	-	127,500
David McGowan	-	-	-	-	-	-	-
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.

13. REMUNERATION REPORT (Audited) (continued)

(f) Share holdings (continued)

Financial year 2017/18:

Name	Balance 30/06/17	Shares held at appointment	Bonus issue of shares	Shares purchased	Options exercised	Shares sold	Balance 30/06/18
Directors:							
Non-Executive							
Andrew Teo	120,000	-	-	-	-	-	120,000
Ciceron Angeles [(1)]	-	-	-		-	-	-
Roy Daniel	815,875	-	-	-	-	-	815,875
Peter Hepburn-Brown [(2)]	-	-	-	-	-	-	-
Executive							
Boyd Timler	50,000	-	-	-	-	-	50,000
Raul Villanueva	50,000	-	-	-	-	-	50,000
Executive Officers:							
Peter Alphonso	127,500	-	-	-	-	-	127,500
David McGowan	-	-	-	-	-	-	-
James Llorca	-	-	-	-	-	-	-

Notes:

(1) Mr Angeles retired from the Board on 31 October 2017; and

(2) Mr Hepburn-Brown joined the Board on 15 June 2018.

(g) 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.

(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 planned remuneration changes to executive remuneration policy and performance management for FY2020 are covered in section (j) 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.*

13. REMUNERATION REPORT (Audited) (continued)

(g) Executive Remuneration Governance (continued)

(iv) Remuneration Report Approval at FY2018 Annual General Meeting ("AGM")

At the Company's 2018 AGM, the Remuneration Report for FY2018 was voted down by Shareholders or their proxies for the following reasons:

(i) payment of cash bonuses on a lagging basis appeared at odds with company performance and position;

(ii) unacceptable vesting period and insufficiently demanding performance hurdles; and

(iii) full vesting of options upon a change in control

(h) Executive Remuneration

The information contained within this section outlines details pertaining to the executive remuneration policy and structure for FY2019.

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.

(i) 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.

(ii) Short-term Incentives ("STI")

No STIs were granted to any key management personnel in the 2018/19 financial period relating to the previous financial year ended 30 June 2018.

13. REMUNERATION REPORT (Audited) (continued)

(h) Executive Remuneration (continued)

(iii) 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 is currently considering whether to adopt other LTI measures, including a performance rights plan in which key management personnel can participate.

(i) 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 currently paid to Non-Executive Directors are as follows:

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

(j) Planned 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 will be implemented for FY2020 with effect from 01 July 2019.

Completed changes and/or progress towards remuneration objectives will be reported in more detail in the 2020 Remuneration Report, however a summary of the key elements of the planned changes to the executive remuneration approach and at risk remuneration structure are provided below.

(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 (50^{th} percentile), with the opportunity to earn a total remuneration up to the upper quartile (75^{th} 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.

13. REMUNERATION REPORT (Audited) (continued)

(j) Planned 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
1. Total Fixed Remuneration ("TFR")	Pay for meeting role requirements	Fixed Pay	Pay linked to the present value or market rate of the role
2. 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'.
3. 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.

13. REMUNERATION REPORT (Audited) (continued)

(j) Planned Executive Remuneration Changes for FY2020 (continued)

As part of the annual business planning process the Board will determine 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	Example of Annual Measure and Rationale for Inclusion
Individual performance	Measures 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. Rationale 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.
Company financial performance	Measures Key financial measures as determined by the Board of Directors Rationale Reflects the alignment of business strategy to create sustainable value for shareholders.
Company safety and environmental performance	Measures KPI's for safety and environmental as determined by the Board of Directors. Rationale 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.
Company operational performance	Measures Key physical measures as determined by the Board of Directors Rationale 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.
Growth of Company future opportunities	Measures Mining inventory as determined by the Board of Directors. Rationale Demonstrates the Company's performance in achieving the organic growth of current assets.
Company critical strategic objectives	Measures Achievement of critical project on time as determined by the Board of Directors Rationale Focuses achievement on key strategic enablers.

In order to participate in the short-term incentive certain performance conditions must be met.

13. REMUNERATION REPORT (Audited) (continued)

(j) Planned Executive Remuneration Changes for FY2020 (continued)

(iv) Long-term Incentive Plan Outline

An outline of the key elements of the proposed 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: 1. Non-market measures to be determined by the Board of Directors (50% weighting) 2. Market Measures (50% weighting): (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	<u>Financial and Strategic measures</u> The Board will determine financial and strategic measures that align with the Company's long-term objectives. <u>Relative TSR</u> 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. 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. <u>Absolute TSR</u> The increase in the Company's absolute TSR will be measured over a three-year period. 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.
Vesting schedule	The number of ZEPO's vested after 3 years is subject to achievement of performance conditions as shown above
Measurement period	Testing occurs three years from 01 July of the relevant financial year.
Cessation of employment	In the event that the KMP's employment with the Company terminates prior to the vesting of all rights/options, outstanding unvested rights/options will be reviewed by the Board and may or may not vest depending on the circumstances of the cessation of employment. In the case of changes of control incentives will be awarded on a pro rata basis.
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.

13. REMUNERATION REPORT (Audited) (continued)

(k) 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)

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:	Fixed remuneration: A$450,000 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. Variable remuneration - Short term incentive: The Employee may be entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions. Variable remuneration - Long term incentive: The Company may grant the employee share options or performance rights in accordance with Medusa's Share option and performance rights plans.
Termination:	Termination by the Company: 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. Termination by the Employee: The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.

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:	Fixed remuneration: A$350,000 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. Variable remuneration - Short term incentive: The Employee may be entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions. Variable remuneration - Long term incentive: The Company may grant the employee share options or performance rights in accordance with Medusa's Share option and performance rights plans.
Termination:	Termination by the Company: 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. Termination by the Employee: The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.

13. REMUNERATION REPORT (Audited) (continued)

(k) 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:	Fixed remuneration: A$400,000 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. Variable remuneration - Short term incentive: The Employee may be entitled to an annual bonus at the discretion of the Board. In determining eligibility, the Board will consider without limitation, the performance of the Company, the Employee's performance and prevailing market conditions. Variable remuneration - Long term incentive: The Company may grant the employee share options or performance rights in accordance with Medusa's Share option and performance rights plans.
Termination:	Termination by the Company: 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. Termination by the Employee: The Employee may terminate the agreement at any time by giving the Company 3 months' written notice. Termination by reason of Material Diminution: 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.

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.

13. REMUNERATION REPORT (Audited) (continued)

(k) 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).

(l) Related Parties

Related parties:	Andrew Teo, Roy Daniel, Peter Hepburn-Brown, Boyd Timler, Raul Villanueva, David McGowan, Peter Alphonso and James Llorca.
Type of transaction:	Director and Officers Protection Deed ("Deed")
Transaction details:	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. 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. 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.

End of Remuneration Report

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
Employee options			
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

(m) Shares issued on exercise of options/rights

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

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, McGowan, Alphonso and Llorca and the following former Directors and Officers Messrs Davis, Weinberg, Angeles, 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.

18. NON-AUDIT SERVICES (continued)

The following fees were paid affiliated entities of BDO for non-audit services provided during the year ended 30 June 2019.

Item description	Unit	2019	2018
Taxation	US$	39,745	6,054
Remuneration consulting	US$	5,429	-
Other non-audit services	US$	2,874	34,255
Total	US$	48,048	40,309

19. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2019 has been received and can be found on page 77 of the Annual 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

Andrew Teo
Chairperson

Dated at Perth this 30th day of August 2019

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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 2019, 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, 30 August 2019

CONTENTS OF FINANCIAL STATEMENTS
as at 30 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

		Consolidated	
		2019	**2018**
	Note	US$000	US$000
Revenue	2	129,484	124,593
Other income	2	118	-
Cost of sales		(75,409)	(83,311)
Gross Profit		54,193	41,282
Exploration & Evaluation expenses		(1,688)	(1,186)
Administration expenses		(9,996)	(15,362)
Impairment expense	3,12	-	(81,100)
Other expenses	3	(11,106)	(955)
Profit/(Loss) before income tax expense		31,403	(57,321)
Income tax (expense)/benefit	4	5,086	1,767
Profit/(Loss) for the year after income tax expense		36,489	(55,554)
Other comprehensive profit/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Movement in other reserves		310	-
Exchange differences on translation of foreign operations (net of tax)		5,951	(2,200)
Total comprehensive profit/(loss) attributable to the owners		42,750	(57,754)
<u>Overall operations:</u>			
Basic profit/(loss) per share	5	0.176	(0.267)
Diluted profit/(loss) per share	5	0.172	(0.267)

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 2019

	Note	Consolidated 2019 US$000	Consolidated 2018 US$000
CURRENT ASSETS			
Cash & cash equivalents	23 (a)	18,109	11,198
Trade & other receivables	6	5,188	19,462
Inventories	7	12,739	12,240
Other current assets	8	789	792
Total Current Assets		36,825	43,692
NON-CURRENT ASSETS			
Trade & other receivables	9	28,506	21,326
Property, plant & equipment	10	15,743	12,957
Intangible assets		580	609
Mine Rehabilitation		1,793	402
Development expenditure	11	50,193	29,878
Deferred tax assets	16	18,427	10,059
Total Non-current Assets		115,242	75,231
TOTAL ASSETS		152,067	118,923
CURRENT LIABILITIES			
Trade & other payables	13	14,379	24,797
Borrowings	14	6,679	6,335
Provisions	15	401	386
Total Current Liabilities		21,459	31,518
NON-CURRENT LIABILITIES			
Borrowings	14	150	170
Deferred tax liability	16	778	232
Provisions	15	5,938	4,160
Total Non-current Liabilities		6,866	4,562
TOTAL LIABILITIES		28,325	36,080
NET ASSETS		123,742	82,843
EQUITY			
Issued capital	18	102,902	102,902
Reserves	19	6,779	1,311
Retained profits/(accumulated losses)	22	14,061	(21,370)
TOTAL EQUITY		123,742	82,843

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 2019

	Note	Share capital ordinary US$000	Retained profits/ Accumulated losses US$000	Share option reserves US$000	Other reserves US$000	Foreign currency translation reserve US$000	Total US$000
CONSOLIDATED							
Balance at 30 June 2017		**102,902**	**33,998**	**1,030**	**-**	**2,517**	**140,447**
Net profit/(loss) after tax		-	(55,554)	-	-	-	(55,554)
Other comprehensive profit/(loss)		-	-	-	-	(2,200)	(2,200)
Total comprehensive profit/(loss) for the year		-	(55,554)	-	-	(2,200)	(57,754)
Transactions with owners, in their capacity as owners, and other transfers							
Share options expensed	20	-	-	150	-	-	150
Transfer from option reserve		-	186	(186)	-	-	-
Balance at 30 June 2018		**102,902**	**(21,370)**	**994**	**-**	**317**	**82,843**
Balance at 30 June 2018		102,902	(21,370)	994	-	317	82,843
Change in accounting policy - Note 1(c)		-	(1,982)	-	-	-	(1,982)
Balance 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
Transactions with owners, in their capacity as owners, and other transfers							
Share options expensed	20	-	-	132	-	-	132
Transfer from option reserve		-	924	(924)	-	-	-
Balance at 30 June 2019		**102,902**	**14,061**	**202**	**310**	**6,267**	**123,742**

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

Refer Note 1(c) for further details.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Note	Consolidated 2019 US$000	Consolidated 2018 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		129,320	120,966
Payments to suppliers & employees		(78,608)	(75,246)
Payments for exploration & evaluation activities		(1,688)	(1,186)
Interest received		159	87
Net cash provided by operating activities	23(b)	49,183	44,621
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for non-current assets		(6,680)	(14,753)
Payment for development activities		(36,312)	(27,402)
Net cash provided by/(used in) investing activities		(42,992)	(42,155)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Payment of)/receipt from bank loans		324	(3,995)
Net cash (used in)/provided by financing activities		324	(3,995)
Net increase/(decrease) in cash held		6,515	(1,529)
Cash and cash equivalent at the beginning of the year		11,198	11,214
Exchange rate adjustment		396	1,513
Cash and cash equivalent at the end of the year	23(a)	18,109	11,198

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 2019

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 30.

The financial statements were authorised by the Directors on 29 August 2019.

Basis of preparation

Reporting Basis and Conventions

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

(a) Principles of consolidation

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2019. 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 2019 is presented in note 21.

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

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2019 but have not been applied in preparing this financial report.

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

AASB 16 Leases

AASB 16 Leases provides a new lessee accounting model which requires a lessee to recognised assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The depreciation of the right of use asset and interest on the lease liability will be recognised in the consolidated income statement.

Transition to AASB 16

The Company plans to adopt the modified retrospective approach on transition, where the lease liability is measured at the present value of future lease payments on the initial date of application, being 1 July

2019. Under this transition method, the Company recognises transition adjustments, if any, in retained earnings on the date of initial application without restating the prior year financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Company is still determining the financial impact of transition. The Company will recognise additional lease liabilities for qualifying leases of buildings and vehicles, which are operating leases under current accounting standard AASB 117 Leases.

(c) Adoption of new and amended accounting standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting the following standards:

- AASB 9 Financial Instruments, and
- AASB 15 Revenue from Contracts with Customers.

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

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies but did not give rise to any adjustments to the amounts recognised in the financial statements.

Applying AASB 9, the Company has classified and measured its financial instruments as described below:

- Cash and cash equivalents, restricted cash, term deposits and trade receivables continue to be classified and measured at amortised cost.
- Accounts payable and accrued liabilities and long-term debts continue to be classified and measured at amortised cost.
- Derivative asset and liabilities, if any, continue to be classified and measured at fair value through profit and loss.

Adoption of AASB 9 requires Medusa to apply the expected loss impairment model when assessing the carrying value of financial assets, this did not result in any material adjustments on transition from the expected loss model applied under AASB 139.

AASB 15 Revenue from Contracts with Customers

The Company has adopted AASB 15 as of 1 July 2018 using the modified retrospective approach. Under the modified retrospective approach, the Company recognises transition adjustments, if any, in retained earnings on the date of initial application (1 July 2018), without restating the financial statements on a retrospective basis. Accordingly, the comparative information for prior periods have not been restated and the information presented for 30 June 2018 reflects the requirements of AASB 118 Revenue.

Revenue from the sale of goods is recognised at the point in time when the customer obtains control when legal title has transferred. The Company reviewed its contract with its customer using the five-step analysis required by AASB 15. Transfer of control occurs when legal title to the refined gold and silver occurs. Once legal title has transferred the customer is able to direct the use of and obtain substantially all of the remaining benefits from the metals. On transfer of control, revenue and related costs can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the Company as payment is received on the date of or within a few days of transfer of control.

The Company has concluded that there was a change in the timing of revenue recognition of its sales under AASB 15 as compared to AASB 118, moving from when the materials left the mine site to when refined materials and legal title passes to the customer.

The financial impact of the change at 1 July 2018 was as follows:

Item Description	As at 30 June 2018 US$ '000	AASB 15 Adjustment US$ '000	As at 01 July 2018 US$ '000
Sale of Goods	124,505	(3,852)	120,653
Retained Profits	(21,370)	(1,982)	(23,352)

If Medusa had of applied the prior year accounting policy for the year ended 30 June 2019, the revenue would be $130.821 million.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in Accounting Policies

The following explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

(d) New policy applied from 1 July 2018 - 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 represents 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, Plant and Equipment

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

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

Depreciation

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

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

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

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

Class of fixed asset	Depreciation method	Depreciation rate (%)
Plant and equipment (excluding Co-O mine)	Straight line	20.0% to 33%
Office furniture and fittings	Straight line	7.5% to 20%
Land and 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) Impairment of non-financial assets

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

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

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

(h) Operating leases

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

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

(i) 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.

(j) Borrowings

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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.

(m) 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 22.47% (2018:18.80%). 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.

(n) 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.

(o) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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.

(r) 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.

(s) Foreign currency transactions and balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

The functional currency of the parent entity, Medusa Mining Limited is Australian dollar, Komo Diti Traders Limited is United States dollar, Mindanao Mineral Processing and Refining Corporation and Philsaga Mining Corporation in United States dollar and the remaining entities are Philippine pesos.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(u) Financial instruments (previous accounting policy applied for financial year 2018)

Recognition, Initial Measurement and Derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at Fair-Value-Through-Profit-or-Loss ('FVTPL')
- Held-To-Maturity ('HTM') investments; or
- Available-For-Sale ('AFS') financial assets

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

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

Loans and Receivables

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

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

Classification and subsequent measurement of financial liabilities

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

(w) Share based payments

The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account.

The fair value of options is ascertained using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(x) 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.

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.

(y) Critical accounting estimates and judgments

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

Key estimates - Impairment of non-financial assets

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Critical accounting estimates and judgments (continued)

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 9th April 2019, 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 9th of April 2019 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.

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 - Development expenditure

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

Key estimates - Share based payments

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

Key estimates - GST/VAT

The Group has net GST/VAT of US$32 million that comprises tax credit certificates (“TCC”) and VAT claimable for cash. The current asset portion of VAT US$4 million comprises amounts that are estimated to be utilised by TCC to offset various indirect taxes within the current period. The non-current amount of VAT receivable of US$28 million represents the estimated amount utilised in future periods against tax liabilities.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Critical accounting estimates and judgments (continued)

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$18 million at 30 June 2019. 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.

(z) 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.

	Note	Consolidated 2019 US$000	2018 US$000
2. REVENUE			
Operating activities:			
Gold and silver sales		129,320	124,506
Non-operating activities:			
Interest revenue		164	87
Foreign exchange		118	-
Total revenue		129,602	124,593
3. EXPENSES			
Profit/(loss) before income tax expense/(income) has been determined after charging/(crediting) the following items:			
Depreciation & amortisation:			
- Depreciation expense		3,955	3,703
- Amortisation expense		14,370	25,530
- Mine rehabilitation amortisation		443	-
Total depreciation & amortisation		18,768	29,233
Employee benefits expense		15,477	14,569
Defined contribution plans		93	455
Interest expense		830	2,861
Tax dispute charge - Philippines		2,272	5,161
Other expenses:			
VAT write off		10,357	2
Defined benefit plans		489	488
Foreign exchange		-	88
Assets written off		86	-
Share-based payment expense		132	150
Bad debts write off		42	227
Total other expenses		11,106	955
Impairment expense	12	-	81,100
Operating lease rental:			
- minimum lease payments		70	63

	Consolidated 2019 US$000	Consolidated 2018 US$000
4. TAXATION		
(a) The components of tax expense comprise:		
Current tax	3,550	6,641
Deferred tax	(8,535)	(8,408)
Prior year adjustment	(101)	-
	(5,086)	(1,767)
(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Operating (loss)/profit before income tax	31,403	(57,321)
Prima facie income tax expense/(credit) at 30% (2018: 30%) on operating profit	9,421	(17,196)
less - tax effect of:		
other non-deductible/(non-assessable) expenses	-	1,257
difference of effective foreign income tax rates	(41)	-
Interest income	248	-
amortisation and depreciation adjustment	(15,089)	13,709
de-recognition of NOLCO	230	-
share based payments expense	40	45
bad debts	13	-
foreign exchange	(51)	-
charitable contribution	112	369
representation, professional fees and insurance	150	-
under/over	(101)	(288)
deferred tax assets not brought to account	(18)	337
Income tax expense/(benefit)	(5,086)	(1,767)
(c) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(e) occur:		
- Temporary differences	17,447	75,602
- Australian tax losses	4,701	4,411
Total	22,148	80,013

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

	2019	2018
Profit/(Loss) used to calculate basic and diluted EPS	36,489	(55,554)
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	207,794,301	207,794,301
Weighted average unlisted options outstanding	4,030,983	-
Weighted average of ordinary shares diluted as at 30 June 2019	211,825,284	207,794,301

4,030,983 weighted average unlisted options outstanding for 2019 have been included in calculating the diluted EPS because the effect is anti-dilutive.

	Note	Consolidated 2019 US$000	Consolidated 2018 US$000
6. CURRENT RECEIVABLES			
Gold awaiting settlement	1(c)	-	3,852
GST/VAT receivables	1(y)	3,773	14,311
Other receivables		1,415	1,299
Total current receivables		5,188	19,462
Refer ageing analysis in Financial Instruments Note 24(b)			
7. INVENTORIES			
Consumables - net realisable value		4,914	7,954
Ore stockpile - at cost		2,665	1,571
Gold Inventory - at cost		5,160	2,715
Total inventories		12,739	12,240
8. OTHER CURRENT ASSETS			
Prepayments		789	792
9. NON-CURRENT RECEIVABLES			
GST/VAT receivables	1(y)	28,506	21,326
Total non-current receivables		28,506	21,326
10. PROPERTY, PLANT & EQUIPMENT			
Plant & equipment:			
At cost		195,854	151,827
less - provision for impairment		(132,064)	(103,360)
less - accumulated depreciation		(50,941)	(47,046)
Total plant & equipment at net book value		12,849	1,421
Capital works in progress:			
At cost		2,812	40,154
less - provision for impairment		-	(28,705)
Total capital works in progress at net book value		2,812	11,449
Furniture & fittings:			
At cost		1,143	1,088
less - provision for impairment		(254)	(254)
less - accumulated depreciation		(807)	(747)
Total furniture & fittings at net book value		82	87
Total carrying amount at end of year		15,743	12,957
Reconciliations:			
Plant & equipment:			
Carrying amount at beginning of year		1,421	21,253
plus - additions		4,681	3,851
plus - net transfer from capital works in progress		10,819	353
less - forex differences on translation		(171)	413
less - disposal		(6)	(854)
less - impairment	12	-	(20,095)
less - depreciation		(3,895)	(3,500)
Carrying amount at end of year		12,849	1,421

	Note	Consolidated 2019 US$000	2018 US$000
10. PROPERTY, PLANT & EQUIPMENT (continued)			
Reconciliations: (continued)			
Capital works in progress:			
Carrying amount at beginning of year		11,449	20,260
plus - additions		2,182	10,698
less - net transfer to plant and equipment		(10,819)	(353)
less - impairment	12	-	(19,156)
Carrying amount at end of year		2,812	11,449
Furniture & fittings:			
Carrying amount at beginning of year		87	232
plus - additions		51	58
plus - forex differences on translation		4	-
less - depreciation		(60)	(203)
Carrying amount at end of year		82	87
Total carrying amount at end of year		15,743	12,957
11. DEVELOPMENT EXPENDITURE			
Co-O Development expenditure:			
At cost		412,103	378,405
less - provisions for impairment		(246,260)	(246,260)
less - accumulated amortisation		(116,456)	(102,267)
Net Co-O Development expenditure		49,387	29,878
Royal Crowne Vein Development expenditure:			
At cost		806	-
Net Royal Crowne Vein Development expenditure		806	-
Total carrying amount at end of year		50,193	29,878
Reconciliations:			
Co-O Development expenditure:			
Carrying amount at beginning of year		29,878	66,439
plus - costs incurred		33,692	28,690
less - amortisation expense		(14,189)	(24,552)
less - impairment	12	-	(40,969)
less - forex differences upon translation		6	270
Carrying amount at end of year		49,387	29,878
Royal Crowne Vein Development expenditure:			
Carrying amount at beginning of year		-	-
plus - costs incurred		806	-
Carrying amount at end of year		806	-
Total carrying amount at end of year		50,193	29,878

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 2019 included;

- long range planning and scheduling meeting the JORC 12 Compliances;
- 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 2019 budget and mine plan were developed in the context of the current gold price environment.

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

ii) Key Assumptions

The table below summarises the key assumptions used in the 30 June 2019 carrying value assessments. Comparison to the prior period has been provided.

Assumptions	Unit	2019 (2019 - 2024)	2018 (2018 - 2021)
Average gold price	US$/ounce	1,347	1,250
Average AISC	US$/ounce	1,049	1,080
Pre-Tax discount rate (%)	%	17.3	18.3
Probable reserves	ounces	350,000	327,000
Production capacity per annum	ounces	98,000 - 105,000	50,000 - 100,000

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

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 denominal 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.

12. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

a) Impairment testing (continued)

ii) Key Assumptions (continued)

Production activity and operating and capital costs

Life of mine production activity and operating and capital cost assumptions are based on the Group's latest budget, including the five-year budget and separately estimated LOM plan. Discounted cash flows include expected cost improvements and sustaining capital requirements. Estimated production is assumed consistent with the capacity constraint of the Co-O mill taken into account while assuming a constant recovery rate.

Resources and reserves

Resource and Reserve ounces were based on the Group's JORC 2012 compliant Annual Resource and Reserve Update Statement announced to the Australian Securities Exchange on 9th April 2019.

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 2019 (2018: current US$0.9 million, non-current US$80.2 million):

Description	Note	2019			2018		
		Carrying amt ($'000)	Impairment ($'000)	Balance ($'000)	Carrying amt ($'000)	Impairment ($'000)	Balance ($'000)
Development	11	49,387	-	49,387	70,847	(40,969)	29,878
Plant & equipment	10	15,743	-	15,743	52,208	(39,251)	12,957
Consumables	7	12,739	-	12,739	8,834	(880)	7,954
Total	3	77,869	-	77,869	131,889	(81,100)	50,789

b) Sensitivity Analysis

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

The changes to estimated key assumptions would have the following approximate impact on the recoverable amount of the CGU in its functional currency that has been subject to impairment in the 30 June 2019 statutory accounts:

Assumption changes	2019	2018
	Effect on recoverable amount ($'000)	Effect on recoverable amount ($'000)
US $100 per ounce increase/decrease in gold price	+/- 30,306	+/- 27,628
1% increase/decrease in the discount rate	+/- 2,226	+/- 971
5% increase in operating costs	-18,596	-22,341

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	
	2019	**2018**
	US$000	US$000
13. TRADE & OTHER PAYABLES		
Trade creditors	8,879	14,978
Accruals	3,195	1,044
Income tax payable	1,515	5,726
Withholding tax	618	2,810
Other creditors	172	239
Total creditors	14,379	24,797
14. BORROWINGS		
Current borrowings:		
Unsecured liability - interest bearing loan	6,679	6,335
Total current borrowings	6,679	6,335
Non-current borrowings:		
Unsecured liability - interest bearing loan	150	170
Total non-current borrowings	150	170
Total Borrowings	6,829	6,505

Secured Borrowing are bank loans secured by transportation equipment of the Group. Interest rates on the loans range between 6.25% to 7.89% (2018: 3.50% to 4%).

15. PROVISIONS		
Current provisions:		
Employee benefits	401	386
Total current provisions	401	386
Non-current provisions:		
Retirement benefit	2,459	2,515
Mine rehabilitation	3,479	1,645
Total non-current employee benefits	5,938	4,160

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 - 5.92% (2018: 5.08%);
- Expected rate of salary increase - 3.00% (2018: 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	
	2019	2018
	US$000	US$000

15. PROVISIONS (continued)

Non-current provisions: (continued)

Retirement benefit *(continued)*

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

	2019 US$000	2018 US$000
Current service cost	376	382
Interest on obligation	114	89
Total	490	471

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:

	2019 US$000	2018 US$000
Present value of defined benefit obligation	2,459	2,515
Unrecognised actuarial loss	-	-
Unamortised past service cost, non-vested	-	-
Total	2,459	2,515

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

	2019 US$000	2018 US$000
Opening balance	2,515	2,184
Current service cost	376	382
Interest costs	114	89
Benefits paid	(103)	(140)
Actuarial loss	(443)	-
Closing balance	2,459	2,515

The Company has no plan assets held by trustees but an employee retirement fund amounting to US$1,358,361 (2018: US$1,303,428) was held as at June 30, 2019. The employee retirement fund is presented as part of cash at bank (refer to Note 23 (c).

Mine rehabilitation

	2019 US$000	2018 US$000
Carrying amount at beginning of the year	1,645	2,047
(less)/plus - increase in provision	1,834	(402)
Carrying amount at end of year	3,479	1,645

16. DEFERRED TAX

	Consolidated			
	Opening balance	Forex on translation	Credit/(charged) to income	Closing balance
	US$000	US$000	US$000	US$000
Consolidated Group				
30 June 2019				
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
30 June 2018				
Deferred tax liability				
Capitalised exploration & evaluation expenditures	245	-	(13)	232
Deferred tax assets				
Carried forward tax losses		-		
Other	1,662	-	8,397	10,059
Total deferred tax asset	1,662	-	8,397	10,059

17. AUDITORS' REMUNERATION

	Consolidated	
	2019	2018
	US$	US$
Remuneration received or due and receivable by the Company's auditors, BDO Audit (WA) Pty Limited for:		
• auditing or reviewing the financial reports	130,990	189,164
• other services provided by related practice of auditor:		
Taxation	39,745	6,054
Remuneration consulting	5,429	-
Other non-audits services	2,874	34,255
Total remuneration of the Company's auditors	179,038	229,473
Remuneration of other auditors of the Company's Philippines and Hong Kong subsidiaries for:		
• auditing or reviewing the financial reports	73,372	60,881
• other services provided by related practice of auditor - taxation & compliance	3,883	5,788
Total remuneration of other auditors of the Company's Philippines subsidiaries	77,255	66,669

	Consolidated	
	2019	**2018**
	US$000	US$000
18. ISSUED CAPITAL		
207,794,301 ordinary shares (30 June 2018: 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
Ordinary shares issued during the year:		
(i) ordinary shares issued - new issues	-	-
Balance at end of year	102,902	102,902

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

No ordinary shares were issued during the year or during the prior year.

Capital Management

Management controls the capital of the Group by monitoring performance against budget to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's liabilities and capital includes ordinary share capital, options and financial liabilities, supported by financial assets.

Management effectively manages the Group’s capital by assessing the Group’s financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	Consolidated	
	2019	**2018**
	US$000	US$000
Capital for the reporting period under review is summarised as follows:		
Total equity	123,742	82,843
Cash and cash equivalents	(18,109)	(11,198)
Capital	105,633	71,645
Total equity	123,742	82,843
Borrowings	6,829	6,505
Overall financing	130,571	89,348
Capital-to-overall financing ratio	81%	80%

	Consolidated 2019 US$000	Consolidated 2018 US$000
19. RESERVES		
Share option reserves	1,126	1,180
Transfer from option reserve	(924)	(186)
Other reserves	310	-
Foreign currency translation reserve	6,267	317
Total Reserves	6,779	1,311

(a) Option and performance rights reserve

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

Unlisted options over ordinary shares at 30 June 2019
(unless otherwise stated, all unlisted options and performance rights have full vesting rights)

- 3,200,000 options expiring 16 December 2018 and exercisable at A$1.00 each. During the years 2016, 2017, 2018 and 2019, 459,500, 225,500, nil and 2,515,000 respectively were forfeited resulting in nil options remaining at reporting date. Refer to note 20 (i). (Nil options were vested at reporting date (2018: 2,515,000)).
- 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 respectively were forfeited resulting in nil options remaining at reporting date. Refer to note 20 (ii). (Nil options were vested at reporting date (2018: 650,000)).
- 1,200,000 options expiring 24 November 2020 and are exercisable at various prices as disclosed in note 20 (iii). (360,000 options were vested at reporting date (2018: 360,000)).
- 1,665,000 options expiring 8 Jan 2022 and are exercisable at various prices as disclosed in note 20 (iv).
(499,500 options were vested at reporting date (2018: nil))

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

(b) Foreign Currency Translation Reserve

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

(c) Transfer from Option Reserve

The transfer from option reserve for the Group relates to the transfer from equity to retained profits for share options that have been forfeited and expired (refer Note 20).

20. SHARE BASED PAYMENTS

The following share-based payment arrangements existed during 30 June 2019:

(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.

20. SHARE BASED PAYMENTS (continued)

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

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

(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:

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

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

Share based options	2019		2018	
	Number of options & performance rights	Weighted average exercise price (A$)	Number of options & performance rights	Weighted average exercise price (A$)
Outstanding at start of year	6,030,000	1.1782	4,365,000	1.1031
Granted	-	-	1,665,000	1.3750
Forfeited	840,000	1.5179	-	-
Expired	3,165,000	1.0000	-	-
Exercised	-	-	-	-
Outstanding at year end	2,025,000	1.3157	6,030,000	1.1782
Exercisable at year end	859,500	1.0417	3,325,000	1.0406

During the year, 840,000 options were forfeited (2018: nil) and 3,165,000 options expired (2018: nil).

The options outstanding at 30 June 2019 (all of which are unlisted) had a weighted average exercise price of A$1.3157 and a weighted average remaining contractual life of 28.34 months.

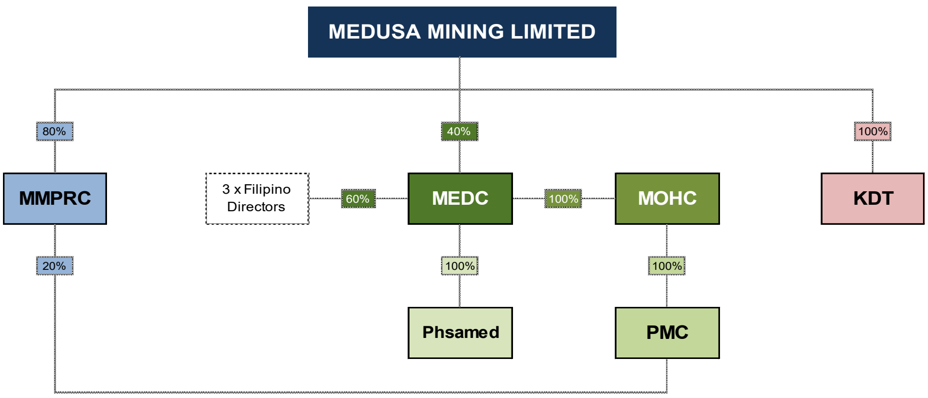
Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is US$131,708 (2018:US$149,996) and relates, in full, to equity-settled share-based payment transactions relating to employees.

21. INVESTMENT IN SUBSIDIARIES

The following companies are controlled entities of Medusa Mining Limited as at 30 June 2019:

Controlled Entities	Date of incorporation	Country of incorporation	% interest held	
			2019	2018
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 2019 US$000	Consolidated 2018 US$000
22. RETAINED PROFITS AND ACCUMULATED LOSSES		
Retained profit/(loss) at start of year	(21,370)	33,998
Change in accounting policy - Note 1(c)	(1,982)	-
Net profit/(loss) attributable to members of Company	36,489	(55,554)
Transfer from share option reserve	924	186
Retained profits/(accumulated losses) at the end of year	14,061	(21,370)

23. 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:

	2019 US$000	2018 US$000
Cash at bank	18,108	11,197
Cash on hand	1	1
Total cash assets	18,109	11,198

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

	2019 US$000	2018 US$000
Profit/(Loss) after income tax	36,489	(55,554)
add/(less) -		
Non-cash items:		
- Depreciation/amortisation	18,325	29,232
- Mine rehabilitation amortisation	443	-
- Retirement Benefit	489	488
- Gain on asset disposal	-	1
- Exploration expenses written off	-	1,186
- Recognition of share-based expenses	132	150
- Impairment expense	-	81,100
- VAT write off	10,357	1
- Foreign exchange (gain) / loss	(118)	88
- Bad debts written off	42	-
- Inventory write off	81	-
- Income tax deferred	(8,606)	(8,409)
- Income tax credit/(expense)	3,520	6,642
	61,154	54,925
add/(less) -		
Changes in assets & liabilities		
- (increase)/decrease in trade & other receivables	7,093	(6,423)
- (increase)/decrease in prepayments	3	(221)
- (increase)/decrease in inventories	1,484	4,753
- (decrease)/increase in trade & other payables	(16,340)	1,182
- (increase)/decrease in deferred taxes assets	-	(8,397)
- increase/(decrease) in deferred taxes liabilities	(4,211)	(12)
- increase/(decrease) in exploration & evaluation	-	(1,186)
Net cash provided by operating activities	49,183	44,621

23. NOTES TO STATEMENT OF CASH FLOWS (continued)

(c) Restricted Funds

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

(i) A rehabilitation fund of US$3,703,399 (2018: US$1,130,409) to be used at the end of life of mine for environmental rehabilitation.

(ii) An employee retirement fund of US$1,358,361 (2018: US$1,303,428) established to meet employee entitlements on retirement.

(ii) The Company has a provident fund of US$597,136 (2018: US$1,549,867) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

Total restricted funds amount to US$5,658,896.

24. 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 2019 the Company had a provision for credit loss of nil (2018: nil). Subsequent to 30 June 2019, 100% (2018: 100%) of the trade receivables balance of nil (2018: $3,852,000) has been received. Credit risk from balance with banks is managed by placing funds with reputable financial institutions with strong investment grade credit ratings.

24. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial Risk Management Policies (continued)

(ii) Financial risk exposures and management (continued)

Foreign currency risk

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

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

(b) Financial instruments

(i) Financial instrument composition and maturity analysis

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

Consolidated Group	Weighted average Effective interest		Floating interest rate		Within 1 Year		Within 1 to 5 Years		Non-Interest Bearing		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(%)		(US$000)									
Financial Assets												
Cash & cash equivalent	0.16	0.17	10,412	10,002	-	-	-	-	7,697	1,196	18,109	11,198
Loans and receivables	-	-	-	-	-	-	-	-	-	5,151	-	5,151
			10,412	10,002	-	-	-	-	7,697	6,347	18,109	16,349
Financial Liabilities												
Financial liabilities at amortised cost												
Bank Loan - Current	6.29	3.65	-	-	6,679	6,335	-	-	-	-	6,679	6,335
Bank Loan - Non-current	7.89	3.50	-	-	-	-	150	170	-	-	150	170
Trade & sundry payables	-	-	-	-	-	-	-	-	14,379	24,797	14,379	24,797
			-	-	6,679	6,335	150	170	14,379	24,797	21,208	31,302

	Consolidated	
	2019	**2018**
	US$000	US$000
Receivables are expected to be collected as follows:		
Less than 6 months	-	5,151
6 months to 1 year	-	-
	-	5,151

As at 30 June 2019 and 2018, all receivables were neither past due nor impaired.

Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	14,379	24,797

24. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial Instruments (continued)

(ii) Net fair values

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

(iii) Sensitivity analysis

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

Interest Rate Sensitivity Analysis

At 30 June 2019, 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	
Change in profit/(loss) before income tax/equity	2019 US$000	2018 US$000
- increase in interest rate by 100 basis points	116	90
- decrease in interest rate by 100 basis points	(116)	(90)

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 2018 and 2019 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$
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
2018				
Functional currency of Group Entity				
Australian Dollar	-	531	-	531
US Dollar	-	-	128	128
Philippine Peso	-	3,420	-	3,420
Total	-	3,951	128	4,079

	Consolidated	
Change in profit/(loss) before income tax/equity:	2019 US$000	2018 US$000
- strengthening of A$ to US$ by 15%	(757)	(69)
- strengthening of Philippine Peso to US$ by 15%	(630)	(512)
Total	(1,387)	(581)
- weakening of A$ to US$ by 15%	757	69
- weakening of Philippine Peso to by 15%	630	512
Total	1,387	581

24. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial instruments (continued)

(iii) Sensitivity Analysis (continued)

Price risk sensitivity analysis

The policy of the Company is to sell gold at spot price and has not entered in hedging contracts. The Company's revenues were exposed to fluctuations in the price of gold. If the average selling price of gold of US$1,264 (2018: US$1,293) 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$13.045 million (2018: US$12.391 million). The above interest rate, foreign exchange rate and price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

	Consolidated	
	2019	**2018**
	US$000	US$000
25. 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	261	141
- 1 year or later and no later than 5 years	1,113	1,134
Total exploration commitments	1,374	1,275
(b) Operating lease expense commitments:		
Non-cancellable operating lease contracted for but not capitalised in the financial statements.		
The Group leases office premises an operating lease expiring in July 2019. Under the terms of the operating leases, the Group is provided with a right of renewal and the lessor has the right to increments in lease payments on an annual basis based on movements in the Consumer Price Index.		
These obligations are not provided in the financial report and are payable:		
- no later than 1 year	85	63
- 1 year or later and no later than 5 years	363	-
Total operating lease expense commitments	448	63
(c) Other contractual commitments:		
(iii) 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	1,437	54
- 1 year or later and no later than 5 years	1,013	214
Total other contractual commitments	2,450	268
(iv) 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	76	186
- 1 year or later and no later than 5 years	243	223
Total other contractual commitments	319	409

26. 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.

27. 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;

Peter Hepburn-Brown (retired from the Board on 03 September 2018).

Executive Directors -

Boyd Timler, Managing Director (retired from the Board on 06 July 2018); and

Raul Villanueva.

Executive Officers:

David McGowan (Chief Executive Officer);

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.

Key management personnel compensation:

	Consolidated	
	2019	**2018**
	US$000	US$000
Short term employee benefits	1,485	1,887
Post-employment benefits	53	74
Long-term benefits	6	6
Equity-settled share-based payments	-	226
Termination benefits	277	-
Total	1,821	2,193

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

28. EVENTS SUBSEQUENT TO REPORTING 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.

29. 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 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				
add:				
Interest revenue	-	-	282	282
Group revenue				129,602
Segment Result	9,329	(767)	1,789	10,351
Reconciliation of segment result to group result:				
add back:				
Gain on disposal of asset				
Other revenue				
Interest revenue	-	-	164	164
Forex realised	-	-	118	118
less:				
Depreciation	3,943	-	12	3,955
Amortisation	14,813	-	-	14,813
Exploration write off	1,601	-	87	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	-	-	(5,086)	(5,086)
Group profit/(loss)	40,172	(767)	(2,916)	36,489
Segment Assets	126,563	74	7,003	133,640
Reconciliation of segment asset to group assets:				
plus: 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				
plus: Deferred tax liabilities	778	-	-	778
Total group liabilities				28,325

29. SEGMENT INFORMATION (continued)

12 months to June 2018:	Mining	Exploration	Other	Total
	US$000	US$000	US$000	US$000
Segment Revenue	124,506	-	-	124,506
Reconciliation of segment revenue to group revenue				
add:				
Interest revenue				
Other	-	-	87	87
Group revenue				124,593
Segment Result	(163,426)	(65)	(5,524)	(169,015)
Reconciliation of segment result to group result:				
add back:				
Gain on disposal of asset				
Other revenue				
Interest revenue	-	-	87	87
Forex realised	-	-	88	88
less:				
Depreciation	3,684	2	17	3,703
Amortisation	25,530	-	-	25,530
Exploration write off	1,186	-	-	1,186
Impairment	81,100	-	-	81,100
Income tax expense	-	-	1,767	1,767
Group profit/(loss)	(51,926)	(63)	(3,565)	(55,554)
Segment Assets				
Reconciliation of segment asset to group assets:	106,418	79	2,367	108,864
plus: Deferred tax assets	10,059	-	-	10,059
Total group assets				118,923
Segment Liabilities	34,715	23	1,110	35,848
Reconciliation of segment liabilities to group liabilities				
plus: Deferred tax liabilities	232	-	-	232
Total group liabilities				36,080

Revenue and non-current assets by geographical region	Australia	Philippines	Hong Kong	Total
	US$000	US$000	US$000	US$000
12 months to June 2019:				
Segment Revenue	-	-	129,320	129,320
Non-Current Assets	697	67,651	-	68,348
12 months to June 2018:				
Segment Revenue	-	-	124,506	124,506
Non-Current Assets	127	53,816	-	53,943

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 2019, all of the Group's revenues depended on a single customer (2018:100%).

30. PARENT COMPANY INFORMATION

	2019 US$000	2018 US$000
Parent Entity:		
Current Assets	6,306	2,241
Total Assets	29,299	30,088
Current Liabilities	1,108	1,110
Total Liabilities	1,108	1,110
Net Assets	28,191	28,978
Issued capital	102,902	102,902
Option premium reserve	202	994
Foreign exchange reserve	11,894	11,894
Accumulated losses	(44,538)	(44,544)
Dividends paid	(42,269)	(42,269)
Total Equity	28,191	28,977
Profit/(Loss) for the year	(918)	(1,275)
Total Comprehensive Profit/(Loss)	(918)	(1,275)

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

31. 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 2019

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 2019 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 2019.

3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors

Andrew Teo
Chairperson

Dated the 30th day of August 2019

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Fax: +61 8 6382 4601
www.bdo.com.au

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2019, 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 2019 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 (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 the Group's Co-O mining operations (CGU) 30 June 2019

Key audit matter	How the matter was addressed in our audit
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). The carrying value of mine properties is impacted by various key estimates and judgements in particular: • Ore Reserves and estimates; • Amortisation rates; • Discount rate; • Assumed gold price; • Capitalisation of mining costs; and • Mine planning. 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. 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.	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: • 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; • 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 annual report for the year ended 30 June 2019, 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:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 62 to 74 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Medusa Mining, for the year ended 30 June 2019, 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

Neil Smith

Director

Perth, 30 August 2019

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 13 September 2019.

1. Shareholding

(a) Distribution of shareholders and shares

Distribution of shares		Number of shareholders	Total number of shares
1	- 1,000	1,215	544,019
1,001	- 5,000	1,282	3,407,306
5,001	- 10,000	476	3,651,267
10,001	- 100,000	603	18,367,073
100,001	- 1,000,000	79	20,068,647
1,000,000	and over	16	161,755,989
Total		**3,671**	**207,794,301**

The number of shareholdings held in less than marketable parcels is 770.

(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	(% held)
1. HSBC Custody Nominees (Australia) Limited	60,045,911	28.90
2. CITICORP Nominees Pty Limited	29,963,114	14.42
3. Merrill Lynch (Australia) Nominees Pty Limited <MLPRO A/C>	23,555,389	11.34
4. J P Morgan Nominees Australia Pty Limited	21,706,349	10.45
5. BNP PARIBAS Nominees Pty Ltd <IB AU NOMS RETAIL CLIENT DRP>	3,352,567	1.61
6. Amalgamated Dairies Limited	3,296,881	1.59
7. National Nominees Limited	3,051,653	1.47
8. Berne No 132 Nominees Pty Ltd <594138 A/C>	2,591,880	1.25
9. Neweconomy Com Au Nominees Pty Limited <900 ACCOUNT>	2,398,292	1.15
10. Mr Samuel Gonzales Afdal	2,260,000	1.09
11. CS Third Nominees Pty Limited <HSBC CUST NOM AU LTD 13 A/C>	2,077,496	1.00
12. Mr Carl Eric Holt + Mrs Lorraine Holt <Holt Super Fund A/C>	2,007,907	0.97
13. BNP PARIBAS NOMS PTY LTD <DRP>	1,920,392	0.92
14. Mr Peter Alfred Ternes	1,350,000	0.65
15. Merrill Lynch (Australia) Nominees Pty Limited (Equity Finance A/C)	1,154,103	0.56
16. Morgan Stanley Australia Securities (Nominee) Pty Limited (No 1 A/C)	1,024,055	0.49
17. Ozlexa Pty Ltd <Devin Family A/C>	1,000,000	0.48
18. National Nominees Limited <DB A/C>	970,488	0.47
19. Riverflow Pty Ltd <Greenfield SF A/C>	932,732	0.45
20. Piama Pty Ltd <FENA Superannuation Plan A/C>	850,000	0.41
Total: Top 20 holders of Ordinary Fully Paid Shares	**165,509,209**	**79.67**
Total: Remaining Holder Balance	**42,285,092**	**20.33**
Total: Ordinary Fully Paid Shares	**207,794,301**	**100.00**

(d) On market buy back

There is no current on-market buy back.

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	(%)
Ruffer LLP	31,045,518	14.94%
Arbiter Partners Capital Management LLP	29,851,761	14.36%
Mitsubishi UFJ Financial Group	11,087,707	5.34%

2. UNQUOTED EQUITY SECURITIES AND RESTRICTED SECURITIES

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

Type of securities held	Number	(%)
• 360,000 unquoted options (comprising of four (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.		
Persons holding 20% or more:		
Boyd Timler	360,000	100%
• 1,665,000 unquoted options (comprising of four (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.		
Persons holding 20% or more:		
David McGowan	500,000	30%
James Llorca	500,000	30%

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
Facsimile: +618 9474 1342
Email: admin@medusamining.com.au

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

Tenement Schedule (as at 30 June 2019)

Name	Tenement ID	Registered Holder	Company's Interest at		Royalty [1]	Area (hectares) at	
			30 June 2018	30 June 2019		30 June 2018	30 June 2019
Philippines:							
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	2,519
	EPA 00087-XIII [2]	PMC	100%	100%	-	87	87
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	EPS 00114-XIII	Salcedo/PMC	100%	100%	-	190	190
Australia:							
Mt Clark West	EPM 26008 [3]	Ellenkay	0%	0%	-	~2,000	~2,000
Hill 212	EPM 26217 [3]	Ellenkay	0%	0%	-	~2,000	~2,000

Notes:

(1) Royalties payable to registered holders, aside from the prescribed royalties' payable to the Philippine government and the indigenous people; and

(2) Awaiting approval and confirmation by MGB of area reduction; and

(3) Properties under an Earn-In-Agreement (ASX Announcement, 5 July 2018)

ABBREVIATIONS:

Tenement Types

MPSA	Granted Mineral Production Sharing Agreement	APSA	Application for Mineral Production Sharing Agreement
EP	Granted Exploration Permit	EPA	Application for Exploration Permit
EPM	Exploration Permit for Minerals (only in Qld, Australia)		

Registered Holders

PMC	Philsaga Mining Corporation		
BMMRC	Base Metals Mineral & Resources Corporation	Philex	Philex Gold Philippines Incorporated
Phsamed	Phsamed Mining Corporation	Das-Agan	Das-Agan Mining Corporation
Philcord	Mindanao Philcord Mining Corporation	Apmedoro	APMEDORO Mining Corporation
Corplex	Corplex Resources Incorporated	Salcedo	Neptali P. Salcedo
Ellenkay	Ellenkay Gold Pty Limited		

Royalty

NPI	Net Profit Interest	GSR	Gross Smelter Royalty
NSR	Net Smelter Royalty		