MEDUSA

MINING LIMITED

MEDUSA MINING LIMITED

ABN 60 099 377 849

and Controlled Entities

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2005

CONTENTS	PAGE

MEDUSA MINING LIMITED

ABN 60 099 377 849

DIRECTORS' REPORT

Your directors submit the financial report of the Economic Entity for the half-year ended 31 December 2005.

DIRECTORS

The names of Directors who held office during or since the end of the half-year:

Mr Kevin M Tomlinson	Non-Executive Chairman (appointed 3 October 2005)
Mr Geoffrey J Davis	Managing Director
Mr Edward S Mein	Non-Executive Director
Mr Simon K Cato	Non-Executive Director
Dr Jeffrey C Schiller	Non-Executive Director (resigned 31 January 2006)

REVIEW OF OPERATIONS

A summary of activities for the period is presented below:

1. PROJECTS

PHILIPPINES

In October 2004, the Company advised that it was proceeding to negotiate with the Principal Shareholders ("Shareholders") of Philsaga Mining Corporation ("Philsaga"), for the acquisition of Philsaga, a Philippines corporation which has been successfully mining profitable high grade gold ore from its Co-O Gold Mine and processing the ore at its Treatment Plant for the last five years.

The Company on 22 December 2004, announced that it had executed a Heads of Agreement ("HOA") with the Shareholders of Philsaga with respect to the sale of Philsaga (the "Philsaga Transaction"). Key terms and conditions of the Philsaga Transaction were formalised in an agreement executed on 19 February 2005.

Subsequent to year end and as a result of unavoidable delays associated with the satisfaction of the one remaining condition precedent ("CP"), the parties have agreed in principle to discuss and revise the original terms of the Philsaga Transaction upon resolution of the CP and the granting of a Mining Production Sharing Agreement ("MPSA") over the Co-O Gold Mine and which has a 25 year term able to be renewed. This will enable Medusa to conduct commercial full scale mining operations at the Co-O Gold Mine for a period of 25 years, renewable.

More recently, on 10 August 2005, Medusa executed a Lease and Option Agreement with Philsaga and its Shareholders to lease Philsaga's treatment plant and associated facilities ("Plant") and concurrently executed a separate Ore Supply Agreement with Philsaga to supply ore feed for the Plant. Details of both agreements are shown on page 7 of this report.

PHILSAGA TRANSACTION

The formal Share Purchase Agreement with the Principal Shareholders ("Shareholders") of Philsaga Mining Corporation was executed on 19 February 2005 and has been subject to Variation Agreements dated 4 April 2005, 11 April 2005 and 18 July 2005.

The Company is still awaiting the satisfaction of an outstanding Condition Precedent ("CP") and has agreed in principle with the principal shareholders of Philsaga to discuss and revise the original terms of the Share Purchase Agreement upon resolution of the CP and the granting of a Mining Production Sharing Agreement ("MPSA") on the Co-O Gold Mine.

The locations of the Company's projects in the Philippines are shown on Figure 1.

Figure 1: Locations of Philippines Projects

1. Background Information

Philsaga's assets are located in Central Eastern Mindanao in the Republic of the Philippines and are accessed by the national highway via an approximate 2.5 hour drive north of Davao City. Project areas and the Co-O mill site and mine are located on the eastern side of the highway and are accessible through a network of all weather gravel roads.

The project now comprises approximately 622 km^2 of tenements which cover approximately 70 km of strike length.

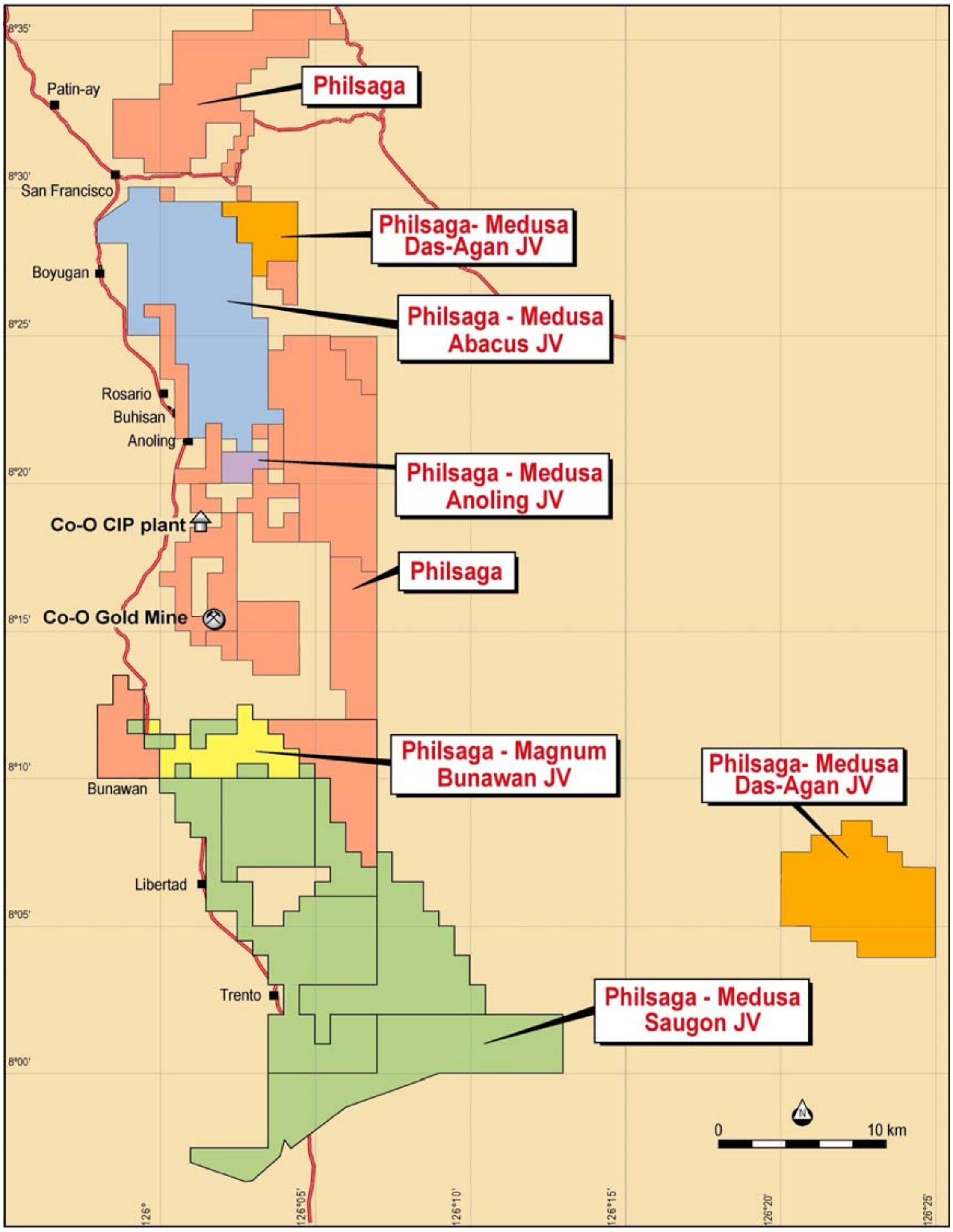

Figure 2: Regional tenement map

2. The Philsaga Assets

2.1 The Co-O Mine

The Co-O underground mine is developed on a series of low sulphide, epithermal quartz veins which strike west over a length of at least 600 metres and to date have been explored to a maximum depth of more than 200 metres from the surface and west of the Oriental Fault. The veins are open to the west and at depth, and have been extended by drilling to the east for 250 metres past the northerly trending Oriental Fault (Table I).

Table I: Summary of Co-O Vein Eastern Extensions Diamond Drilling Results

Hole	East	North	Azimuth	Dip	From	Intersection g/t Au
MD 1	613,862	912,907	75	46	164.60	NORTH: 1.20 metres @ 13.46
					178.00	CENTRAL: 1.65 metres @ 28.54
MD 2	613,948	912,850	23	53	199.40	NORTH: 2.60 metres @ 45.19
					221.60	CENTRAL:11.70 metres @ 21.30
MD 3	614,000	912,847	23	60	102.90	HW VEIN: 1.50 metres @ 9.91
					242.90	NORTH: 1.00 metres @ 0.64
					260.50	CENTRAL: 1.70 metres @ 5.85
MD 4	614,000	912,847	23	50	141.20	HW VEIN : 3.90 metres @ 12.35
					181.50	NORTH: 2.10 metres @ 1.70
					205.60	CENTRAL: 1.10 metres @ 8.63
MD 5	614, 060	912, 800	23	45	201.00	NORTH: 1.80 metres @ 1.77
					229.50	CENTRAL: 0.80 metres @ 3.41
MD 6	614,240	912,810	350	45	267.25	NORTH: 0.27 metres @ 3.81
					270.22	CENTRAL: 0.68 metres @ 6.47

True widths in holes MD 1 to 3 are currently estimated to be approximately 25 to 30% of the down hole widths and in MD 4 to 6 are estimated at approximately 25 to 35%.

Below the 3150 metre level where Philsaga commenced operations and which are now at the 3050 metre level, some of these veins coalesce into one vein which averages 2.5 to 3 metres in width and contains an average grade of +20 g/t Au.

Current resources in the mine are listed in Table II based on an 8 g/t Au lower cut and a 200 g/t Au upper cut.

Table II: Gold Resources for the Central Vein, Co-O Mine

Category	Tonnes	Au g/t	Au Oz
Indicated	110,000	32.2	114,000
Inferred	142,000	27.8	127,000
TOTAL	**252,000**	**29.7**	**241,000**

The information in this report that relates to Mineral Resources is based on information compiled by Ted Coupland and Rick Adams of Cube Consulting, who are Members of the Australasian Institute of Mining and Metallurgy. Ted Coupland and Rick Adams have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 1999 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Ted Coupland and Rick Adams consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Cube Consulting is an independent Perth based resource consulting firm specialising in geological modelling, resource estimation and Information Technology.

2.2 Infrastructure and facilities

The Carbon-in-Pulp ("CIP") Plant is BHP designed and built in 1988 and situated approximately 12 km north of the Philsaga's Co-O Gold Mine.

Power to the CIP Plant is supplied from the local grid with the high tension power line located approximately 150 metres from the plant. Back up diesel generators installed by a previous operator prior to the construction of the transmission line are operational and available.

The other associated facilities include administration offices and assay laboratory, a warehouse, mechanical and machine shops, messing and accommodation facilities and geological offices and core storage facilities.

LEASE AND OPTION AGREEMENT TO ACQUIRE THE CO-O PLANT

Under the terms of the Lease and Option agreement executed on 5 August 2005 between Medusa and Philsaga, Philsaga has agreed to provide Medusa with a 3 year Lease and Option to acquire Philsaga's treatment plant and associated facilities.

1. Lease and Option Agreement

The Lease and Option Agreement will enable Medusa to process ore and produce gold to generate cash flow and includes the right to acquire the Plant at anytime during the 3 year period.

A summary of the key terms of the Lease and Option Agreement include the following:

- Medusa to make a payment of A$2,000,000;
- Medusa to provide A$1,000,000 for the contractors to purchase equipment for the provision of services to the mine;
- Medusa has a 3 year lease of the Plant with an option to acquire the Plant anytime during the period; and
- A company associated with the Principal Shareholders of Philsaga and Philsaga will project manage all aspects of the Plant operations on a cost plus 15% basis.

2. Ore Supply Agreement

Under an Ore Supply agreement between Medusa and Philsaga, Philsaga has agreed to provide a minimum of 2,000 tonnes per month of ore feed for the Plant for a 3 year period at cost plus 15%.

Philsaga have advised that mine development is on schedule to provide a major step up of ore production at the end of June-early July commensurate with completion of the first mill upgrade and anticipated step up of the annualised gold production to approximately 40,000 ounces.

For the three months to 31 December 2005, Philsaga supplied 5,476 tonnes of development ore (at an average of 76 tonnes per day) to the Co-O Plant at an average recovered grade of 12.3 g/t Au. Production was disrupted in December 2005 by the Christmas break. The ore was derived predominately from development of drives along veins in preparation for stoping operations the first of which are scheduled to commence during the next quarter with the daily production rate anticipated to rise above 100 tpd.

3. Gold Production

The Co-O Plant produced 2,323 ounces of gold at an average cash cost of approximately US$250 per ounce, generating gross income of approximately US$1.14 million.

As production rises and stoping commences, the cost per ounce is expected to reduce significantly.

4. Benefits associated with the Lease and Option Agreement

Completion of the transaction will give Medusa the following benefits:

- immediate cash flow from the completion date of the transaction;
- control of a profitable Plant that will treat high grade ore from the Co-O Mine and potentially other ore sources;
- milling facilities which can be expanded as and when required depending on production increases;
- an increasing gold production profile during 2006; and
- access to an existing skilled workforce, management and infrastructure that are working effectively and co-operatively with local communities.

5. Completion

The transaction was not subject to any mandatory and regulatory approvals, and settlement of the transaction was effected on 27 September 2005.

SAUGON GOLD-SILVER PROJECT (Medusa 50%)

Work during the period has comprised data compilation and reconnaissance field work.

PANAON GOLD PROJECT (Divesting 50%)

1. Background

Medusa and Philsaga, via an incorporated joint venture have signed a Mines Operating Agreement ("MOA") with Vulcan Industrial and Mining Corporation ("Vulcan"), a company listed on the Philippines Stock Exchange, on the following key terms and conditions:

- that the Medusa group will operate the Panaon Gold Project ("Project") and provide Vulcan with a 3% Net Refinery Return royalty on gold and silver if the resource is less than 2 million ounces and 4% if the resource is greater than 2 million ounces;
- that the Medusa group will pay Vulcan a signing fee of US$10,000 and a further US$10,000 as an advance against future royalties; and
- Vulcan has the right to buy back 20% of the Project when it has achieved continuous production of 100 tonnes per day for a period of 3 months. To acquire the equity, Vulcan will pay a 100% premium on the pro-rata project expenditure to that date.

The Project is located on Panaon Island (Fig. 1) in Southern Leyte, immediately north of Surigao City which is accessible by domestic flights from Manila. Access from Surigao City is by passenger boat for 1 to 2 hours or by drive-on drive-off inter-island ferry.

The Project consists of Exploration Permit EP-2005-000004-VIII which was granted on 5 March 2005 totalling 1,646 hectares. Geologically the Project is part of the northern Surigao district mineralization. The gold mineralization on Panaon Island was discovered during Spanish times and subsequently mined by the Americans pre-World War II and by several Filipino groups since World War II.

The main veins discovered are located at Pinut-an, Bituon and Habay. The Pinut-an veins are the main veins mined to date. Detailed production records are yet to be located.

2. Project geology

The Project consists of high grade epithermal veins hosted by andesitic porphyries intercalated with volcanic pyroclastics. The island is confined east and west by branches of the Philippine Rift Fault which have sculptured the elongated topography of the island.

At Pinut-an, the epithermal veins are confined to the eastern side of the island where the vein system consists of five major zones with strike lengths up to 1 km. Records indicate that the most productive veins have an E-W orientation. Several adits of up to 300 metres in length, cross-cuts and other drives are indicated on old plans which have to be verified through re-opening, mapping and sampling.

The Pinut-an veins are associated with an alteration area of approximately 5 km^2. Stream sediment sampling carried out over an area of 200 km^2 in early 2003 by the government to government Korean-Filipino joint venture team detected anomalous values in the Pinut-an, Bituon and Habay Fault areas. No further follow-up work appears to have been undertaken.

At Bituon, 5 E-W veins were sporadically mined but the mining was not developed to the same level as at Pinut-an. However the potential of these veins at this stage is thought to be similar to those at Pinut-an.

3. Work completed

Philsaga has commenced rehabilitation of the main access adit which is approximately 300 metres deep. Work has progressed to a depth of 250 metres and rail has been laid almost to the face, with further rail laid along some of the cross-cuts.

Once the adit rehabilitation is completed as well as some of the cross-cuts, it and all other accessible openings will be systematically mapped and sampled in preparation for an underground drilling program and additional exploration.

4. Joint Venture

On 28 September 2005, Goldsearch Limited ("Goldsearch") announced that they had signed a conditional Heads of Agreement with Medusa and its controlled Filipino entities under which Goldsearch will fund the first US$1 million of expenditure to earn a 50% interest in the project. Goldsearch has subsequently advised it anticipates that the Heads of Agreement will be unconditional shortly.

BARLO COPPER-GOLD-ZINC PROJECT (Option to acquire 33.33%)

1. Background

Barlo Mine is located approximately 320 km by road northwest of Manila (Fig. 1) and approximately 170 km north of Subic Bay and Olongapo being a 5 to 6 hour drive on bitumenised highways.

The prospect is located approximately 44 km north of Candaleria, and then approximately 10 km inland in a north-easterly direction from Dasol which is 27 km north from Santa Cruz. The mine site is located approximately 6 km inland, such that the China Sea is visible from the former treatment plant site. All weather access to the mine area from Dasol is initially on concreted and then gravelled roads.

2. Current Status

The Company is awaiting the outcome of an appeal to the Office of the President to resolve outstanding tenement issues.

ABACUS PROJECT

The MOA with Abacus Consolidated Resources and Holdings Inc**.** covers Exploration Permit ("EP") application number 000028-XIII situated in Agusan del Sur province in east Mindanao to the north of the Co-O mine and mill site as shown on the accompanying map. The EP covers approximately 8,100 hectares (81 km^2) and covers extensions of the favourable geology found further to the south.

The key terms of the Abacus MOA are:

- The agreement is subject to completion of due diligence by Medusa within 30 days of 17 November 2005 before becoming unconditional;
- Medusa will pay to Abacus a 3% gross royalty on all production from the tenement;
- Medusa will pay an advance against the royalty of Php500,000 (approximately A$12,500);
- Medusa will pay outstanding Occupation Fees and Annual Work Obligations of approximately A$60,000; and
- Medusa is responsible for all costs incurred to progress the EP application to granting.

ANOLING PROJECT

The MOA with Alcorn Gold Resources Inc. covers Mining Production Sharing Agreement ("MPSA") application number 039-XIII situated in the Agusan del Sur province in east Mindanao to the north of the Co-O mine and mill site as shown on Figure 2. The MPSA comprises approximately 405 hectares (4.05 km^2) and covers mineralised extensions of the favourable geology found further south.

The key terms of the Anoling MOA are as follows:

- Medusa will pay Alcorn a 5% gross royalty on all production from the tenement to be shared with other parties to the MOA;
- Medusa will issue Alcorn or its nominee the equivalent of 3 million pesos (approximately A$75,000) in Medusa shares converted at a discount rate of 10 % to market, to reimburse Alcorn for past expenses;
- In addition, Medusa will pay Alcorn a 10 % Net Profit Interest, capped at 11 million pesos (approximately A$275,000) as further reimbursement of exploration expenses;
- Medusa will be required to spend a minimum of US$50,000 in year 1 and US$100,000 in year 2;
- Medusa will pay the underlying claim owner a gross royalty of 3 % on all production from the tenement; and
- Medusa will be responsible for all costs incurred to progress the MPSA application to granting.

AUSTRALIA

BRAEMORE PROJECT (Optioned)

During the period, the Company's joint venture partner Teck Cominco Australia Pty Ltd completed a program of RAB drilling followed by 5 RC holes, with limited success.

KURNALPI and ANTI DAM PROJECTS (Medusa 100% and 90% respectively)

During the period, the Company assessed the data generated from its previous joint venture with Newcrest Operations Limited and sought a new partner for the project.

The Company has agreed to the terms of an option to purchase these projects from a third party and is awaiting receipt of the agreement.

RELINQUISHED PROJECTS

During the period, the Company also assessed and relinquished the following projects:

- **Dizon Project, Philippines**

  The Company completed a detailed metallurgical test work program on the Dizon tailings consisting of 110 million tonnes of material with a calculated head grade of 0.33 g/t Au. The test work indicated that cyanidation of the whole of the tailings was the only viable treatment option after exhaustive testing showed that the abundant free gold was too fine to be concentrated by physical methods. The cyanide extraction test work results were reviewed by an independent consultant with considerable tailings treatment experience. The conclusions of the consultant were that the project was marginal at current gold prices and that, in his opinion, few options existed for increasing its viability.

  The Company advised the ASX on 29 July 2005 that it had withdrawn from the project.

- **BacTech Joint Venture, Australia**

  In September 2005, the Company and Independent Metallurgical Laboratories ("IML") jointly, in an agreement with BacTech Mining Corporation ("BacTech"), secured BacTech's Technology Licence for use in countries in which BacTech has not previously granted exclusive use of the technology in return for the forgiveness of debt owed to Medusa and IML by BacTech.

  As part of the above agreement, BacTech has withdrawn from its 3 year exclusivity arrangement with Medusa for the Philippines.

CORPORATE

The Company on 12 August 2005, lodged a prospectus with ASIC and the ASX, seeking to raise approximately A$6 million via a non-renounceable Rights Issue ("Issue") of approximately 10 million ordinary shares at an issue price of 60 cents per share on the basis of 1 new ordinary share for every 4 ordinary shares held. In addition, for every 4 shares subscribed for in the Issue, there would be an entitlement of 1 free option exercisable at 20 cents with an expiry date of 31 January 2007.

The funds raised under the Issue was used to provide the cash consideration of A$3 million that was required to complete the Lease and Option Agreement with Philsaga Mining Corporation in respect of Philsaga's Treatment Plant and associated facilities (as detailed on page 7 of this report) and also to provide working capital for the Company's other exploration projects and general overheads.

Medusa raised a total of A$6,113,606 (before any issue and underwriting expenses) from the Issue and allotted 10,189,343 new ordinary shares and 2,547,336 new options exercisable at 20 cents with an expiry date of 31 January 2007 in the process.

In addition, the Company in September 2005 placed a further 2,342,440 ordinary shares (on the same terms and conditions as the Issue) at 60 cents per share to clients of State One Stockbroking ("Placees") to raise $1,405,464 (before any issue expenses). The Placees also received at no cost 585,610 listed 20 cent options expiring 31 January 2007.

2. EVENTS SUBSEQUENT TO BALANCE DATE

- On 23 January 2006, Medusa advised the ASX that it had received notification from Philsaga that the Mines and Geosciences Bureau had granted to Philsaga, **Special Mining Permit** ("**SMP**") number 05-2006 covering the Co-O Gold Mine (Fig. 2) while waiting for approval of its Mineral Production Sharing Agreement (MPSA) application denoted as APSA No. 000084-XIII.

  The SMP is independent and mutually exclusive of the MPSA and on grant of the MPSA will be replaced by the MPSA.

  The SMP, which has identical terms and conditions to an MPSA, enables Philsaga to conduct commercial full scale mining operations at the Co-O Gold Mine for a period of one year and renewable for like period.

  Philsaga has commenced the development required for full scale mining operations at the Co-O Gold Mine to provide the ore feed to the Co-O Plant that is leased by Medusa.

  The grant of the SMP is an extremely important and positive development for Philsaga which will enable and allow the mining and milling activities of the Co-O operations to be conducted without any hindrance from third parties.

- In January 2006, Teck Cominco Australia Pty Ltd advised they have withdrawn from the Braemore Project.

- On 25 January 2006, Medusa announced to the ASX that, in conjuction with partner Philsaga Mining Corporation (the "Medusa Group") it had signed a Joint Venture Agreement ("JVA") over the former Lacandola Gold Mine on Masapelid Island (the "Masapelid Project") with Metals Exploration Plc ("MEP"), a company listed on the London Alternative Investment Market ("AIM") and who has a purchase agreement with the Masapelid Project owner.

  Medusa has the right to earn an 84% interest in the Masapelid Project that is covered by granted Mineral Production Sharing Agreement No. 004-91-XIII.

  The JVA provides for:

  - the Medusa Group to operate the Masapelid Project and earn an 84% interest by expending the first US$1M and completing the purchase of the Masapelid Project.
  - the purchase of the Masapelid Project in shares and cash will be shared 84% by Medusa and 16% by MEP as follows:

  (i) on or before 27 February 2006, a payment of US$25,000 cash and the issue of a number of shares determined to be equivalent to the value of 250,000 MEP shares with the value per share to be determined as the average price for the 5 days of trading on AIM preceding 24 January 2006;

  (ii) on or before 27 January 2007, a payment of US$25,000 cash and the issue of 250,000 shares; and

  (iii) on or before 27 January 2008, a payment of US$30,000 cash and the issue of 500,000 shares.

  - on completion of the expenditure of US$1 million, MEP has the right to choose to contribute to 16% of the on-going expenditure or dilute to a 10% Net Profit Interest (in which case Medusa would own 100% of the Masapelid Project); and

  On commencement of production, the project owner will receive a 1.5% Net Smelter Royalty.

- Dr Jeffrey Schiller, tendered his resignation as a Non-Executive Director of the Company on 31 January 2006.

- The Company on 8 February 2006, announced that it had entered into an Option to Purchase Agreement for the Kurnalpi and Anti Dam projects with an unlisted public company on the following terms:

  - Receipt of $15,000 on execution of Agreement;
  - The Purchaser has to complete an Initial Public Offer within 12 months at which time Medusa will receive a cash payment of $50,000 and the issue of listed shares to the value of $250,000.

- Medusa on 23 February 2006, advised that it had through its Filipino subsidiaries and in joint venture with Philsaga Mining Corporation, signed a Mines Operating Agreement ('MOA") with private vendors of the Das-Agan Project that covers Mining Production Sharing Agreement application ("APSA") number 000024-XIII situated in Surigao del Sur province in east Mindanao, consisting of two parcels, one to the north and one to the south-east of the Co-O mine and mill site as on Figure 2.

  Medusa is acquiring the rights to 100% of the project for which the vendors will receive a 3% gross royalty on all metals produced and re-imbursement of expenses totalling Php12M (approximately A$318,000) with the issue of 601,367 shares based on an average price of $0.53 and issued in four equal tranches of 150,417 shares over a period of at least two years.

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

3. ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

4. AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations At 2001 is set out on page 13 for the half-year ended 31 December 2005.

This report is signed in accordance with a resolution of the Board of Directors.

____
Geoffrey J Davis
Managing Director

Dated this 15th day of March 2006.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MEDUSA MINING LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2005 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct In relation to the review.

BENTLEYS MRI PERTH PARTNERSHIP

JW VIBERT
Partner

15th March 2006

CONDENSED INCOME STATEMENT
for the half-year ended 31 December 2005

	Note	Economic Entity	
		31 Dec 2005	**31 Dec 2004**
Revenues from ordinary activities		1,603,816	81,563
Total Revenue		1,603,816	81,563
Cost of sales		(793,742)	-
Depreciation & amortisation expense		(255,372)	(1,038)
Employee benefits expense		(357,440)	(38,474)
Exploration expenditure written off		(119,718)	-
Foreign exchange gain/(loss)		242,370	(60,641)
Administration expense		(423,338)	-
Other expenses from ordinary activities		(222,965)	(174,988)
Share of net loss of joint venture accounted for using the equity method		(47,069)	(494)
Recognition of share based payments expense		(223,250)	-
Loss before income tax expense		(596,708)	(194,072)
Income tax expense		-	-
Net loss for the period		(596,708)	(194,072)
Overall operations:			
Basic loss per share (cents per share)		(0.013)	(0.005)
Diluted loss per share (cents per share)		(0.007)	(0.003)

The accompanying notes form part of these financial statements.

MEDUSA MINING LIMITED

ABN 60 099 377 849

CONDENSED BALANCE SHEET
as at 31 December 2005

	Note	Economic Entity 31 Dec 2005	Economic Entity 30 Jun 2005
CURRENT ASSETS			
Cash & cash equivalents		1,973,967	330,585
Trade & other receivables		1,641,665	114,722
Prepayments		17,796	26,227
TOTAL CURRENT ASSETS		3,633,428	471,534
NON-CURRENT ASSETS			
Investments accounted for using the equity method		477,904	473,395
Property, plant & equipment		2,992,766	61,821
Exploration, evaluation & development expenditure		4,144,747	2,631,394
TOTAL NON-CURRENT ASSETS		7,615,417	3,166,610
TOTAL ASSETS		11,248,845	3,638,144
CURRENT LIABILITIES			
Trade & other payables		882,014	213,013
Short term provisions		34,822	5,019
TOTAL CURRENT LIABILITIES		916,836	218,032
TOTAL LIABILITIES		916,836	218,032
NET ASSETS		10,332,009	3,420,112
EQUITY			
Issued capital	8	12,545,628	5,260,273
Reserves	9	876,141	652,891
Accumulated losses		(3,089,760)	(2,493,052)
TOTAL SHAREHOLDERS' EQUITY		10,332,009	3,420,112

The accompanying notes form part of these financial statements.

MEDUSA MINING LIMITED

ABN 60 099 377 849

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 DECEMBER 2005

	Share capital Ordinary	Accumulated Losses	Option Reserve	Total
Balance at 01.07.2004	3,776,510	(821,136)	276,516	3,231,890
Shares issued during the period	1,385,263	-	-	1,385,263
Loss attributable to members of parent entity	-	(194,073)	-	(194,073)
Share options issued during the period	-	-	5,875	5,875
Sub-total	5,161,773	(1,015,209)	282,391	4,428,955
Dividends paid or provided for	-	-	-	-
Balance at 31.12.2004	5,161,773	(1,015,209)	282,391	4,428,955
Balance at 01.07.2005	5,260,273	(2,493,053)	652,891	3,420,111
Shares issued during the period	7,285,356	-	-	7,285,356
Share options issued during the period in accordance with AASB 2 - Share Based Payments	-	-	223,250	223,250
Loss attributable to members of parent entity	-	(596,708)	-	(596,708)
Sub-total	12,545,629	(3,089,760)	876,141	10,332,009
Dividends paid or provided for	-	-	-	-
Balance at 31.12.2005	12,545,629	(3,089,760)	876,141	10,332,009

The accompanying notes form part of these financial statements.

MEDUSA MINING LIMITED

ABN 60 099 377 849

CONDENSED CASH FLOW STATEMENT
for the half-year ended 31 DECEMBER 2005

		Economic Entity	
	Note	**31 Dec 2005**	**31 Dec 2004**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	(a)	1,307,448	-
Payments to suppliers and employees	(a)	(1,828,336)	(1,284,702)
Interest received		44,544	40,986
Net cash (used in) operating activities		(476,344)	(1,243,716)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(39,143)	(31,392)
Payments for exploration expenditure and tenements		(2,050,428)	(50,000)
Payment for Philsaga lease		(3,000,000)	-
Payments relating to Philsaga transactions		(50,539)	-
Net cash (used in) investing activities		(5,140,110)	(81,392)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		7,653,580	1,312,065
Transaction costs from issue of shares		(411,861)	(88,550)
Net cash provided by financing activities		7,241,719	1,223,515
Net increase/(decrease) in cash held		1,625,265	(101,593)
Cash at beginning of period		330,585	1,842,148
Exchange rate adjustments		18,117	(27,488)
Cash at end of period		1,973,967	1,713,067

Note (a)

Included in payments to suppliers and employees are funds advanced by the economic entity to a third party mining contractor to cover the costs of mining operations in the Philippines.

Receipts from the sale of product from the mining operations are received by this third party and also treated as advances to cover the costs of mining operations.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 DECEMBER 2005

Note 1: Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by Medusa Mining Limited ("Medusa") and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

As this is the first interim financial report prepared under Australian equivalents in International Financial Reporting Standards (AIFRS), the accounting policies are inconsistent with those applied in the June 2005 Annual Report as this report was presented based on Australian Accounting Standards applicable before 1 January 2005 (AGAAP). Accordingly, a summary of the significant accounting policies under AIFRS has been included below. A reconciliation of equity and profit and loss between AGAAP and AIFRS has been prepared as per Note 2.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

(a) Principles of consolidation

A controlled entity is any entity controlled by Medusa, whereby Medusa has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Parent Entity.

Where controlled entities have entered or left the Economic Entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Economic Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Plant and equipment

Each class of plant and equipment are carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of fixed asset	*Depreciation method*	*Deprecation rate (%)*
- Plant and equipment	Straight line	20.0% to 33.0%
- Office furniture and fittings	Straight line	7.5% to 20.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration, evaluation and development expenditure

Exploration, evaluation and development costs incurred are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

(f) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these *instruments are measured as set out below.*

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also recognised as held for trading unless they are designated as hedges. Realised and recognised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Interests in joint ventures

The Economic Entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position.

The Economic Entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(h) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

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 income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognized in equity, otherwise the exchange difference is recognised in the income statement.

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.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(i) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(j) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

(k) Cash

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

(l) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax.

(m) 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 Australian Tax Office. 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 in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Segment reporting

Segment revenues and expenses are those directly attributable to the segments and include any joint venture revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consists principally of cash, receivables, other financial assets, property, plant and equipment, net of allowances and accumulated depreciation and mineral properties. Segment liabilities consists principally of accounts payable and provisions.

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns.

The geographical segments reported are, Australia and the Philippines.

(o) Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the net profit or loss attributable to members of the parent entity 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.

(p) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Note 2:

First-time adoption of Australian Equivalents to International Financial Reporting Standards

Reconciliation of Equity at 01 July 2004

	Note	Economic Entity		
		Previous AGAAP at 01.07.2004	Adjustments on introduct'n of Australian equivalents to IFRS	Australian equivalents to IFRS at 01.07.2004
CURRENT ASSETS				
Cash & cash equivalents		1,842,148	-	1,842,148
Trade & other receivables		46,577	-	46,577
Other current assets		25,712	-	25,712
TOTAL CURRENT ASSETS		1,914,437	-	1,914,437
NON-CURRENT ASSETS				
Property, plant & equipment		27,581	-	27,581
Exploration, evaluation & development expenditure		1,593,023	-	1,593,023
TOTAL NON-CURRENT ASSETS		1,620,604	-	1,620,604
TOTAL ASSETS		3,535,041	-	3,535,041
CURRENT LIABILITIES				
Trade & other payables		301,375	-	301,375
Short term provisions		1,776	-	1,776
TOTAL CURRENT LIABILITIES		303,151	-	303,151
TOTAL LIABILITIES		303,151	-	303,151
NET ASSETS		3,231,890	-	3,231,890
EQUITY				
Issued capital		3,776,510	-	3,776,510
Reserves	2(a)	153,096	123,420	276,516
Accumulated losses	2(a)	(697,716)	(123,420)	(821,136)
TOTAL SHAREHOLDERS' EQUITY		3,231,890	-	3,231,890

Note 2:

First-time adoption of Australian Equivalents to International Financial Reporting Standards

	Note	Economic Entity		
		Previous AGAAP at 31.12.2004	**Adjustments on introduct'n of Australian equivalents to IFRS**	**Australian equivalents to IFRS at 31.12.2004**
Reconciliation of Equity at 31 December 2004				
CURRENT ASSETS				
Cash & cash equivalents		1,713,067	-	1,713,067
Trade & other receivables		73,589	-	73,589
Other current assets		16,692	-	16,692
TOTAL CURRENT ASSETS		1,803,348	-	1,803,348
NON-CURRENT ASSETS				
Property, plant & equipment		57,935	-	57,935
Intangible assets		315,919	-	351,919
Exploration, evaluation & development expenditure		2,495,519	-	2,495,591
TOTAL NON-CURRENT ASSETS		2,869,373	-	2,869,373
TOTAL ASSETS		4,672,721	-	4,672,721
CURRENT LIABILITIES				
Trade & other payables		241,837	-	241,837
Short term provisions		1,929	-	1,929
TOTAL CURRENT LIABILITIES		243,766	-	243,766
TOTAL LIABILITIES		243,766	-	243,766
NET ASSETS		4,428,955	-	4,428,955
EQUITY				
Issued capital		5,161,773	-	5,161,773
Reserves	2(a)	158,971	123,420	282,391
Accumulated losses	2(a)	(891,789)	(123,420)	(1,015,209)
TOTAL SHAREHOLDERS' EQUITY		4,428,955	-	4,428,955

Note 2:

First-time adoption of Australian Equivalents to International Financial Reporting Standards

	Note	Economic Entity		
		Previous AGAAP at 30.06.2005	Adjustments on introduct'n of Australian equivalents to IFRS	Australian equivalents to IFRS at 30.06.2005
Reconciliation of Equity at 30 June 2005				
CURRENT ASSETS				
Cash & cash equivalents		330,585	-	330,585
Trade & other receivables		114,722	-	114,722
Other current assets		26,227	-	26,227
TOTAL CURRENT ASSETS		471,534	-	471,534
NON-CURRENT ASSETS				
Investments accounted for using the equity method		473,395	-	473,395
Property, plant & equipment		61,821	-	61,821
Exploration, evaluation & development expenditure		2,631,394	-	2,631,394
TOTAL NON-CURRENT ASSETS		3,166,610	-	3,166,610
TOTAL ASSETS		3,638,144	-	3,638,144
CURRENT LIABILITIES				
Trade & other payables		213,013	-	213,013
Short term provisions		5,019	-	5,019
TOTAL CURRENT LIABILITIES		218,032	-	218,032
TOTAL LIABILITIES		218,032	-	218,032
NET ASSETS		3,420,112	-	3,420,112
EQUITY				
Issued capital		5,260,273	-	5,260,273
Reserves	2(a)	158,971	493,920	652,891
Accumulated losses	2(a)	(1,999,132)	(493,920)	(2,493,052)
TOTAL SHAREHOLDERS' EQUITY		3,420,112	-	3,420,112

Note 2:

First-time adoption of Australian Equivalents to International Financial Reporting Standards

	Note	Economic Entity Previous AGAAP	Economic Entity Effect of transition to Australian equivalents to IFRS	Economic Entity Australian equivalents to IFRS
Reconciliation of Profit and Loss for the half-year to 31 December 2004				
Revenue		81,563	-	81,563
Employee benefits expense		(38,474)	-	(38,474)
Foreign exchange loss		(60,641)	-	(60,641)
Depreciation & amortisation expense		(1,038)	-	(1,038)
Other expenses		(175,482)	-	(175,482)
Loss before income tax		(194,072)	-	(194,072)
Income tax expense		-	-	-
Net loss		(194,072)	-	(194,072)
Reconciliation of Profit and Loss for the full year to 30 June 2005				
Revenue		61,428	-	61,428
Depreciation & amortisation expense		(8,160)	-	(8,160)
Directors' fees		(73,471)	-	(73,471)
Doubtful debts		(67,419)	-	(67,419)
Exploration and development expenses		(463,539)	-	(463,539)
Employee benefits expense		(85,593)	-	(85,593)
Insurance		(32,288)	-	(32,288)
Professional/consulting fees		(22,309)	-	(22,309)
Prospectus costs		(303,282)	-	(303,282)
Other expenses		(301,118)	-	(301,118)
Recognition of share based payments expense	2(a)	-	(370,500)	(370,500)
Share of net (loss) of joint venture accounted for using the equity method		(5,665)	-	(5,665)
Loss before income tax		(1,301,416)	(370,500)	(1,671,916)
Income tax expense		-	-	-
Net loss		(1,301,416)	(370,500)	(1,671,916)

Note 2(a)

Share-based payment costs are charged to the income statement under AASB 2 "Share-based Payment: but not under AGAAP"

	Economic Entity	
	31 Dec 2005	31 Dec 2004

Note 3: Changes in accounting policy

There has been no change in accounting policy since the last annual reporting date other than the impact of adopting AIFRS.

Note 4: Loss from ordinary activities

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	31 Dec 2005	31 Dec 2004
- Interest revenue	45,591	45,145
- Net foreign exchange gain	197,901	(24,223)
- Exploration expenses written off	(119,718)	(2,082)
- Gold sales	1,553,788	-
- Other income	5,500	-

Note 5: Dividends

No dividend was declared or paid by the Company since the last annual reporting date.

Note 6: Acquisition & disposal of subsidiaries and restructuring

The Company incorporated a 100% owned Philippines subsidiary - Mindanao Mineral Processing and Refining Corporation on 3 November 2005. The principal activity of the company is mineral processing and refining.

Note 7: Segment information

Primary reporting - geographical segment

	31 Dec 2005	31 Dec 2004
Segment revenue:		
- Australia	49,438	44,614
- Philippines	1,554,378	36,949
Total Revenue	1,603,816	81,563
Segment results - Profit/(loss):		
- Australia	(870,510)	(141,969)
- Philippines	273,802	(52,103)
Loss from ordinary activities	(596,708)	(194,072)

	Economic Entity	
	31 Dec 2005	**30 Jun 2005**
Note 8: Issued Capital		
Ordinary shares on issue (a)	12,545,628	5,260,273
(a)		
Opening balance	5,260,273	3,776,510
add -		
Shares issued during the period	7,285,355	1,483,763
	12,545,628	5,260,273

	31 Dec 2005	**30 Jun 2005**	**31 Dec 2005**	**30 Jun 2005**
Ord shares issued during the half-year:	**Shares**	**Shares**	**$**	**$**
Movements in ordinary shares on issue				
- Balance at beginning of the period	40,041,792	35,628,600	5,260,273	3,776,510
- Ordinary shares issued at $0.60 per share as per Rights Issue in Sep 2005	10,189,343	-	6,113,606	-
- Ordinary shares issued at $0.60 per share to clients of State One Stockbroking in Sep 2005	2,342,440	-	1,405,464	-
- Ordinary shares issued at $0.20 per share in lieu of consulting fees as part of a Rights Issue in Sep 2005	150,000	-	30,000	-
- Options converted to ordinary shares at $0.20 per share	715,580	453,450	143,115	90,690
- Ordinary shares issues at $0.40 per share as part of a Rights Issue in Jul 2004	-	1,175,000	-	470,000
- Ordinary shares issued at $0.36 per share to clients of Intersuisse in Sep 2004	-	1,200,000	-	432,000
- Ordinary (vendor) shares issued at $0.20 in Sep 2004	-	700,000	-	140,000
- Ordinary shares issued at $0.485 per share to clients of State One Stockbroking in Dec 2004	-	824,742	-	400,000
- Ordinary (vendor) shares issued at $0.20 per share - Feb 2005	-	60,000	-	12,000
- Issue costs	-	-	(406,829)	(60,927)
	53,439,155	40,041,792	12,545,629	5,260,273

	Economic Entity	
	31 Dec 2005	**30 Jun 2005**
Note 9: Option reserve		
Option reserve (a)	876,141	652,891
(a)		
Opening balance	652,891	276,516
add -		
Shares based payments	223,250	376,375
	876,141	652,891

Options to acquire ordinary shares:	**31 Dec 2005** Options	**30 Jun 2005** Options	**31 Dec 2005** $	**30 Jun 2005** $
Options issued during the half-year				
- Balance at beginning of the period	24,068,843	20,234,793	652,891	276,516
- Options converted to shares at $0.20 each	(715,580)	(453,450)	-	-
- Options issued pursuant to rights issue and placement	3,133,012	1,287,500	-	5,875
- Share based payments	1,050,000	3,000,000	223,250	370,500
	27,536,275	24,068,843	876,141	652,891

Note 10: Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 11: Events subsequent to balance date

- On 23 January 2006, Medusa advised the ASX that it had received notification from Philsaga that the Mines and Geosciences Bureau had granted to Philsaga, **Special Mining Permit** ("**SMP**") number 05-2006 covering the Co-O Gold Mine (Fig. 2) while waiting for approval of its Mineral Production Sharing Agreement (MPSA) application denoted as APSA No. 000084-XIII.

  The SMP is independent and mutually exclusive of the MPSA and on grant of the MPSA will be replaced by the MPSA.

  The SMP, which has identical terms and conditions to an MPSA, enables Philsaga to conduct commercial full scale mining operations at the Co-O Gold Mine for a period of one year and renewable for like period.

  Philsaga has commenced the development required for full scale mining operations at the Co-O Gold Mine to provide the ore feed to the Co-O Plant that is leased by Medusa.

  The grant of the SMP is an extremely important and positive development for Philsaga which will enable and allow the mining and milling activities of the Co-O operations to be conducted without any hindrance from third parties.

- In January 2006, Teck Cominco Australia Pty Ltd advised they have withdrawn from the Braemore Project.

- On 25 January 2006, Medusa announced to the ASX that, in conjuction with partner Philsaga Mining Corporation (the "Medusa Group") it had signed a Joint Venture Agreement ("JVA") over the former Lacandola Gold Mine on Masapelid Island (the "Masapelid Project") with Metals Exploration Plc ("MEP"), a company listed on the London Alternative Investment Market ("AIM") and who has a purchase agreement with the Masapelid Project owner.

  Medusa has the right to earn an 84% interest in the Masapelid Project that is covered by granted Mineral Production Sharing Agreement No. 004-91-XIII.

  The JVA provides for:

  - the Medusa Group to operate the Masapelid Project and earn an 84% interest by expending the first US$1M and completing the purchase of the Masapelid Project.
  - the purchase of the Masapelid Project in shares and cash will be shared 84% by Medusa and 16% by MEP as follows:
    (i) on or before 27 February 2006, a payment of US$25,000 cash and the issue of a number of shares determined to be equivalent to the value of 250,000 MEP shares with the value per share to be determined as the average price for the 5 days of trading on AIM preceding 24 January 2006;

    (ii) on or before 27 January 2007, a payment of US$25,000 cash and the issue of 250,000 shares; and

    (iii) on or before 27 January 2008, a payment of US$30,000 cash and the issue of 500,000 shares.
  - on completion of the expenditure of US$1 million, MEP has the right to choose to contribute to 16% of the on-going expenditure or dilute to a 10% Net Profit Interest (in which case Medusa would own 100% of the Masapelid Project); and

  On commencement of production, the project owner will receive a 1.5% Net Smelter Royalty.

- Dr Jeffrey Schiller tendered his resignation as a Non-Executive Director of the Company on 31 January 2006.

- The Company on 8 February 2006, announced that it had entered into an Option to Purchase Agreement for the Kurnalpi and Anti Dam projects with an unlisted public company on the following terms:

  - Receipt of $15,000 on execution of Agreement;
  - The Purchaser has to complete an Initial Public Offer within 12 months at which time Medusa will receive a cash payment of $50,000 and the issue of listed shares to the value of $250,000.

- Medusa on 23 February 2006, advised that it had through its Filipino subsidiaries and in joint venture with Philsaga Mining Corporation, signed a Mines Operating Agreement ('MOA") with private vendors of the Das-Agan Project that covers Mining Production Sharing Agreement application ("APSA") number 000024-XIII situated in Surigao del Sur province in east Mindanao, consisting of two parcels, one to the north and one to the south-east of the Co-O mine and mill site as on Figure 2.

  Medusa is acquiring the rights to 100% of the project for which the vendors will receive a 3% gross royalty on all metals produced and re-imbursement of expenses totalling Php12M (approximately A$318,000) with the issue of 601,367 shares based on an average price of $0.53 and issued in four equal tranches of 150,417 shares over a period of at least two years.

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 14 to 30:

   (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

   (b) give a true and fair view of the Economic Entity's financial position as at 31 December 2005 and of its performance for the half year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

____

Geoffrey J Davis
Managing Director

Dated this 15th day of March 2006.

MEDUSA MINING LIMITED

ABN 60 099 377 849

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF MEDUSA MINING LIMITED

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF MEDUSA MINING LIMITED

Scope

We have reviewed the financial report of Medusa Mining Limited (the company) for the half-year ended 31 December 2005 as set out on pages 14 to 31. The company's directors are responsible for the financial report. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity, comprising Medusa Mining Ltd and the entities it controlled during the half-year is not in accordance with:

a. the Corporations Act 2001, including:
   i. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance for the half-year ended on that date; and
   ii. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

b. other mandatory professional reporting requirements in Australia.

BENTLEYS MRI PERTH PARTNERSHIP

JW VIBERT
Partner

Dated this 15th day of March 2006
WEST PERTH, WA