MEDUSA

MEDUSA MINING LIMITED ANNUAL REPORT 2007

07 ANNUAL REPORT

AN EXPANDING GOLD PRODUCER IN THE PHILIPPINES

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CROCODILE ROCK!
OUTCROPPING BRECCIATED VEIN SOUTH-EAST CO-O

CORPORATE DIRECTORY

DIRECTORS

Mr Kevin Michael Tomlinson (Non-Executive Chairman)

Mr Geoffrey John Davis (Managing Director)

Mr Roy Philip Daniel (Finance Director)

Dr Robert Maurice Weinberg (Non-Executive Director)

COMPANY SECRETARY

Mr Roy Philip Daniel

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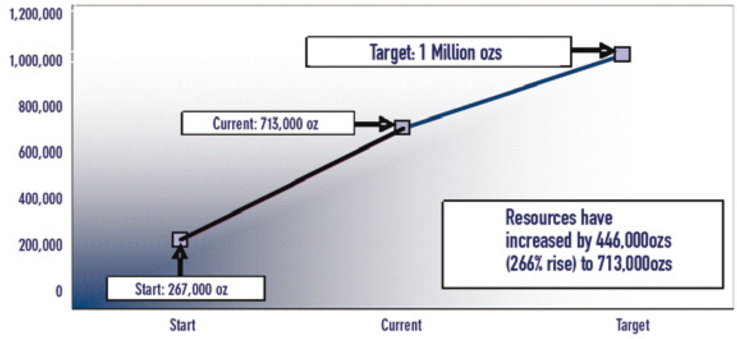
CHAIRMAN'S REVIEW

Fellow Shareholders

The last year has been one of tremendous development and achievement for the Company and one in which we have passed many milestones.

It is particularly significant that we have increased the resources by 266% for the Co-O Mine to 713,000 ounces at 10.9 g/t gold and the reserves by 272% to 256,000 ounces at 11.1 g/t gold.



The Company successfully listed on the Alternative Investment Market ("AIM") of the London Stock Exchange on 21 November 2006 which allowed us to complete the acquisition of Philsaga Mining Corporation ("Philsaga") on 4 December 2006. With the listing on AIM, several new large institutional and European investors were introduced to the register, and these new investors along with our long-standing shareholders continue to be very supportive of the Company's efforts.

The Company has overcome a number of obstacles which have held it back over the period since the original Philsaga Transaction was delayed in May 2005 by unsatisfied conditions precedent. The issue of tenure was finally resolved in February 2007 after earlier positive decisions in December 2006. In March 2007, we achieved a positive and final decision from the Supreme Court of the Philippines on the Picop case, thus confirming our mineral rights in a forestry licence. In some respects, even though the delay was painful at times it allowed us to continue to increase our tenement holdings adjacent to the Co-O project by adding approximately 120 km² (12,000 hectares) through contractual arrangements for a total landholding of greater than 820 km². We are now able to proceed to have mining licenses granted over our substantial tenement holdings.

During the year we also disposed of all of our Australian properties to become a Philippines focused explorer and gold producer.

In order to accelerate our exploration and growth, we raised gross proceeds of A$20.125 million in June 2007 to facilitate repayment of the Philsaga Transaction acquisition costs, to expand our efforts in the Co-O mine area and in particular to accelerate exploration of our substantial porphyry targets.

Since issuance of the mining title in January 2006 which triggered the commencement of mine redevelopment and despite bad ground conditions, encountering excessive water during shaft sinking and a severe landslide over the mine entrance in January 2007 (all of which delayed the commencement of commercial production), the mine finally became productive during the last quarter of the last financial year. Whilst not quite meeting the target ounces, it was extremely pleasing to see the cash costs reducing to circa US$200 per ounce, putting the Company near the bottom of the cash cost curve by comparison with other gold producers.

It is my opinion that the Co-O Mine will develop into one of the premier high grade mines in the world, exemplified by drill intersections such as 5.20 metres at 107.50 gpt, and many other plus one ounce intersections. This high grade obviously contributes to our low cash costs, and as the Company has had the objective of finding better deposits, not run-of-the mill deposits, I think you would have to agree that these grades confirm our objectives.

The exceptional Co-O Mine is located in a region which is now being demonstrated to have superb potential for many more gold deposits of various types, as well as a number of porphyry and related copper-gold deposits. In all my experience reviewing mines around the globe, this has to be one of the best mineralised 800 km² that I have seen anywhere. With the Tambis area, the Barobo Corridor, the Lingig porphyry discovery and a number of other gold and porphyry targets, the Company faces the issue of how to prioritise and manage so many targets. I think you would agree that this is a nice problem to have.

Philsaga has an enviable social responsibility record through the ownership of two schools, support for another seven, educational scholarships, and various other community support initiatives. Through these and the employment that the Company provides, we enjoy strong community support at all levels, and with this support we intend to expand our activities to new areas as new prospects are explored and ultimately, to put new mines into production.

The Company is well funded, above and beyond its robust cash flow, to undertake major exploration programmes. During the current year we are hopeful that we will be able to report a number of significant discoveries as well as a further expansion of the Co-O resource. I believe that we are at the beginning of the best year to date for the Company.

Lastly, on your behalf and our other non-executive Director, Rob Weinberg, I wish to thank our Executive Directors, Geoff and Roy for patiently putting the finishing touches to what is shaping up as a top class company. However, this would not have been possible without the close working relationships between them, Bill Phillips and Sammy Afdal who run the day to day operations in the Philippines. It is a very small and efficient operations group. And of course they would not be able to do their job without the enthusiastic support of the other plus 500 employees of the Company.

I am truly excited by the prospects that we have ahead of us and expect that the next year will see us developing the Co-O mine into areas with some very high grades and drilling some of the large porphyry systems that could see the company re-rated on a global scale.

Yours sincerely,

Kevin M Tomlinson
Chairman

REVIEW OF OPERATIONS

The Company achieved a number of key objectives during the year:

- Increased the resources by 266% for the Co-O Mine to 713,000 ounces at 10.9 g/t gold and the reserves by 272% to 256,000 ounces at 11.1 g/t gold;
- Listed on the Alternative Investment Market of the London Stock Exchange on 21 November 2006;
- Completed the acquisition of Philsaga Mining Corporation ("Philsaga") on 4 December 2006;
- Achieved a positive and final decision from the Supreme Court of the Philippines on the Picop case regarding tenement mineral rights in a forestry licence in March 2007;
- Continued to increase its tenement holdings adjacent to the Co-O project by adding approximately 120 km² (12,000 hectares) through contractual arrangements to a total landholding of approximately 820 km² ; and
- Disposed of all the Australian properties to become a Philippines focused gold producer and explorer.

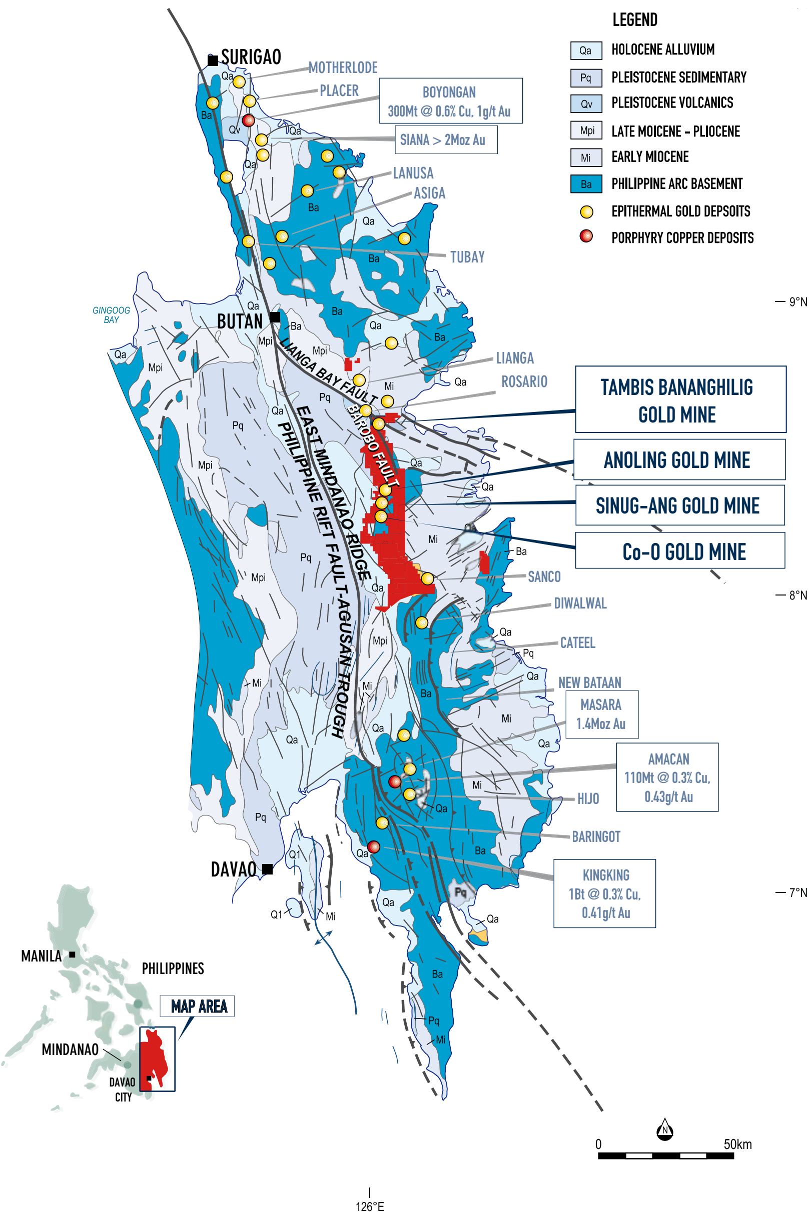


FIGURE 1:
LOCATIONS OF THE PHILIPPINES PROJECTS

The Company has now consolidated in excess of 800 km² of contiguous tenements.

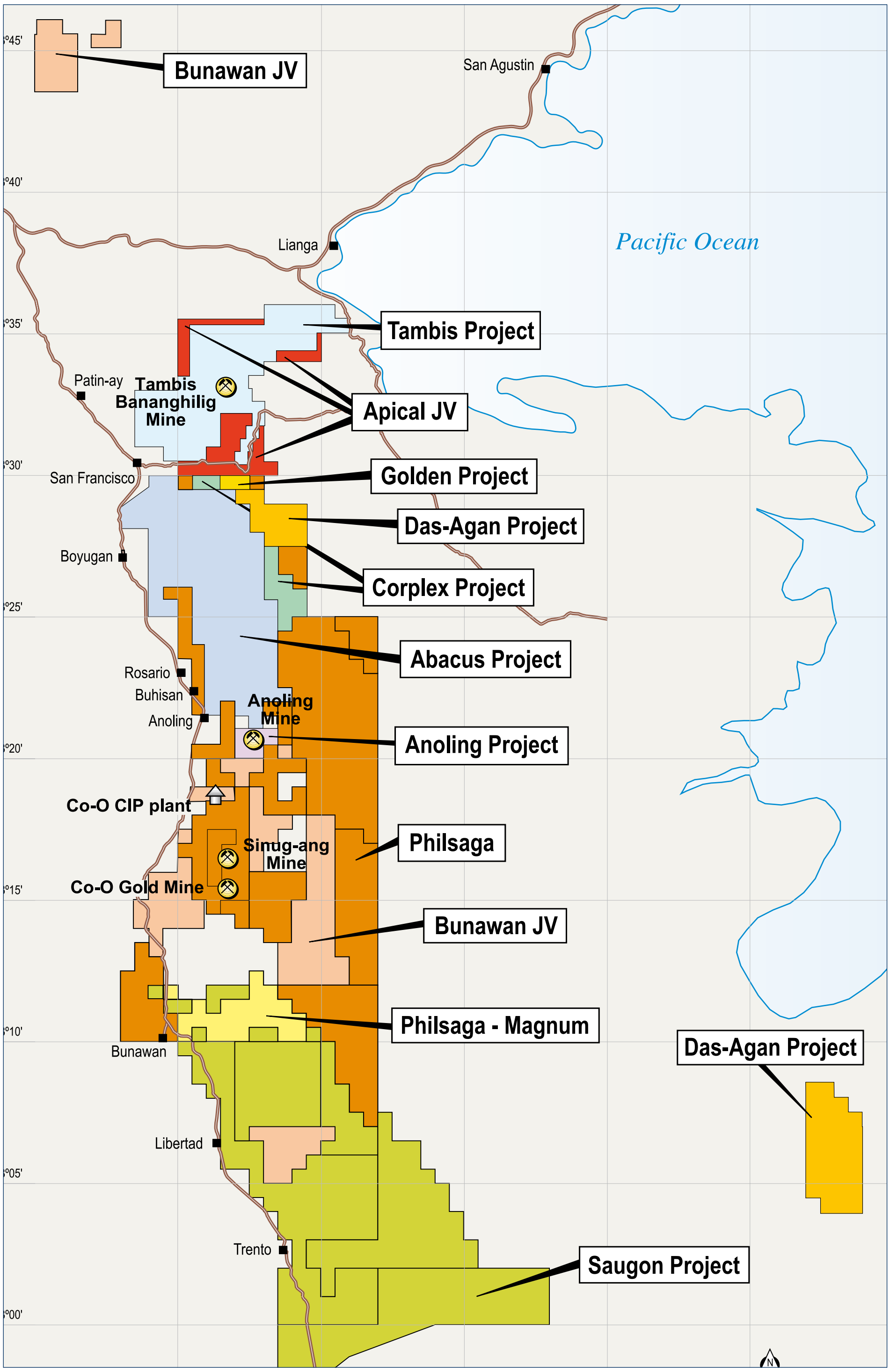


FIGURE 2: TENEMENT LOCATION MAP (NOTE: EXCISED AREAS EAST OF Co-O MINE AND MILL ARE SMALL SCALE MINING RESERVATIONS).

REVIEW OF OPERATIONS

The long term cash costs are expected to be maintained at approximately US$200 per ounce.

GOLD PRODUCTION

Gold production for the first nine months of the year resulted primarily from the redevelopment of the mine and in the last quarter from scaled up production. The year's production is summarised in Table I. It should be noted that the 3rd quarter's production and mine development were severely affected by a landslide over the adit entrance to the mine in January 2007. The effects have subsequently been overcome.

Table I: Gold Production

Period	Ore milled (dmt)	Gold produced (ozs)	Head grade (g/t gold)	Cash costs (US$ per oz)	Comments
Nine months from Jul 2006 to Mar 2007	29,075	8,484	9.1	308	Major development, stope ore and re-establishment of mine access.
Three months from Apr 2007 to Jun 2007	14,241	8,132	17.7	217	Continued mine development and stope ore. Grade enhanced by presence of "black leaders".
TOTAL	**43,316**	**16,616**	**11.9**	**269**	

RESOURCES AND RESERVES

Re-estimations of the Co-O Mine resources and reserves have resulted in the following:

Table II: Resources

Category	> 0 g/t gold			> 3 g/t gold		
	(tonnes)	(g/t gold)	(ounces)	(tonnes)	(g/t gold)	(ounces)
Indicated	1,040,000	11.5	386,000	928,000	12.6	377,000
Inferred	1,320,000	8.3	351,000	1,106,000	9.5	336,000
TOTAL	**2,360,000**	**9.7**	**737,000**	**2,034,000**	**10.9**	**713,000**

Notes:
- A lower cut-off of 3 g/t gold is the designated lower cut-off based on economic parameters;
- An uppercut of 300 g/t gold has been applied; and
- Resources are inclusive of reserves.

Table III: Reserves

Category	> 3 g/t gold		
	(tonnes)	(g/t gold)	(ounces)
Probable	**717,000**	**10.1**	**255,000**

Notes:
- Reserves based on a minimum diluted mining width of one metre and a block cut-off grade of 3 g/t gold, and
- Reserves are included in the resource estimate.

Three years of co-operative effort on both sides finally resulted in the completion of this Company maker transaction.

PHILSAGA TRANSACTION

At settlement of the Philsaga Transaction on 4 December 2006, the Company paid consideration to the vendors of Philsaga of A$12 million, via a combination of cash and deferred payment terms, together with the issue of 25 million shares in the Company (subject to a voluntary escrow arrangement for at least 12 months). In addition Medusa also paid the contractors to the mining operation a final payment of A$1 million.

The full terms of settlement of the acquisition of Philsaga from the Philsaga vendors are:

- Final payment of A$1 million to contractors;
- Yandal Investments Pty Ltd was paid in full, being A$3.584 million and issued with 6.4 million shares;
- Secdea Philippines Holdings Corporation was paid in full, being A$80,000 and issued with 4 million shares;
- Advance Concept Holdings Limited ("Advance Concept") was paid A$920,000 and issued with 14.6 million shares.

  Advance Concept has agreed to provide vendor finance for the balance of the cash payment of A$7.416 million on the following terms:
  - A$2.416 million to be paid on or before 15 February 2007;
  - A$2.5 million to be paid on or before 15 July 2007; and
  - A$2.5 million to be paid on or before 15 January 2008.

The above deferred payments do not include interest which has been set at 7.5% per annum. There will be no penalty for any early repayments. The deferred payments and interest are to be secured by a charge or equivalent security over the Co-O Mine assets.

In addition the vendors will continue to receive:

- A royalty of US$20 per ounce of recovered gold mined from the eastern side of the Oriental Fault, capped at US$10 million; and
- A 10% share of any cash or shares received by Medusa in the event that a large deposit is discovered and subsequently acquired by a major company.

REVIEW OF OPERATIONS

This richly mineralised region with a long mining history measures approximately 400 kilometres in length and the Company now controls about 20% of the strike length.

EAST MINDANAO REGIONAL GEOLOGY

The Company's tenements are centrally located along the richly endowed Diwata Ranges which form the East Mindanao Ridge (Fig.1). The regional geology comprises an Early Tertiary ophiolitic basement overlain by andesitic lavas and pyroclastic beds, sandstone, shale, conglomerate and limestone. The volcano-sedimentary sequence is intruded by Late Tertiary dacite and quartz diorite plutons.

The dominant structural feature is the Philippine Rift Fault, a major regional structure that extends for 1,200 kilometres in a north-northwesterly direction over the length of the Philippines from southern Mindanao to northern Luzon. The Diwata Ranges straddle the Philippine Rift Fault which provides the main source of Tertiary volcanism and mineralisation.

Mineralisation associated with the Philippine Rift Fault and Subduction System occurs as copper-gold porphyries, epithermal gold veins, and skarn and disseminated deposits associated with calcareous sediments. Locally, gold mineralisation is controlled by strike-slip faults parallel to the Philippine Rift Fault or splay structures off the Rift Fault and dilationary structures which develop orthogonally to the main structures as a result of strike slip movements on structures parallel to the Philippine Rift Fault.

The Company's tenements are centrally located between the well known and exploited gold and copper districts of North Davao in the south and Surigao in the north.

The Diwalwal Gold Mine located some 60 kilometres south of the Co-O Mine is reported to have contained seven million ounces of gold and represents a target type of epithermal vein mineralisation while the Boyongan Deposit in the Surigao District and the King King Deposit in the North Davao District represent porphyry copper-gold target types.

The Co-O Mine area and the Tambis area have been interpreted to be within truncated calderas which are identifiable from aeromagnetic, geological and topographical features, and are shown on Figure 3.

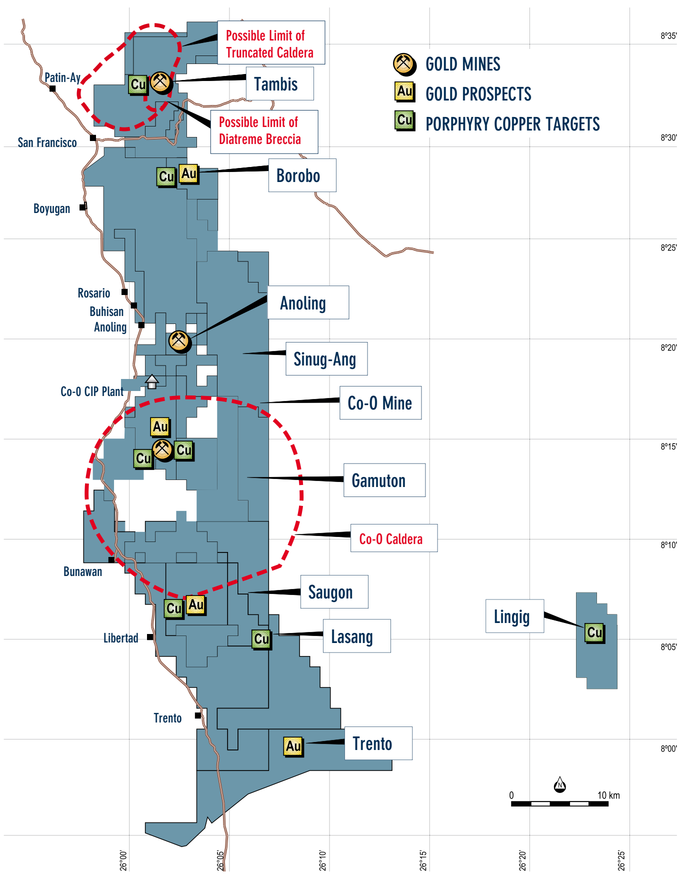


FIGURE 3: MAP OF REGIONAL PROSPECTS AND SIGNIFICANT VOLCANIC FEATURES.

The Company aims to discover better deposits, not just average deposits.

Co-O MINE

The Co-O narrow vein underground gold mine consists of westerly trending quartz vein sets in andesitic volcanics. Within the current Co-O Mine workings to the west of the Oriental Fault, three main northerly dipping quartz vein structures known as the Central, North and Breccia Veins, are mined to various depths down to 250 metres below surface over a length of more than 550 metres. These veins are cut by north-northwesterly trending reverse faults of limited displacement.

To the east of the Oriental Fault, numerous veins were first discovered during deep drilling in 2004 (drill holes MD 1 to 6) and demonstrated that the Oriental Fault has down thrown the eastern side of the vein system by approximately 300 metres and with a dextral displacement of 30 to 40 metres. In December 2006, a new deep drilling programme (holes MD 20 to 45) commenced which has extended the vein system east of the Oriental Fault and intersected additional veins to the south of the known veins. Underground development on both sides of the Oriental Fault, drilling and surface data suggest the Co-O vein system is over 1.5 kilometres long.

Quartz vein ore is typically grey to white quartz, colloform banded chalcedony and calcite, vuggy in places and containing rare pyrite, galena and sphalerite as disseminated grains and cavity fillings. Gangue minerals may include calcite, barite and quartz crystals in open vughs. All gold is sub-microscopic.

Alteration of the wall rocks is generally argillic with fine grained pyrite and in some areas, silicic alteration.

In 2006 the Company, in co-operation with the Centre for Exploration Targeting at the University of Western Australia, contracted the services of a post graduate research geologist to undertake detailed studies, initially on the Co-O Mine, and then on other deposits and prospects. The aim of the research was to understand the depth potential of the Co-O veins through determination of the temperature of vein deposition, vein and alteration mineralogies and other characteristics within the regional structural framework of the mineralising Philippine Rift Fault.

In summary, the work to date has identified the following important features:

- The Co-O veins are comprised of two gold bearing phases, the first being a quartz-chalcedony ± calcite phase deposited at a temperature of approximately 180ºC, and a second phase comprising blocky calcite-quartz ± barite likely deposited from boiling fluids in a temperature range of 200 to 250ºC, and
- The top of the Co-O mineralisation formed most probably within 300 metres of the surface and therefore the veins are essentially fully preserved (meaning the veins have been subjected to minimal erosion only). This implies that to date the drilling is in the upper parts of the vein system and that the vein system is still open at depth.

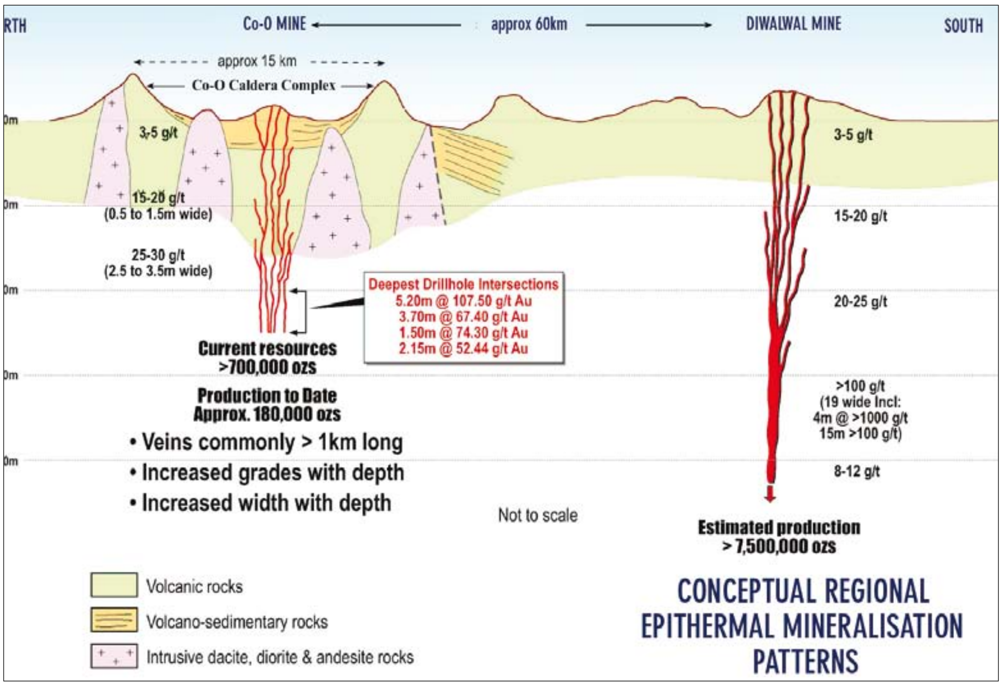
REVIEW OF OPERATIONS

The tenor and consistency of these results exceed the Company's expectations, and the fact that it is still open at depth and along strike, indicates it could develop into a world class deposit.

Co-O MINE (continued)

The Company commenced a deep diamond drilling programme in December 2006 designed to intersect extensions to the Co-O Mine vein system on approximately 50 metre centres.

The drilling discovered a new set of high grade veins which have been named the New Catto Veins ("NCV") and the Jereme Vein. The tops of the NCVs are presently believed to be between the same elevation as the bottom of the 3W shaft at 3050 metres and the new sublevel at the 3000 metre elevation. All veins are open in at least three directions. It is now apparent that some of the early holes drilled over the top of some of the veins or were not deep enough.



A surface map showing the position of the drill holes MD 20 to 45 which have been used in the new resource estimations is shown on Figure 4. Table IV contains the intersections for the Edphil, North, Central, Jereme and New Catto Veins 1, 2 and 3 which are greater than 3 g/t gold that have been incorporated into the resource model. An announcement dated 15 August 2007 contains numerous other intersections from veins which have not been incorporated into the resource model.

Table IV: Co-O drilling results for named veins >3 g/t gold (for drill holes MD 20 to 45)

Hole	East	North	Dip (°)	Azimuth (°)	Vein name	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD 20	614094	913059	-51	214	Edphil	230.10	0.50	45.29
					North	289.70	1.60	3.00
					Central	333.10	7.50	4.92
					Jereme	359.60	4.30	6.52
					NCV 2	381.95	0.35	15.56
MD 22	614019	913155	-45	210	North	324.15	0.65	8.78
					Central	360.80	5.80	6.96
MD 23	614115	913102	-56	214	Edphil	349.10	0.40	7.98
MD 24	614021	913158	-55	210	Edphil	357.75	2.20	7.42
MD 25	614154	913087	-49	210	Edphil	308.60	2.00	4.06
MD 26	613997	913221	-48	211	Edphil	359.75	1.60	4.00
MD 28	614194	913042	-48	212	Breccia	199.70	0.65	4.15
					Edphil	246.70	1.00	5.34
					North	294.20	1.60	4.15
					Central	320.50	6.30	7.81
					NCV 2	412.55	2.70	12.27
MD 31	613836	913190	-49	200	Central	325.30	5.20	4.98
MD 32	614248	912984	-51	217	Jereme	313.80	2.30	19.80
					NCV 3	356.50	0.60	6.02
MD 34	614279	912890	-50	227	Central	242.40	0.60	43.73
					NCV 3	304.20	3.10	4.38
					NCV 1	354.30	3.70	67.40
MD 35	614237	912819	-58	297	Jereme	198.30	0.30	37.84
					NCV 3	209.30	0.60	69.72
					NCV 2	253.50	1.30	7.51
MD 38	614234	912783	-47	237	NCV 3	187.90	1.30	48.76
MD 39	614235	912818	-58	205	Central	178.20	0.80	6.02
					Jereme	209.70	0.50	22.46
					NCV 3	231.20	2.80	5.29
MD 40	614167	912919	-52	245	Central	174.20	0.60	10.37
					Jereme	199.40	1.20	3.61
MD 41	614234	912816	-65	205	Jereme	240.60	1.80	110.98
					NCV 3	261.55	1.35	68.23
MD 43	614267	912876	-60	221	Edphil	185.15	1.15	8.95
					Central	243.60	0.50	8.02
					Jereme	276.90	1.40	5.68(*)
					NCV 2	360.07	1.00	4.32
					NCV 1	383.50	2.15	52.44
MD 44	614207	912951	-54	209	Central	249.10	1.00	6.41
					Jereme	262.80	2.95	9.71
					NVC 3	270.60	0.30	71.78
					NCV 2	359.60	0.50	18.55
					NCV 1	376.90	0.20	58.84
MD 45	614289	912938	-54	204	Edphil	252.50	2.40	25.61
					Jereme	347.20	0.50	3.17
					NCV 3	375.60	5.20	107.51

Notes:
- (*) denotes Philsaga assays;
- Independent laboratory McPhar assays are quoted in preference to Philsaga assays; and
- Intersection cut-off grade lowered to 3 g/t gold in line with resource estimation parameters.

Co-O MINE (continued)

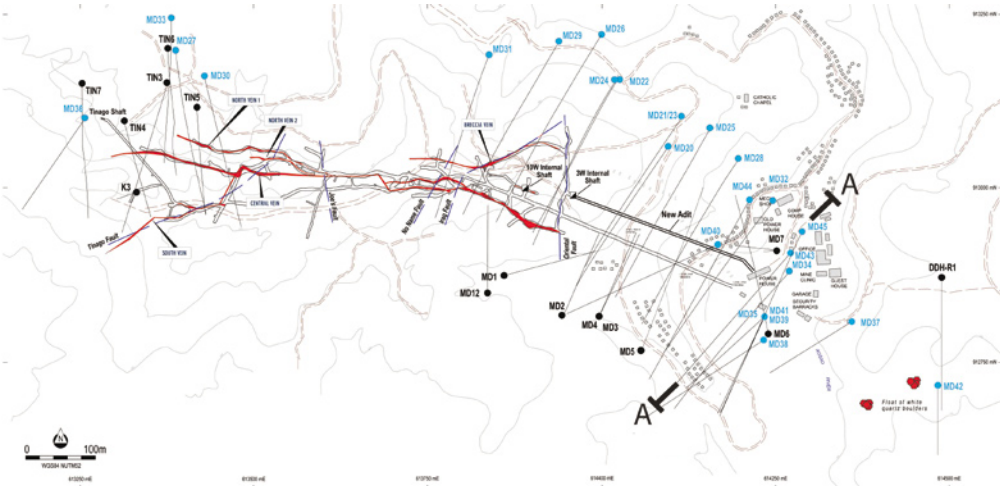


FIGURE 4: SURFACE MAP SHOWING Co-O MINE DRILL HOLE POSITIONS

Figure 5 shows the 3050 metre level of the mine and demonstrates the high grades of the Central Vein at this level as well as the numerous new veins discovered by drilling on the east side of the Oriental Fault. Figure 6 shows a 3D view of the current interpretation model of the vein system and Figure 7 shows a flitch plan at the 3010 metre level of the main veins and faults known in the mine area. Figure 8 shows a cross section through the Co-O vein system derived from the 3D model and the cross-section line A-A' is marked on Figure 4. Figure 9 shows the longitudinal projection of the contoured gram-metres for the Central Vein and demonstrates that the mineralisation is open.

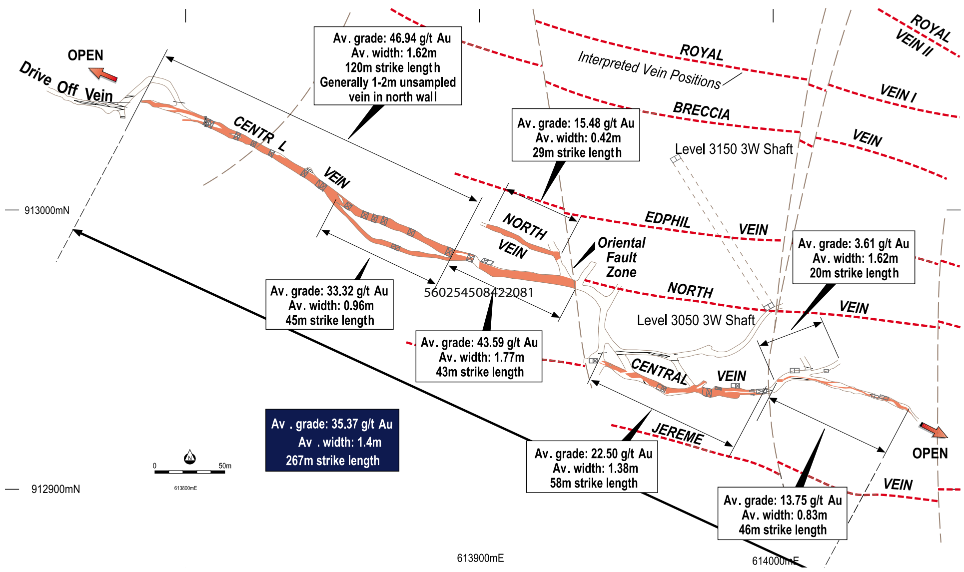


FIGURE 5: Co-O MINE 3050 METRE LEVEL PLAN SHOWING THE CENTRAL VEIN GOLD GRADES

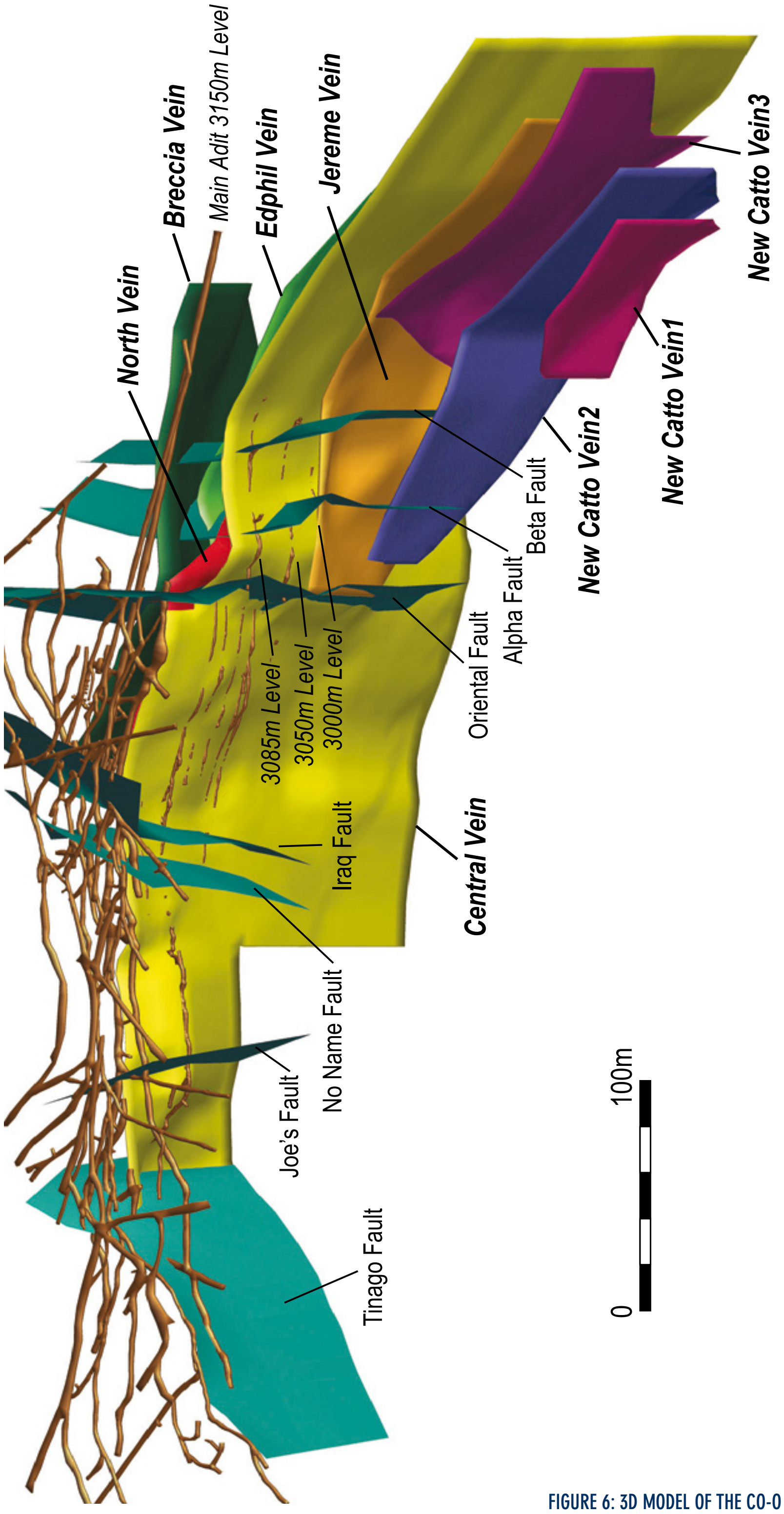


FIGURE 6: 3D MODEL OF THE CO-O VEIN SYSTEM

Co-O MINE (continued)

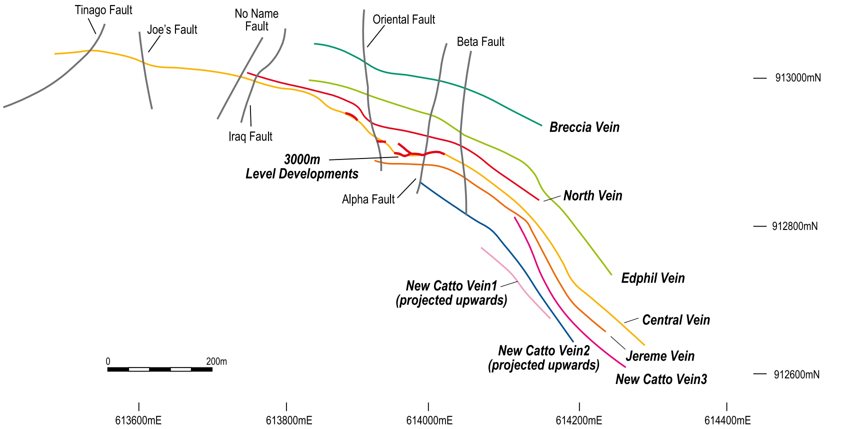


FIGURE 7: CO-O VEIN SYSTEM, 3010 METRE LEVEL VEIN INTERPRETATION PLAN

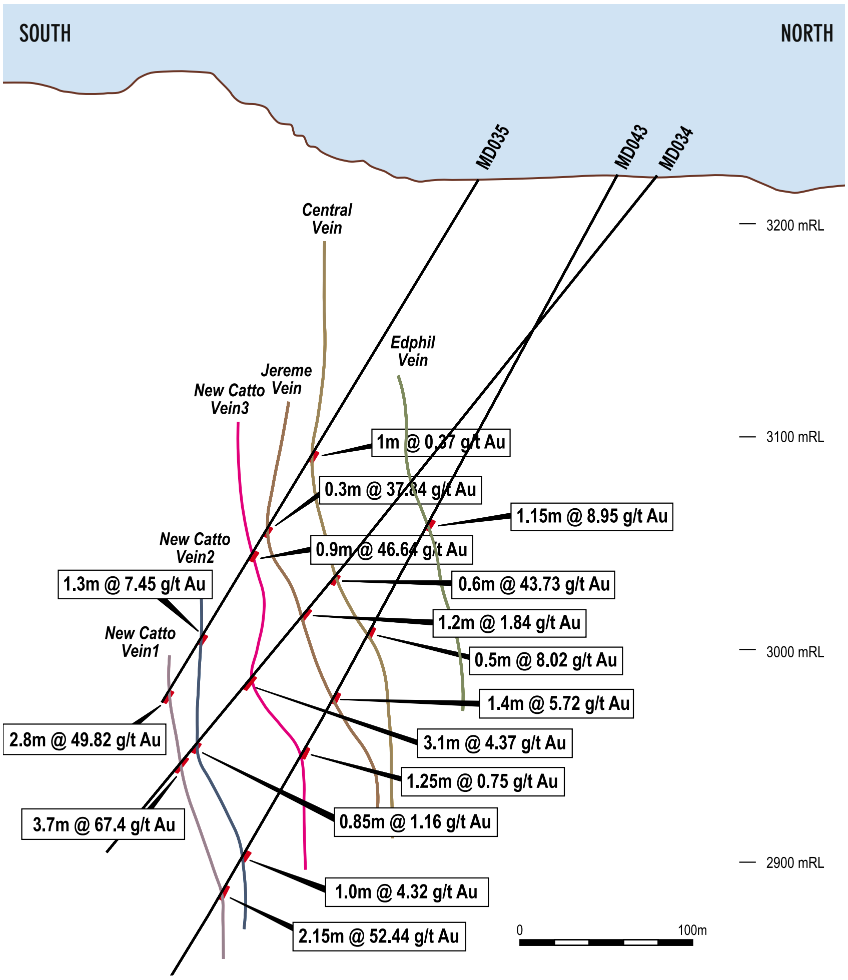


FIGURE 8:
CROSS SECTION THROUGH THE Co-O VEIN SYSTEM EAST OF THE ORIENTAL FAULT

Legend CENTRAL VEIN
Grams/metre contours Au
Black 0 - 10
Blue 10 - 20
Green 20 - 30
Yellow 30 - 40
Red 40 - 60
Magenta > 60

Drill hole Prefixed
MIDO
Pierce Point
grams/metre Au

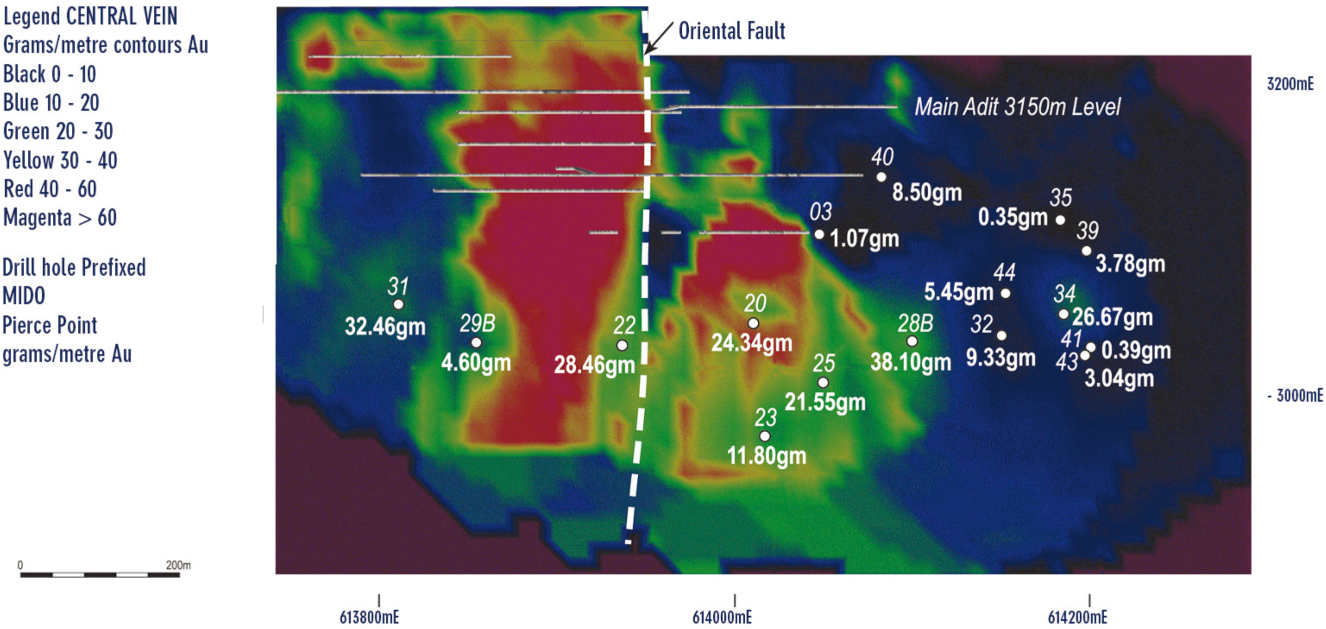


FIGURE 9: LONGITUDINAL PROJECTION OF GRAM-METRE CONTOURS FOR THE CENTRAL VEIN

Co-O MINE RESOURCES AND RESERVES

The programme of deep drilling, combined with the underground development has increased the total resources by 275% to 737,000 ounces at 9.7 g/t gold from 267,000 ounces at 18.1 g/t gold using a 0 g/t gold lower cut. Tables V and VI summarises the resource estimations which were announced in early September 2007.

The designated lower cut-off based on economic parameters is 3 g/t gold which results in a resource increase of 266% to 2,034,000 tonnes at 10.9 g/t gold containing 713,000 ounces. An uppercut of 300 g/t gold has also been applied.

Modelling of the Co-O Vein system concentrated on the major veins, being Breccia, Edphil, North, Central, Jereme, and the New Catto Veins 1, 2 and 3. Table IV contains all the drill intersections greater than 3 g/t gold which have been incorporated into the resource model in conjunction with underground sampling results. A lower cut-off of 3 g/t gold (drill results released prior to 15 August 2007 used a 4 g/t gold lower cut-off) is based on economic parameters and vein boundaries that have been incorporated into the Table IV intersections.

REVIEW OF OPERATIONS

The Company is well on track to achieve its immediate objective of a one million ounce resource target at high grades from the exceptional Co-O deposit.

Co-O MINE (continued)

Table V: Co-O Mine mineral resource estimates

Vein name	Category	> 0 g/t gold			> 3 g/t gold		
		(tonnes)	(g/t gold)	(ounces)	(tonnes)	(g/t gold)	(ounces)
Central	Indicated	494,000	11.6	184,000	477,000	11.9	183,000
	Inferred	594,000	5.5	106,000	584,000	5.6	105,000
	Sub Total	**1,088,000**	**8.3**	**290,000**	**1,061,000**	**8.4**	**288,000**
North	Indicated	152,000	5.6	28,000	102,000	7.2	24,000
	Inferred	128,000	2.5	10,000	33,000	3.6	4,000
	Sub Total	**280,000**	**4.2**	**38,000**	**135,000**	**6.3**	**28,000**
Breccia	Indicated	30,000	5.5	5,000	24,000	6.2	5,000
	Inferred	124,000	2.8	11,000	31,000	4.5	4,000
	Sub Total	**154,000**	**3.3**	**16,000**	**55,000**	**5.3**	**9,000**
Jereme	Indicated	72,000	13.4	31,000	72,000	13.4	31,000
	Inferred	186,000	7.9	47,000	186,000	7.9	47,000
	Sub Total	**258,000**	**9.5**	**78,000**	**258,000**	**9.5**	**78,000**
Edphil	Indicated	163,000	5.2	27,000	124,000	6.0	24,000
	Inferred	112,000	5.7	21,000	96,000	6.3	19,000
	Sub Total	**275,000**	**5.4**	**48,000**	**220,000**	**6.1**	**43,000**
New Catto 1	Indicated	23,000	55.0	40,000	23,000	55.0	40,000
	Inferred	29,000	54.7	52,000	29,000	54.7	52,000
	Sub Total	**52,000**	**54.8**	**92,000**	**52,000**	**54.8**	**92,000**
New Catto 2	Indicated	53,000	5.6	9,000	53,000	5.6	9,000
	Inferred	87,000	6.0	17,000	87,000	6.0	17,000
	Sub Total	**140,000**	**5.9**	**26,000**	**140,000**	**5.9**	**26,000**
New Catto 3	Indicated	55,000	34.7	61,000	55,000	34.7	61,000
	Inferred	58,000	46.9	88,000	58,000	46.9	88,000
	Sub Total	**113,000**	**41.0**	**149,000**	**113,000**	**41.0**	**149,000**
TOTAL		**2,360,000**	**9.7**	**737,000**	**2,034,000**	**10.9**	**713,000**

The resource estimations have been undertaken by Cube Consultants Pty Ltd.

Reserve estimations have resulted in an increase of 272% from 94,000 ounces to 256,000 ounce at an average grade of 11.1 g/t gold. The estimation has been derived from an Indicated Resource of 928,000 tonnes at 12.6 g/t gold resulting in a conversion factor of 68%. The reserve estimation utilised a 73% mining recovery, a minimum diluted mining width of one metre and a dilution factor of 10%.

The Directors have a high expectancy of converting a large proportion of the inferred resources into reserves.

Table VI: Co-O Mine mineral reserves estimate

Vein name	> 3 g/t gold		
	(tonnes)	(g/t gold)	(ounces)
Central	358,000	10.0	115,000
North	80,000	6.2	16,000
Breccia	18,000	5.2	3,000
Jereme	58,000	12.2	23,000
Edphil	99,000	5.5	18,000
New Catto 1	18,000	50.0	29,000
New Catto 2	42,000	5.1	7,000
New Catto 3	44,000	31.6	45,000
TOTAL	**717,000**	**11.1**	**256,000**

The reserve estimations have been undertaken by Golder Associates Pty Ltd.

Co-O MINE OPERATIONS AND DEVELOPMENT

Since late 2005 the Co-O Mine has been undergoing redevelopment as a rail or tracked mine utilising battery driven electric locomotives and 1.2 tonne mine cars. This has involved the sinking of two inclined 60º internal shafts as marked on Figure 4 and over 5 kilometres of development:

- The 10W shaft was sunk to 60 metres inclined depth or 50 metres vertical on the west side of the Oriental Fault to the 3096 metre level where considerable development was completed on the Central Vein westwards past the previous workings and at the same time to access the previous workings via mill holes to enable residual ore to be extracted. Stoping on the east side of the Oriental Fault of the upper sections of the Central Vein has been undertaken from the 2096 metre level.
- The 3W shaft (also known as the Baguio Shaft) has been completed to 120 metres inclined depth or 100 metres vertical depth to the east. It was completed in early 2007 after some delay due to excess water and poor ground conditions. It provides access on the 3050 metre level to mineralisation east and west of the Oriental Fault. A new pumping station has been commissioned and two electric locomotives now operate on this level.
- A new sub-level has commenced 50 metres below the 3050 metre level at the 3000 metre level. As the 3050 metre level is sufficiently developed to maintain steady production, another inclined shaft is being commenced from the 3050 metre level to the 2950 metre level where a new main haulage way will be established.

Each fully timbered shaft has two compartments comprising a ladder way and a haulage way. Each shaft is equipped with a steel head frame and an electric winder with a back-up air winder. Rails have been installed on the lower side of the shaft up which 1.2 tonne skips are hauled by the winder.

Mining is conducted in two main ways. For level development and when hard vein material is present, conventional airleg mining is used in conventional narrow vein shrink stopes and some open stopes. Most of the mine production is achieved in this manner. Dilution is generally low, varying from approximately 10% to 20%. In areas where the vein is very narrow, or the ore is soft or broken, or where the walls are fragile, teams of miners use manual techniques to extract ore. This minimises dilution and ensures the integrity of the vein walls and the ore grade.

REVIEW OF OPERATIONS

SAUGON

The Saugon prospect is situated approximately 10 kilometres south of the Co-O Gold Mine and 28 kilometres by road from the Co-O Plant. Work commenced in early 2003 on the First Hit Vein which has been followed intermittently at the surface over 600 metres and which has been explored underground via a 40 metre deep winze, level development and drilling of 31 diamond drill holes.

Re-assessment of the drilling in combination with the aeromagnetics has identified a large alteration area within which there are aeromagnetically defined targets for further work. In addition the re-assessment of the previous drilling has identified the First Hit area as being possibly the upper portions of a mineralised breccia pipe system with indications of gold with copper, lead and zinc mineralisation. The mineralisation occurs within a regional scale, northeast trending tectonic breccia zone and is associated with intense overprinting silicification involving veins and breccias. However along strike to the northeast the overprinting silicification decreases significantly even though the tectonic breccias are present within the regional scale fault. To the southwest, the breccia and alteration zone also decreases in width and intensity.

SINUG-ANG

The Sinug-ang area is comprised of the Sinug-ang and Banbanon prospects (Fig.3) located immediately to the north of the Co-O Mine. The Company has evaluated both prospects through surface and underground mapping, sampling and drilling.

Table VII: Sinug-ang and Banbanon drilling results >2 g/t gold

Hole	East	North	Azimuth (°)	Dip (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
BANBANON							
SNG 001	172337	915787	70	-50	374.20	0.70	2.70
					394.00	1.00	2.70
SNG 002	172438	916009	90	-60	298.45	0.20	2.83
					301.50	1.15	3.43
					304.70	4.35	2.77
SNG 003	172487	915726	70	-55	227.85	6.05	7.04
			including		229.40	2.90	10.25
SNG 004	172337	915787	68	-52	374.90	1.65	3.39
SNG 005	172487	915726	60	-55	222.65	9.15	9.46
			including		226.05	5.75	13.46
SNG 006	172487	915726	90	-55	242.63	0.97	2.30
SNG 008	172615	915647	70	-50	127.90	0.30	4.20
					138.30	0.75	7.03
SNG 022	172489	916179	90	-45	91.70	2.20	4.08
					105.40	0.45	9.39
SNG 023	172503	916139	90	-48	78.30	0.55	2.97
SINUG-ANG							
SNG 007	172371	916675	90	-55	Abandoned		
SNG 009	172380	916725	90	-50	107.40	0.50	2.67
SNG 014	172435	916549	60	-45	45.90	1.00	5.87
					50.40	2.65	3.27
SNG 016	172435	916549	30	-50	69.30	1.80	27.00
SNG 018	172435	916549	90	-50	88.55	0.15	25.00
SNG 020	172395	916581	70	-60	86.90	1.05	2.12
					91.00	2.70	4.73

Note: All assaying conducted by the Philsaga Laboratory using 30 g fire assay charges with Atomic Absorption Spectometry finish.

Following a recent topographic survey and the assessment of all Sinug-ang and Banbanon data, the Company has lowered the priority of Sinug-ang for underground exploration. However depending on exploration results from other higher priority areas, Sinug-ang may be reconsidered in the future. The Banbanon longitudinal projection is shown in Figure 11.

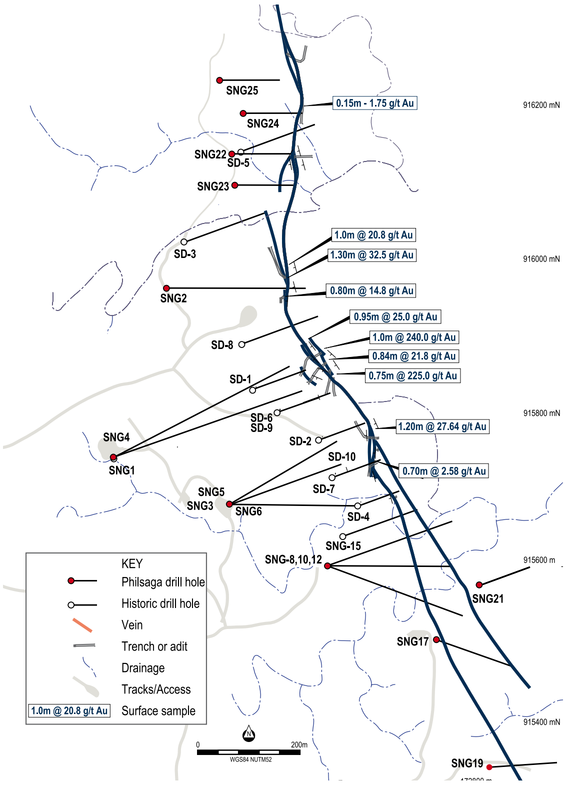


FIGURE 10: SINUG-ANG SURFACE GEOLOGY MAP

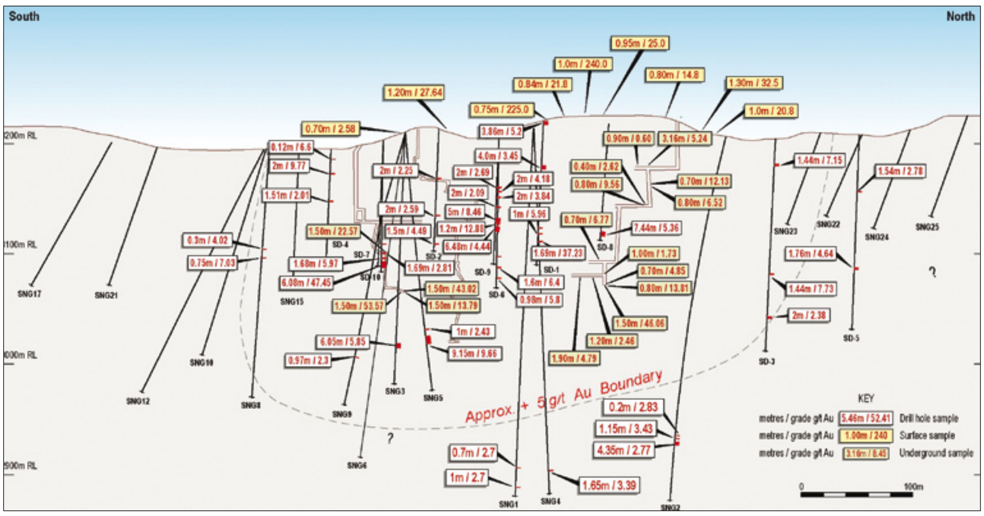


FIGURE 11: LONGITUDINAL PROJECTION OF GOLD VALUES FOR BANBANON

Three new shafts have commenced and are anticipated to be completed by the end of 2007.

ANOLING

On 19 March 2007 the Company announced that two Small Scale Mining Permits had been granted over prospective areas at Anoling as shown on Figure 3. The project is located approximately 8 kilometres by road from the Co-O Plant.

The Anoling Mine area consists of a large number of artisanal workings and old mines dating back to pre-World War II in the area of the American Tunnel shown on Figure 12. The workings are generally located on westerly trending vein systems, with some indications of a conjugate northeast trending vein set. The veins generally consist of banded quartz-carbonate material within clay-chlorite-pyrite gouge zones with both types of material carrying gold values.
In some areas the veins have been brecciated resulting in a mix of vein fragments and gouge.

Geology and Diamond Drilling

Two parallel veins trending westerly have been defined to date over respective strike lengths of approximately 650 metres for the Hope Vein and approximately 750 metres for the Alcorn Vein. Both veins are open to the east. Within the long strike lengths, drilling and surface sampling has defined potentially economically mineralised zones. Indications of other parallel veins have recently been located during routine mapping and drilling.

Table VIII summarises all the diamond drill hole intersections greater than 2 g/t gold.

Table VIII: Anoling drilling results >2 g/t gold (for drill holes ANL 5 to 20)

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
ANL 05	614662	922889	-56	3	190.25	0.95	4.39 (*)
ANL 06	614552	922989	-65	0	66.80	0.50	4.07 (*)
ANL 08	614601	922987	-60	0	59.00	0.95	2.95 (*)
ANL 09	614508	922984	-60	0	55.90	2.70	13.96 (*)
ANL 11	614480	922980	-50	0	65.45	0.45	7.77
ANL 14	614395	923137	-55	0	84.50	1.90	2.86
					87.40	0.65	2.33
ANL 15	614445	923123	-55	0	99.40	0.60	13.10
ANL 16	614498	923140	-68	0	88.95	1.00	2.09
ANL 17	614545	923143	-70	0	57.30	1.40	4.20
					62.70	1.60	10.08
ANL 18	614595	923143	-60	0	59.70	0.90	9.30
ANL 19	614644	923139	-60	0	91.50	4.00	17.17
					147.70	0.55	7.26
ANL 20	614692	923139	-60	0	92.50	1.50	7.39
					104.60	0.30	24.30

Notes:
- McPhar Geoservices Inc. assays are quoted where available; and
- (*) denotes Philsaga assays.

Figure 12 shows the vein projections from surface mapping and sampling and the location of the first twenty diamond drill holes totalling approximately 2,269 metres that have been completed to date to intersect veins at approximately 50 to 100 metres below surface.

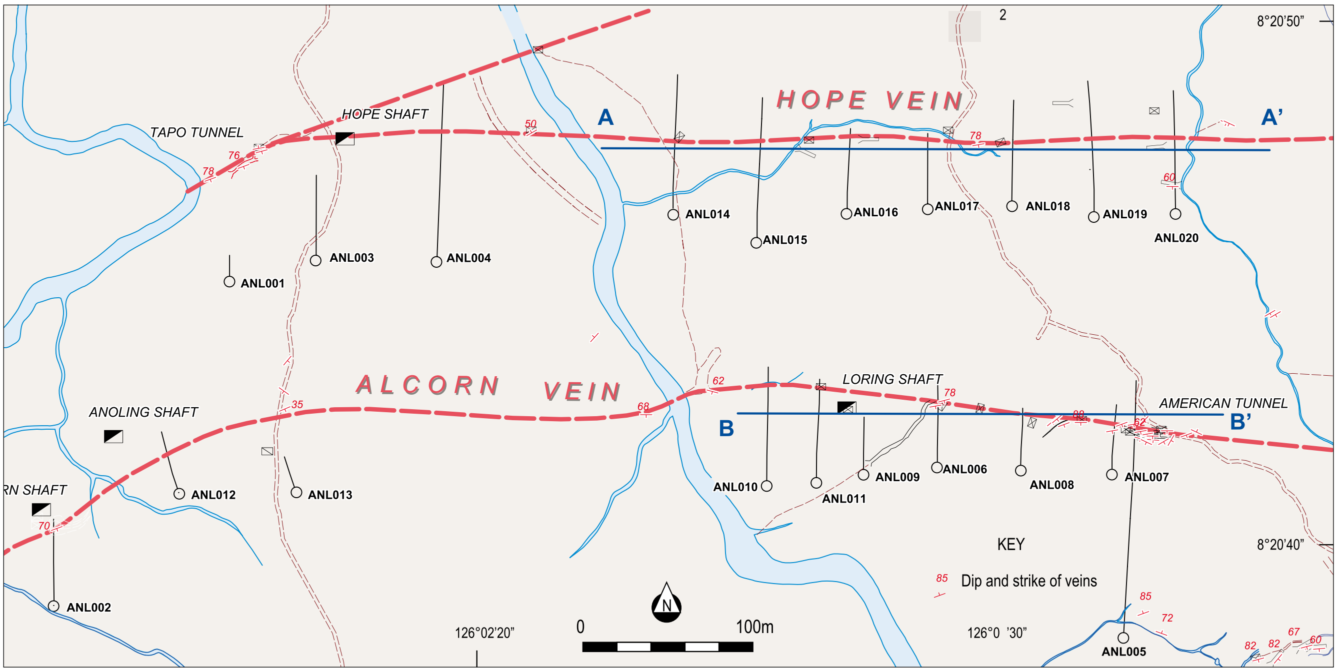


FIGURE 12: ANOLING SURFACE GEOLOGY AND DRILL HOLE LOCATIONS

As shown on the Hope Vein longitudinal projection in Figure 13, exploratory diamond drilling in holes ANL 14 to 20 inclusive has achieved potentially economic intersections over a strike length of 300 metres to date which is still open east and at depth.
Work has commenced on a main exploration shaft and a ventilation shaft to initial depths of 40 metres which should be completed before the end of 2007. Driving of the first level will then be commenced in order to confirm the drilling results.

The Loring Shaft area has been tested by underground sampling of old workings and by six drill holes with good grades being returned from the underground sampling and from drill hole ANL009. Underground exploration is in progress through the refurbished Loring Shaft and a ventilation shaft has been commenced.

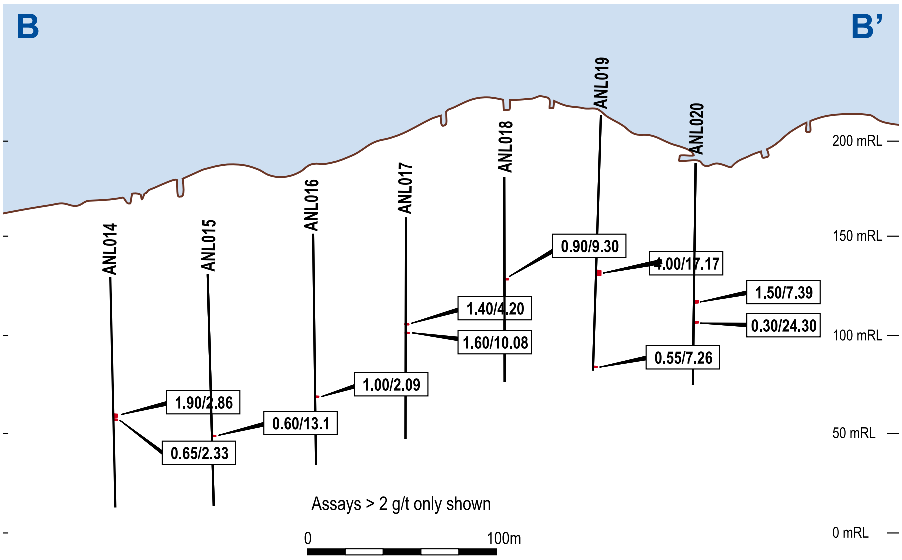


FIGURE 13: LONGITUDINAL PROJECTION OF THE HOPE VEIN

The volcanic and structural setting, extensive gold stream anomalies, drill intersected mineralisation of several types, an exceptionally large and intense aeromagnetically defined alteration envelope are all the hallmarks of a (if not several) major deposit(s).

TAMBIS-BANANGHILIG

Background

The Company undertook underground exploration and trial mining of several "high grade" veins based on the previous explorers' drill hole data bases consisting of a total of 29,477 metres of RC and diamond drilling in 344 holes The underground exploration and follow-up underground drilling has shown that interpreted high grade vein widths from RC holes have generally been exaggerated by the RC drilling by several orders of magnitude through down hole smearing of narrow high grade veinlets and that many of the veins are too narrow and too discontinuous to mine economically.

Subsequently a programme of underground drilling has been completed, and geological mapping and assessment is in progress in combination with surface drilling.

Geology

The Bananghilig Mine area is located on the northern edge of a large aero-magnetically defined alteration zone measuring approximately 9.5 by 7.3 kilometres as shown on Figure 14. The Tambis District is generally underlain by fine to coarse-grained andesitic and dacitic flows of probable pre-tertiary age that constitute the basement rocks. Locally, the basement rocks show agglomeratic features and in places are cut by andesite to dacite porphyry dykes and bodies of hydrothermal breccias of various shapes and sizes.

The southeastern part of the Tambis District is covered by a bedded sedimentary formation comprising basal mudstone, sandy clastics and agglomerates with massive white limestone as the uppermost member. The limestone measures approximately 2.7 kilometres from southwest to northeast, bounding the Bananghilig area along the southeast and it extends towards the southeast. The sedimentary contact is possibly dipping towards the southeast.

The Tambis Caldera and Diatreme

The Tambis caldera is manifested by geomorphologic signatures as deduced from subtle concentric drainage patterns and complemented by landsat imagery. These signatures suggest a northeast trending, truncated caldera system measuring approximately 10 kilometres along the northeast to southwest axis and 6 kilometres along the northwest to southeast axis. The caldera and diatreme breccia are located around the intersection of the regionally significant Barobo Fault (parallel to the Philippine Rift Fault) and the Lianga Bay Fault system as shown on Figure 14. Figure 15 shows the detailed geology and drill hole locations.

A sizeable elliptical-shaped diatreme breccia body, measuring approximately 1,000 metres along the northeast axis and about 750 metres wide, has been outlined based on diamond drilling and mapping in the Bananghilig area. The geological features, various breccia materials and associated overprinted hydrothermal alteration and mineral assemblages, suggest that the diatreme developed and evolved in the roof portion of a still buried stock or a similar intrusive body or bodies.

The gold mineralisation styles correlated to the diatreme are in fractures and/or breccia in-fill in milled/ fluidised muddy matrix breccia bodies and coarsely brecciated/fractured andesitic-dacitic wallrock, and intra and post diatreme veins probably propagated from older fault systems and/or generated within and around the pipe-like breccia column during the diatreme's evolution.

Alteration

In the Bananghilig area, widespread silica-clay-sericite-pyrite hydrothermal alteration affects the volcanic wallrocks, the various breccia bodies and the hypabyssal intrusives associated with them. The alteration assemblage typifies that found in advanced argillic alteration zones. The outcropping alteration exhibits a strong potassium airborne radiometric anomaly.

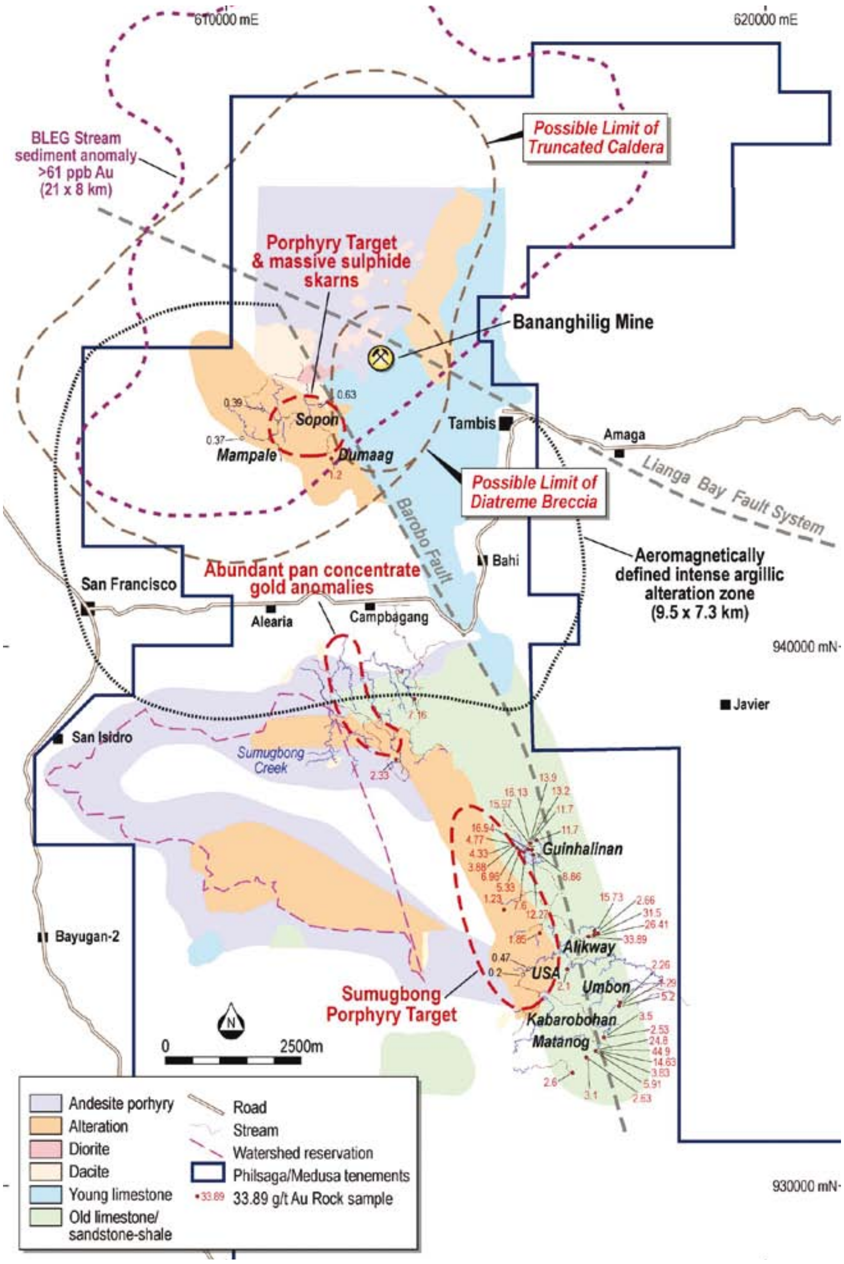


FIGURE 14: BAROBO CORRIDOR -TAMBIS DISTRICT GEOLOGICAL SETTING

Newly discovered "blanket style" mineralisation has returned a best horizontal intersection of 98.9 metres at 4.23 g/t gold within the sub-horizontal mineralised zone.

TAMBIS-BANANGHILIG (continued)

Mineralisation and Drill Results

A programme of underground drilling has been completed from the underground development 50 metres below the collar of the L-170 shaft. This was undertaken to confirm and explore the veins interpreted by previous explorers. A number of surface diamond drill holes were also completed at the time of the shaft sinking as well as recent additional drill holes. The early drilling concentrated on identifying high grade veins, but recent re-logging and re-assaying has demonstrated large zones of disseminated mineralisation associated with various diatreme and fault breccias and some of the subsequent intrusive rocks.

Table IX summarises the drill results to date from surface drill holes (TDH holes) and underground drilling (TUG holes) as shown on Figure 16. Some of the higher copper values are also listed. A large number of wide intersections of 0.5 to 1.0 g/t gold and some highlighted copper values are not included in this table but are listed in the announcement in September 2007.

FIGURE 15: BANANGHILIG AREA GEOLOGY AND SURFACE DRILL HOLE LOCATIONS

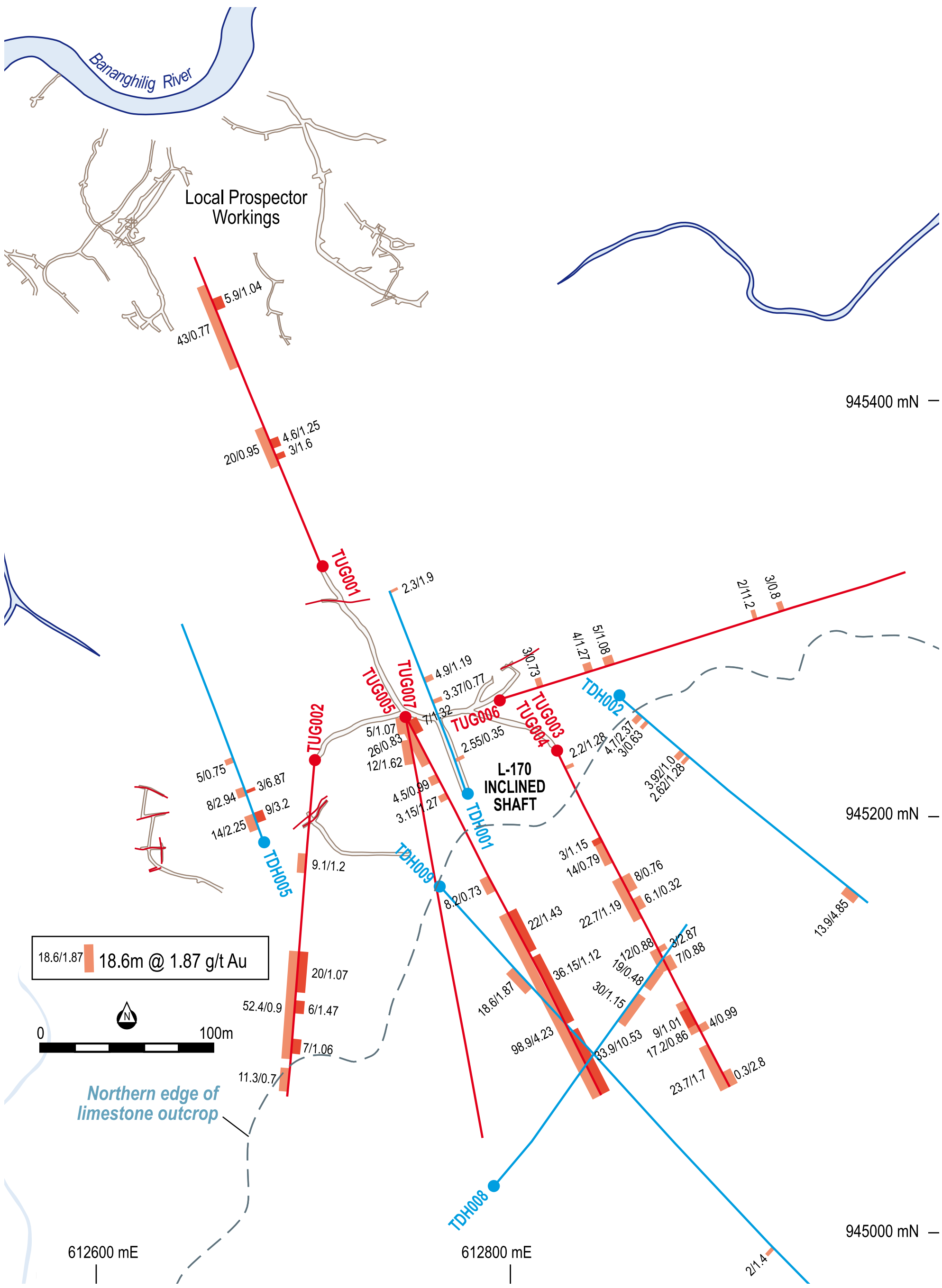


FIGURE 16: BANANGHILIG AREA LEVEL PLAN SHOWING DRILL HOLES
APPROXIMATELY 50 METRES BELOW THE L170 SHAFT COLLAR, AND SURFACE DRILL HOLES

TAMBIS-BANANGHILIG (continued)

Table IX. Bananghilig drilling results for drill hole intersections >2 metres at >1.0 g/t gold

Hole	East	North	Dip (°)	Azimuth (°)	From metres	Width (metres)	Grade (uncut) (g/t gold)
TUG001	612708	945251	-1	338	56.00	3.00	1.60
					62.00	4.60	1.25
					134.00	5.90	1.04
TUG002	612704	945158	-1	185	44.90	9.10	1.20
					92.00	20.00	1.07
					116.00	6.00	1.47
					134.40	7.00	1.06
TUG003	612820	945164	-1	153	8.00	2.20	1.28
					106.10	3.00	2.87
					173.70	8.30	3.40
TUG004	612820	945164	-13	153	50.00	2.00	1.40
					71.60	22.70	1.19
					165.00	23.70	1.70
TUG005	612748	945180	-1	153	3.00	4.00	1.70
					42.10	3.15	1.27
					107.00	98.90	4.23
					incl. 107.00	22.00	1.43
					incl. 131.85	36.15	1.12
					incl. 172.00	33.90	10.13
					incl. 179.50	9.00	26.52
TUG006	612290	945187	-1	73	45.00	4.00	1.27
					55.00	5.00	1.08
					130.00	2.00	11.20
TUG007	612748	945180	-1	170	4.00	5.00	1.07
					12.00	12.00	1.47
TDH001	612778	945140	-55	340	106.90	4.90	1.19
					198.00	2.30	1.90
TDH 002	612850	945189	-50	130	20.70	4.70	2.37
					64.36	3.92	1.00
					70.28	2.62	1.28
					240.40	13.90	4.85
TDH005	612679	945119	-55	340	11.00	14.00	2.25
					incl. 16.00	9.00	3.01
					42.00	8.00	2.94
					incl. 43.00	3.00	6.87
TDH008	612783	945027	-55	40	174.00	30.00	1.15
TDH009	612763	945097	-45	140	75.80	18.60	1.87
					421.50	2.00	9.01

The TUG 005 horizontal intersection of 98.90 metres at 4.23 g/t gold, appears to have drilled within the sub-horizontal mineralised horizon, which is supported by TDH 009 with an inclined intersection of 18.6 metres at 1.87 g/t gold, and suggests that the sub-horizontal mineralised layer has a true thickness approximately 15 to 18 metres TDH 009 shows that the younger overlying limestone sequence may be acting as a cap on mineralisation with a blanket zone forming immediately under the sediments as depicted in the cross-section on Figure 17. TUG 002 (52.4 metres at 0.9 g/t gold horizontal) is also interpreted to have intersected the sub-horizontal mineralisation immediately under the limestone. In addition sporadic mineralisation in a similar position in TUG 003 to 1.8 g/t gold also suggests that the mineralisation continues along strike. TDH 008 intersected 21 metres of anomalous gold from 0.13 to 0.70 g/t gold also supporting the presence of a gold layer of similar 15 to 18 metres thickness immediately under the limestone sequence. If further drilling confirms this concept, then there is the potential to develop considerable tonnages of moderate grade mineralisation in this position.

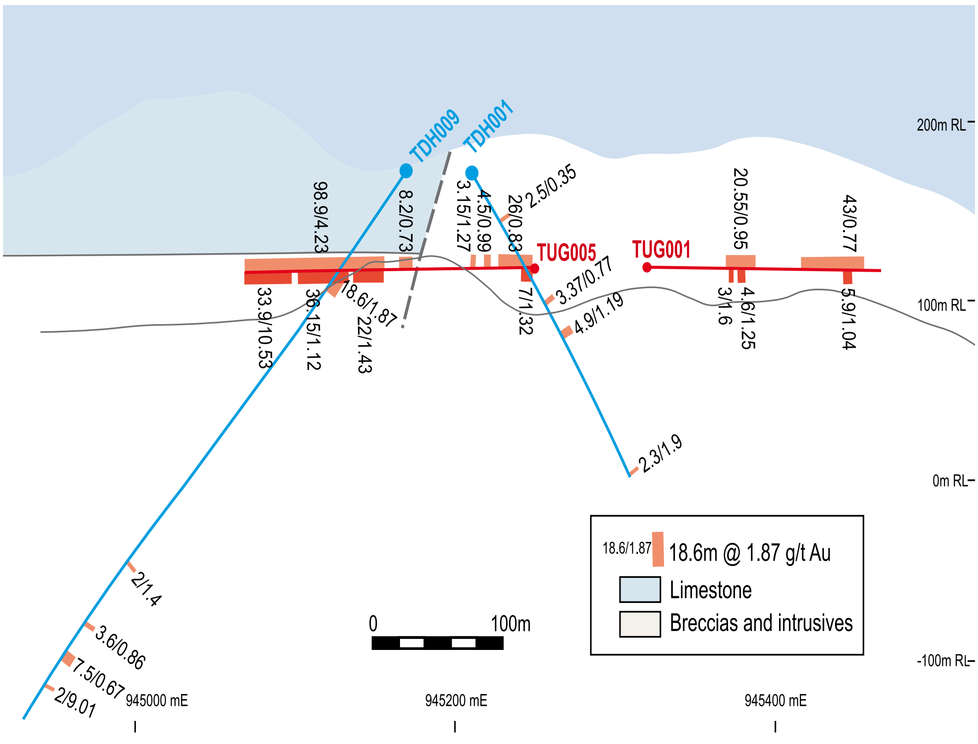


FIGURE 17: BANANGHILIG AREA CROSS-SECTION

Drilling at Lingig may result in definition of a porphyry copper deposit and associated styles of mineralisation.

DAS-AGAN

Das-Agan consists of MPSA application number 000024-XIII situated in Surigao del Sur province in east Mindanao, consisting of two parcels, one to the north and one to the southeast of the Co-O Mine and mill site as shown on Figure 2. The APSA covers approximately 80 km² (8,019 hectares) in two blocks.

The Lingig porphyry copper discovery is contained within the eastern most block, southeast of the Co-O Mine as shown on Figure 3.

The Lingig discovery was located from an aid programme between Filipino and Japanese geologists and technicians in 1972 to 1974 over eastern Mindanao. An initial 3000 km² prospective area was located by geological and geochemical surveys and was subjected to additional geological mapping and geochemistry. A smaller 170 km² area was selected and subjected to detailed geological mapping and geochemistry followed by Induced Polarisation ("IP") geophysical surveys. Subsequently a programme of five holes was completed on five different targets with drill hole DDH1 intersecting quartz diorite porphyry containing:

0 - 100 metres	Altered rocks
100 - 200 metres	100 metres @ 0.40 % Cu
200 - 248 metres	48 metres @ 0.50 % Cu, 0.1g/t gold
248 - 250 metres (End of Hole)	2 metres @ 4.93 % Cu, 0.5g/t gold

The quartz porphyry is located within an alteration area measuring at ast 2.5 by 3.5 kilometres and open in most directions. The alteration and the porphyry position appear to be controlled by two parallel north-northeast trending faults. The first and only drill hole results bode well for a major, fully preserved porphyry copper deposit which is exhibiting increasing grades with depth, and suggesting that DDH1 was stopped short of the high grade core that is commonly present in these styles of deposit. Further drilling at this site was recommended but not carried out. The other four holes to the south on separate targets intersected minor copper mineralization.The granting of this tenement is prioritised to enable drilling to commence as soon as possible.

ABACUS

Abacus 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 Plant as shown on the accompanying map. The EP covers approximately 81 km² (8,100 hectares) as shown on Figure 2. The Company is advancing the tenement application.

APICAL (Medusa earning 70%)

A Joint Venture Agreement ("JVA") was signed which covers MPSA application number 0028-XIII situated in the provinces of Agusan del Sur and Surigao del Sur in east Mindanao to the north of the Co-O Mine and Plant as shown on Figure 2. The MPSA comprises approximately 20.84 km² (2084 hectares) in the Tambis area. The JVA is with MRL Gold Phils., Inc. ("MRL") and an underlying claim owner. MRL is the Philippine operating company of Mindoro Resources Ltd, a public company listed on the TSX Venture Exchange in Canada. The Company is advancing the tenement for granting.

This is the last significant additional tenement block covering a total area of 88.8km^2 (8,800 hectares) which is contiguous to the Company's Co-O Project.

BUNAWAN JOINT VENTURE (Medusa earning 70%)

On 31 July 2007, the Company signed a Heads of Agreement with Sierra Mining Limited ("Sierra") whereby the Company, after completing satisfactory due diligence, will earn a 70% joint venture interest in Exploration Permit application, EPA 000037-XIII and Mineral Production Sharing Agreement application, APSA 000003-XIII (together the "Bunawan JV" and shown on Figure 2).

Upon completion of due diligence and signing of a Joint Venture Agreement ("JVA") between the companies' respective Filipino corporations, Medusa has agreed to take a 9.9% placement in Sierra of 4.85 million shares (at an issue price of A$0.25, totalling A$1.21 million) with 2.425 million unlisted attaching options exercisable at A$0.30 each with an expiry date of 4 years from the date of signing the JVA.

The Company is of the opinion that the placement will significantly increase it's exposure to the highly prospective geology of the East Mindanao Ridge in areas with known world class deposits.

Sierra also controls three projects totalling 263 km^2 to the south of the Company's Co-O Project in recognised mineralised areas with known world class deposits. These tenements are prospective for porphyry copper deposits and high grade gold veins. Sierra also owns two groups of prospects in Papua New Guinea.

The essential terms of the Heads of Agreement are:

- Medusa has the right to earn a 70% interest by:
  - (i) contributing a minimum of US$1.5 million expenditure on exploration and/or development of the tenements in the Bunawan JV. This amount is to be spent over a period of three years from the date of granting of the necessary permits over the aforementioned tenements,
  - (ii) after Medusa has earned its 70% interest, Sierra has the right to contribute to ongoing expenditure or dilute to a 3% Net Smelter Royalty;
- Medusa is required to spend US$300,000 within one year after granting of the tenements; and
- Medusa is responsible for all costs incurred to progress the tenements to granting.

The Company now controls in excess of 800 km^2 of tenements along the East Mindanao Ridge

REVIEW OF OPERATIONS

During the year the Company undertook a major assessment of the mineralisation potential of its northern group of tenements.

BAROBO MINERALISED CORRIDOR

The Barobo Corridor has been defined from regional mapping, aerial photography, aeromagnetics and surface sampling and is located at the northern end of the Company's tenements. The aeromagnetics, regional mapping, pan concentrate and surface sampling were completed by the Company. All other information provided is historic.

The Barobo Corridor extends over approximately 16 kilometres straddling a major fault named the Barobo Fault as shown on Figure 14 and which parallels the main Philippine Rift Fault located approximately 25 kilometres to the west.

The Barobo Fault is a major aeromagnetic feature and is topographically distinctive.

The Tambis regional area is located within a bullseye 9.5 by 7.3 kilometres aeromagnetic anomaly indicative of and resulting from intense argillic alteration. This widespread alteration has been field verified in numerous places and is located on the south side of the intersection of two regional scale faults, the Barobo Fault and the west-northwest trending Lianga Bay Fault System and partly straddling the Barobo Fault. The faults appear to intersect immediately to the west of the Bananghilig Mine.

It should be emphasised that reconnaissance field exploration to date has been restricted to outcropping rocks on ridges and in creeks and silica boulder trains with a large number of the outcrops being identified as potentially mineralised. Prioritising of targets for additional work is in progress.

Porphyry targets

At the northern end of the Barobo Corridor is the Sopon porphyry copper target which consists of an altered and quartz veined diorite with visible copper minerals. The diorite is associated with massive sulphide skarn-style mineralisation which is not yet fully defined. In the 1990s stream sediment sampling programme described below, one sample in a small creek near the Sopon porphyry copper prospect recorded an anomalous value of 124 ppm copper, and a stream sediment sample 2 kilometres to the west recorded 17.3 ppm gold.

A regional stream sediment sampling programme carried out in the 1990s over the entire strike length of the Company's tenements by a previous explorer located the highest regional stream sediment copper values in three creeks draining the Bananghilig Mine area, being 1,662 ppm, 616 ppm and 530 ppm. This programme was not systematic in that coverage was restricted to drainages accessed by roads, with large areas not sampled.

This stream sediment sampling programme post dates the large BLEG anomaly shown on Figure 14. The BLEG survey was a systematic programme carried out specifically to target gold.

The Sumugbong porphyry target consisting of altered and quartz veined diorite is located to the west of the Alikway and Guinhalinan Prospects further to the south on the west side of the Barobo Fault. The 1990s regional stream sediment survey referred to above also sampled in two creeks distant from and draining southwards from this porphyry target and recorded regionally anomalous copper values of up 124 ppm.

Gold targets

A plethora of gold targets of several different styles have been located along the Barobo Fault over a strike length of over 10 kilometres and still open to the south. Pan concentrates were initially employed to discriminate gold targets but the presence of ubiquitous visible gold in all creeks has rendered pan concentrates sampling as essentially non-discriminating, hence other regional methods are being used. Figure 14 summarises the surface sample gold values and also highlights the large BLEG gold anomaly defined by previous explorers within the extensive argillic alteration zone.

Some of the styles include:

Silica replacement style targets in sediments: These include the Guinhalinan Prospect and a number of areas to the north of Guinhalinan where silicification of limestones and siltstones has occurred, commonly controlled by numerous northeast trending structures which may result in the development of large areas of silicification. Some of the silicified zones are also brecciated. Gold mineralisation appears to be ubiquitous in the silicified zones, along with common lead and zinc mineralisation in potentially commercial quantities. Copper mineralisation has also been identified in some areas.

Skarn style targets in limestones: Some subtle aeromagnetic anomalies have been identified as containing skarn-style silica replacement in limestones with gold, lead, zinc and disseminated magnetite. Some of these bodies also contain mineralised breccia zones.

Veins: A large number of veins have been identified commonly with a northeast trend. The most consistent of these to date is the Alikway Vein where high grade mineralisation has been identified over a distance of 500 metres and is open in both directions. Numerous other veins in the Alikway vicinity, particularly to the south, have also been discovered.

It should also be noted as shown on Figure 14 that there is a very large area of anomalous stream sediment BLEG gold values defined by an earlier explorer covering an area of approximately 21 by 8 kilometres in the area encompassing the Bananghilig Mine and Sopon porphyry target and other prospective areas.

REVIEW OF OPERATIONS

The Company increased its regional tenement holding during the year by approximately 120 km² (12,000 ha) through contractual arrangements and applications in its own right.

AGREEMENTS

CORPLEX AGREEMENTS

The Company through Philsaga completed two Memoranda of Agreement ("MOA") with Corplex Resources Incorporated ("CRI") on two separate parcels of ground immediately south of the Tambis Project, being an application for Financial and Technical Assistance Agreement (FTAA 000004-XIII) comprising approximately 162 hectares and an application for Mineral Production Sharing Agreement (APSA 000077-XIII) comprising approximately 810 hectares.

The key terms for both agreements are:

- The Company has the right to explore and develop minerals on the tenements and will pay a 4% gross royalty on all minerals extracted;
- If the Company completes a scoping study for a major new discovery which demonstrates a minimum five year mining life for the deposit, CRI can:
  - (i) elect to buy back a 30% interest in the respective tenement by reimbursing a sum equal to four times the expenditure to that time on the relevant tenement, and
  - (ii) contribute to 30% of all on-going costs to develop the project;
  - (iii) in the event that CRI elects not to contribute, CRI will:
    - (a) dilute to a 15% carried interest to commencement of production which will be funded by a loan from the Company, and
    - (b) repay the loan from production with 70% of CRI's share of cashflow being used for loan repayment.

The Company is advancing the tenement applications.

GOLDEN AGREEMENT

The Company through Philsaga signed an agreement over the Golden Project ("JEG") covering an application for Mineral Production Sharing Agreement (APSA 000033-XIII) comprising approximately 162 hectares.

The essential terms are:

- The Company has the right to explore and develop minerals on the tenements and will pay a 2% gross royalty on all minerals extracted;
- If the Company completes a scoping study for a major new discovery which demonstrates a minimum five year mining life for the deposit, JEG can:
  - (i) elect to buy back a 15% interest in the respective tenement by reimbursing a sum equal to four times the expenditure to that time on the relevant tenement, and
  - (ii) contribute to 15% of all on-going costs to develop the project;
  - (iii) In the event that JEG elects not to contribute, JEG will:
    - (a) dilute to a 7.5% carried interest to commencement of production which will be funded by a loan from the Company; and
    - (b) repay the loan from production with 85% of JEG's share of cashflow being used for loan repayment.

RELINQUISHED PROJECTS

AUSTRALIA

In late 2006, the Company sold the **Anti Dam** and **Kurnalpi Projects** to Fairstar Resources Limited ("Fairstar") under the following terms:

- Payment of $15,000 on signing of the Option to Purchase Agreement;
- On successful completion of an IPO and exercise of the Option to Purchase in October 2006
  - paid the Company $50,000 cash; and
  - issued the Company 1 million Fairstar shares valued at $250,000.

The Company withdrew from its **Braemore Project** tenements by either returning contracted tenements to their owners or assignment for no cost of the Company owned tenements to third parties.

PHILIPPINES

The Company returned the **Masapelid Island** project to joint venture partners Metals Exploration Plc without earning an interest and terminated the joint venture with Goldsearch Limited over the **Panaon Project** and subsequently returned the project to the claim owners.

DRILL HOLE SAMPLING AND ASSAYING PROCEDURES

Samples are taken from mainly HQ sized and some NQ sized drill core. The selected sample intervals are halved by diamond saw and half the core is bagged, numbered and sent to the Company laboratory. In a small number of cases to confirm the geological logging, the selected interval is re-split and ¼ core re-submitted for assay.

Initial sample preparation and assaying is undertaken at the Company's on–site laboratory. Samples were dried at 105ºC for 6 to 8 hours, crushed to less than 1.25 cm by jaw crusher, re-crushed to less than 3 mm using a secondary crusher followed by ring grinding of 700 to 800 grams of sample to nominal particle size of less than 200 mesh. Barren rock wash is used between samples in the preparation equipment. The samples are assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5 g/t gold are re-assayed using gravimetric fire assay techniques on a 30 gram sample.

The majority of samples which contained more than 0.5 metres at more than 2 g/t gold are re-assayed by McPhar Geoservices Phils Inc ("McPhar"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps are airfreighted to McPhar who fire assay 30 grams of sample using AAS finish and a selected number of samples are checked using gravimetric fire assay techniques. Duplicate samples and standards are included in each batch of check samples.

When reporting results, where available, as McPhar is an independent laboratory, its assays have been given priority over the Company laboratory's results.

REVIEW OF OPERATIONS

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

COMMUNITY PROJECTS, PROGRAMMES AND BENEFITS

COMMITMENT

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

ENVIRONMENTAL PROTECTION AND ENHANCEMENT PROGRAMME

Environmental monitoring

Philsaga's operations have been present in the local communities since inception in 1988. It owns 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. Water samples are taken on a monthly basis to monitor water quality in and around the Company's facilities.

Philsaga'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 procedures.

Re-afforestation programmes

To date a total of 156,180 trees have been planted as part of the Company's on-going rehabilitation programmes. The Company propagates the trees at its own 300 square metre nursery which has a 10,000 tree capacity.

Rehabilitation activities include filling abandoned small scale mining tunnels and holes which are replanted, particularly in the Tambis area which has a long history of small scale mining. Tree planting around all the Company's mine areas is undertaken as a matter of operating policy.

Co-O MINE HOUSING RELOCATION PROJECT

As a result of the landslide in January 2007 which blocked the main adit entrance to the mine, the Company is undertaking a new housing initiative to move the residents of the old Co-O village immediately adjacent to the Co-O Mine and situated predominantly on hillsides. The new village is named the Manobo Village after the local indigenous inhabitants of the general area, the Manobo people.

The new housing area is flat and located to the northeast of the mine. In contrast to the previous village in which residents built without control from local authorities, the new village is properly planned and community facilities are being provided. Residents of the old village who are Company employees are provided with financial and physical assistance to undertake rebuilding and moving.

A total of 318 dwellings are currently planned with the Company providing financial assistance for the provision of skilled tradesmen, water and power supplies and other facilities. From May 2007, a target of 50 house starts per month was set, with the first 50 houses nearing completion.

EDUCATIONAL PROGRAMMES

Scholarships

The Company has two scholarship programmes which commenced in 2003 benefiting an on-going total of 24 students from which 11 have already graduated:

- Full scholarships under which the benefits provided to students include payment of tuition fees, a monthly allowance and book and school uniform allowances, and
- Educational assistance under which students are provided with a monthly allowance.

Adopt-a-school programme

Following signing a Memorandum of Agreement with the Department of Education, the Company has adopted seven elementary schools and one high school totalling 1,250 students. Under this programme the Company,

- provides school supplies to students and instructional materials to teachers:
- pays the salaries of 16 volunteer teachers:
- has completed construction of two schools of two classrooms each which have been turned over the Department of Education:
- funds the training seminars for grade 1 teachers to upgrade their skills in beginners reading and English comprehension;
- has taken over the administration of a dilapidated secondary education school and has completed repairs, paid teacher's salaries, and provided laboratory equipment, library facilities, computers and other facilities. The Company has committed to constructing a two-storey building with 8 classrooms to accommodate 320 to 400 students.

COMMUNITY DEVELOPMENT AND ASSISTANCE PROGRAMMES

Water projects

The Company has provided materials for the installation and repair/ rehabilitation of water supplies in close co-operation with local governments in four locations.

Day care centres

The Company supports 6 day care centres and provides funding to day care teachers and materials for repair of buildings, ablution facilities and for construction of premises.

Local road maintenance and bridge building

The Company is actively involved in road and bridge construction and maintenance for its own operations as well as for local communities. The assistance to local communities involves provision of funds and/or materials.

Construction of community buildings

The Company has been involved in providing assistance for funding and materials for the construction of community halls, teachers' accommodation and seminar centres.

Community health

The Company provides general health and dental services to its employees and dependants and undertakes minor surgical and dental missions to nearby villages within its sphere of operation.

The Company maintains a fully equipped ambulance and employs its own nursing staff to attend to its employees.

COMMUNITY PROJECTS, PROGRAMMES AND BENEFITS (continued)

Employment, Local Suppliers and Payment of Local Taxes and Wages

The Company employs approximately 270 staff at its operations and up to approximately 600 contractors depending on the work programmes in progress. This results in a large amount of money arising from salaries and wages circulating in local communities on a monthly basis. The Company is one of the largest tax payers in the district and the province of Agusan del Sur and also pays a 1% gross royalty on gold production to indigenous groups.

As the Company's operations expand to new areas away from the Co-O Mine, there are increasing employment opportunities for remote communities through exploration and potential new mine developments.

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

JORC COMPLIANCE – CONSENT OF COMPETENT PERSONS

Medusa Mining Limited

Information in this report relating to **Exploration Results**, is based on information compiled by Mr Geoff Davis, who is a member of The Australian Institute of Geoscientists. Mr Davis is the Managing Director of Medusa Mining Limited and has sufficient experience which is relevant to the style of mineralization and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Davis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Cube Consulting Pty Ltd

Information in this report relating to **Mineral Resources** has been estimated and complied by Mark Zammit of Cube Consulting Pty Ltd. Mr Zammit is a member of The Australasian Institute of Mining & Metallurgy and has sufficient experience that 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 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Zammit consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Cube Consulting is an independent Perth based resource industry consulting firm specialising in geological modelling, resource estimation and information technology.

Golder Associates Pty Ltd

The information in this report that relates to **Ore Reserves** is based on information compiled by Charles Hastie BAppSc (Mining Engineering), B AppSc (Multidisciplinary Science), MAusIMM and Peter Onley MBA, MSc, BSc (Hons), FAusIMM, CP. Mr Hastie and Mr Onley are full-time employees of Golder Associates Pty Ltd.

Messrs Hastie and Onley 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 Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Charles Hastie and Peter Onley consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Golder Associates is a global consulting group employing more than 5500 staff offering services in earth engineering and environmental science

DIRECTORS' REPORT

The Directors present their report together with the financial report of Medusa Mining Limited ("Medusa" or the "Company") and the consolidated financial report of the Group, being the Company and its controlled entities, for the year ended 30 June 2007, and the auditor's report thereon.

DIRECTORS' REPORT

1. DIRECTORS

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

Name	Period of Directorship
Non-Executive:	
Mr Kevin M Tomlinson (Chairman)	Director since October 2005
Dr Robert M Weinberg	Director since July 2006
Executive:	
Mr Geoffrey J Davis (Managing Director)	Director since February 2002
Mr Roy P Daniel (Finance Director)	Director since April 2006

The Directors have been in office since the start of the financial year to the date of this report.

2. DIRECTORS' INFORMATION

Mr Kevin Tomlinson

Grad Dip Finance, MSc, BSc (Hons), FSI,, ASIA

Non-Executive Chairman

Mr Kevin Tomlinson, who was appointed to the Board of Medusa on 10 October 2005, is currently Managing Director - Investment Banking for Westwind Partners (UK) Limited, a broking house in London.

Mr Tomlinson's 27 years of experience includes senior executive and management roles in several mining commodities including gold, nickel and base metals, plus a broad range of experience in other areas including corporate start-ups, capital raisings, company listings and project evaluation. He possesses strong conceptual and analytical capabilities and a thorough understanding of the market and corporate issues that affect growing companies.

As Head of Research, working for Hartleys Limited in Perth, he was involved in investment relationships with corporate clients, the facilitation of Australian and International introductions to institutions, broking houses and funds, as well as promotion through the media and road shows in Australia, Canada, UK and Europe. Mr Tomlinson brings a wealth of experience to the Company that will enhance the marketability of Medusa in the international resources market.

Mr Tomlinson is also the Non-Executive Chairman of Dragon Mountain Gold Limited, a company listed on the Australian Stock Exchange.

Dr Robert Weinberg

BA (Hons) Geology, MA, DPhil, FGS

Non-Executive Director

London based Dr Robert Weinberg who gained his doctorate in geology from Oxford University in 1973, has more than 30 years experience in the international mining industry and is an independent mining research analyst and consultant. He is a Fellow of the Geological Society of London.

Dr Weinberg brings a wealth of gold marketing and investment banking experience to the Company having held executive positions that include being Managing Director, Institutional Investments at the World Gold Council, Director of Gold Bullion Securities, Director of the Investment Banking & Equities division at Deutsche Bank in London, Head of the Global Mining Research team at SG Warburg Securities. Robert has also held senior positions within Societe

Generale and was head of the mining team at James Capel & Co. He was also formerly marketing manager of the gold and uranium division of Anglo American Corporation of South Africa Ltd.

Dr Weinberg who is currently a Non-Executive Director of Solomon Gold plc and Falkland Gold & Minerals Ltd, companies listed on the Alternative Investment Market (London) and Kasbah Resources Ltd, an ASX listed entity was appointed to the Board on 1 July 2006.

Mr Geoffrey Davis

M.Sc, Mining and Exploration Geology, B. Sc (Hons), Geology,
Member, Australian Institute of Geoscientists.

Managing Director

Mr Geoff Davis worked initially with BHP for 10 years following his graduation in 1972, before becoming a consultant in 1980 to a wide range of mining and exploration companies in Australia, Asia and South America. This work specialised in epithermal precious metal and porphyry copper-gold opportunities, and included project acquisition, assessment and exploration. Since 1990, most of his work has been with junior explorers where he has been Exploration Manager to a number of these companies.

In more recent times he has also held Directorships and senior executive positions in a number of listed and unlisted Australian, Asian and London based exploration and mining companies. Mr Davis has been Managing Director of Medusa since its inception on 5 February 2002.

<u>Philippines experience:</u>
Mr Davis first started work in the Philippines in 1980 until late 1981 as the Regional Manager for BHP based in Manila, focussed on exploring for epithermal gold deposits under the guidance of an internationally recognised consultant who specialised in epithermal gold deposits. Subsequently he has consulted in the Philippines, including from 1999-2000 managing the restructure and financial recovery of a group of companies which included the sale of the Co-O Gold Project to Philsaga Mining Corporation in August 2000. Over the 25 years of experience in the Philippines, he has developed a network of contacts in the mining, exploration, legal and tenement management sectors of the industry which are essential for developing the Company's business interests in the Philippines.

Mr Roy Daniel

B.Com, UWA

Finance Director

Mr Roy Daniel who is also the Company Secretary of the Company was appointed Finance Director of the Company on 13 April 2006. He has been associated with the resource and mining industry for over 26 years and has held various senior management and accounting positions with overseas and Australian companies.

Mr Daniel has considerable experience in accounting matters, business development, financial evaluations & modelling, feasibility studies, project funding, treasury management and company secretarial functions and will bring his expertise in these matters to the Company.

In his capacity as Finance Director, Mr Daniel is responsible for the day to day financial, company secretarial and administrative functions of the Company.

<u>Philippines experience:</u>
Mr Daniel also possesses work experience in the Philippines having streamlined the finance, administration and corporate activities of Filipino operations for an AIM listed entity.

DIRECTORS' REPORT

3. COMPANY SECRETARY

Mr Roy Daniel who is also a Director was appointed Company Secretary on 6 December 2004 and held that position at the end of the financial year.

4. MEETINGS OF DIRECTORS

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

Name of Director	Board of Directors Meetings	
	Number of meetings held while in office	Number of meetings attended while in office
Kevin Tomlinson	7	7
Geoffrey Davis	7	7
Roy Daniel	7	7
Robert Weinberg	7	7

At the date of this report, no Audit, Remuneration nor Nomination Committee of the Board of Directors exist, as the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of such committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.

5. PRINCIPAL ACTIVITIES

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

6. OPERATING RESULTS

The net consolidated profit / (loss) for the financial year attributable to members of Medusa Mining Limited after provision of income tax was $8,979,106 [2006: ($2,341,534)].

7. REVIEW OF OPERATIONS

A review of operations and exploration activities of the Group for the year are set out in the Chairman's Review and Review of Operations which are included with these financial statements.

8. DIVIDENDS

There was no dividend paid or declared by the Company since the end of the previous financial year and the Directors do not recommend the payment of a dividend in respect of the current 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:

- Dr Robert Weinberg was appointed to the Board as a Non-Executive Director on 1 July 2006.
- On 3 August 2006, the Company executed a Variation Deed with the Principal Shareholders of Philsaga Mining Corporation ("Philsaga Vendors") whereby Medusa would complete the Philsaga Transaction upon listing of Medusa on the Alternative Investment Market ("AIM") in London in the second half of 2006.

  The key terms of the Variation Deed were:

  - Payment of the outstanding cash component of $13 million (which the Company funded via a capital raising concurrent with its AIM listing); and the
  - Issue of 25 million Medusa shares (currently under voluntary escrow for a period of 12 months or until such time as the Co-O Mine Mining Production Sharing Agreement ("MPSA") is issued, whichever is the latter, or upon a change of control in Medusa).
  - On 15 September 2006, the Company commenced trading of its shares on the Frankfurt Stock Exchange in Germany.
- The Company advised the ASX on 19 September 2006, that it had relinquished all its interests and on-going liabilities in the Braemore Project.
- Shareholders of the Company at a meeting on 29 September 2006,
  - Approved, the issue of 25 million shares to the Philsaga Vendors;
  - Approved, the allotment of up to 30 million shares in the capital of the Company at an issue price that was at least 80% of the average market price calculated over the last 5 days on which sales of the Company's shares were recorded prior to allotment to raise the necessary funds to complete the Philsaga Transaction;
  - Ratified and approved shares allotted and issued during the year; and
  - Approved the adoption of a new constitution.
- Formal application was made for the admission of the Company's securities to AIM on 24 October 2006.
- On 13 November 2006, the Company announced to the market that it had raised $10,645,630 before expenses via the issue of 16,377,892 shares at $0.65 per share to sophisticated investors and investment funds from the United Kingdom, Australia and New Zealand. The placement was managed by Ambrian Partners Limited and Westwind Partners (UK) Limited.
- The Company on 15 November 2006, raised $498,360 before expenses with the allocation of 766,707 shares at $0.65 per share to a limited number of broking houses in London as the Company's market makers when the Company commenced trading on the Alternative Investment Market ("AIM").
- Medusa was officially admitted to deal on AIM on 21 November 2006;

9. SIGNIFICANT CHANGE IN STATE OF AFFAIRS (continued)

- The Company completed the acquisition of Philsaga Mining Corporation on 4 December 2006. The full terms of the transaction were:
  - Final payment of $1 million to contractors;
  - Yandal Investments Pty Ltd paid in full, being $3.584 million and issued with 6.4 million shares;
  - Secdea Philippines Holdings Corporation paid in full, being $80,000 and issued with 4 million shares;
  - Advanced Concept Holdings Limited paid $920,000 and issued with 14.6 million shares;
  - Advanced Concept Holdings Limited agreeing to provide vendor finance for the balance of the cash payment of $7.416 million on the following terms:
    - $2.416 million to be paid on or before 15 February 2007;
    - $2.500 million to be paid on or before 15 July 2007;
    - $2.500 million to be paid on or before 15 January 2008.
- On 13 December 2006, the Company advised the ASX that the Supreme Court of Philippines had unanimously confirmed that the Department of Environment and Natural Resources could proceed, subject to regulatory compliance with the issuance to Philsaga of the Mineral Production Sharing Agreement covering the Co-O Mine.
- Following the expiry of the Company's listed options on 31 January 2007, the Company advised the ASX that 129,125 options remained un-exercised and subsequently cancelled.
- The Supreme Court of Philippines on 14 February 2007, dismissed with finality the Motion for Reconsideration filed by Picop Resources Inc. in response to the earlier decision by the SC which permitted the Department of Environment and Natural Resources to proceed, subject to regulatory compliance with the issuance to Philsaga of the Mineral Production Sharing Agreement covering the Co-O Mine.
- The Company advised the ASX on 13 June 2007, that it had completed the acquisition of a 1.32% uncapped gross royalty from Central Mindanao Mining Corporation Inc., for Php 44 million, equivalent to approximately US$956,000 or A$1.12 million.
- The Company on 27 June 2007, announced to the market that it had raised gross proceeds of $20,125,000 via the issue of 17,500,000 shares at $1.15 per share plus (subject to shareholder approval) 7,000,000 unlisted options exercisable at $1.60 per option with a term of 18 months. The securities were issued to Gallagher Holdings Limited.

10. EVENTS SUBSEQUENT TO BALANCE DATE

- The Company on 1 August 2007, advised that it had signed a Heads of Agreement ("HOA") with Sierra Mining Limited ("Sierra"), an ASX listed entity, whereby Medusa upon completion of satisfactory due diligence, will earn a 70% joint venture interest in Exploration Permit application 000037-XIII and Mineral Production Sharing Agreement application 000003-XIII (together the "Bunawan JV").

  Key terms of the HOA are:

  - Medusa has the right to earn a 70% interest by:
    - contributing a minimum of US$1.5 million on exploration and/or development expenditure in the Bunawan JV over a period of 3 years from the date of granting of the necessary permits;
    - after Medusa has earned its 70% interest, Sierra has the right to contribute to ongoing expenditure or dilute to a 3% Net Smelter Royalty.
  - Medusa is required to spend a minimum of US$300,000 within 1 year after the granting of tenements; and
  - Medusa is responsible for all costs incurred to progress the tenements to grant status.

  In addition, Medusa has also agreed upon the signing of a Joint Venture Agreement ("JVA") between the parties to take a 9.9% placement in Sierra of 4.85 million shares, at an issue price of A$0.25 each, representing a total consideration of A$1.21 million. As part of the placement, Medusa will be granted 2.425 million unlisted options (at no cost) over Sierra shares exercisable at A$0.30 each with an expiry date of 4 years from the date of signing of the JVA.

- Shareholders of the Company at a meeting on 7 August 2007, approved the issue of 7,000,000 unlisted options exercisable at $1.60 per option and an expiry date of 1 February 2009 to Gallagher Holdings Limited ("Gallagher"). The approved options were issued in consideration of Gallagher subscribing for 17,500,000 shares in the issued capital of the Company at a subscription price of $1.15 per share to raise gross proceeds of $20,125,000 in June 2007.

  Other than the matters described above, there has not arisen in the interval between the end of the financial year and the date of this report any 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

The Group will continue to pursue its policy of acquiring and testing attractive mineral properties with a view to developing properties capable of economic mineral production in the Philippines.

12. DIRECTORS' INTEREST

The relevant interest of each Director in the share capital of the companies within the Group, as notified by the Directors to the Australian Stock Exchange in accordance with Section 205G(1) of the Corporations Act 2001 at the date of this report, is as follows:

Name of Director	Note	Number of fully paid ordinary shares	Number of unlisted options over ordinary shares
Kevin Tomlinson	(1)	32,950	1,000,000
Geoffrey Davis	(2)	4,702,500	2,600,000
Roy Daniel	(3)	270,007	1,000,000
Robert Weinberg	(4)	52,250	750,000

(1) - 250,000 unlisted options exercisable at 72.00 cents on or before 2 October 2008;
- 500,000 unlisted options exercisable at 90.00 cents on or before 2 October 2008; and
- 250,000 unlisted options exercisable at $1.50 on or before 2 October 2008

(2) - 2,000,000 unlisted options exercisable at 57.64 cents on or before 16 December 2007; and
- 600,000 unlisted options exercisable at 43.34 cents on or before 23 December 2009

(3) - 500,000 unlisted options exercisable at 57.64 cents on or before 16 December 2007;
- 500,000 unlisted options exercisable at 90.00 cents on or before 2 October 2008

(4) - 500,000 unlisted options exercisable at 90.00 cents on or before 2 October 2008; and
- 250,000 unlisted options exercisable at $1.50 on or before 2 October 2008

13. REMUNERATION REPORT

(a) Details of Directors and Executives (including Key Management Personnel)

Other than the Executive Directors and Executive Officers, no other person is concerned in, or takes part in, the management of the Company; or have authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Company did not have any person, other than Directors and Executive Officers, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company Executive or Relevant Group Executive" for the purposes of section 300A of the Corporations Act 2001 ("Act"). Remuneration details of the Company Secretary are disclosed as section 300A(1B)(a) of the Act defines a "Company Executive" to specifically include a secretary of the entity.

Directors

Non-Executive Directors:

Kevin Tomlinson - Chairman

Robert Weinberg - Director

Executive Directors:

Geoffrey Davis - Managing Director

Roy Daniel - Finance Director and Company Secretary

Executives

Samuel Afdal - President, Philsaga Mining Corporation

William Phillips - Operations Director, Philsaga Mining Corporation

(b) Directors' and Executives' remuneration (Company and consolidated)

The following tables provide the details of all Directors and Executives of the Group and the nature and amount of the elements of their remuneration for the year ended 30 June 2007.

Name	Note	Year	Primary				Equity options	Total
			Salary/ fees	Directors' fees	Bonus	Super		
Directors								
Non-Executive Directors								
Kevin Tomlinson	(1)	2007	24,335	88,650	-	-	-	112,985
(appointed 1 Oct 2005)		2006	-	37,500	-	-	223,250	260,750
Robert Weinberg	(3)	2007	-	62,516	-	-	85,500	148,016
(appointed 1 Jul 2006)		2006	-	-	-	-	-	-
Jeffrey Schiller		2007	-	-	-	-	-	-
(resigned 31 Jan 2006)		2006	-	12,917	-	-	-	12,917
Edward Mein		2007	-	-	-	-	-	-
(resigned 17 Mar 2006)		2006	53,450	15,139	-	-	-	68,589
Simon Cato		2007	-	-	-	-	-	-
(resigned 13 Apr 2006)		2006	-	16,250	-	-	-	16,250
Executive Directors								
Geoffrey Davis		2007	390,000	-	-	-	-	390,000
		2006	270,000	-	150,000	-	-	420,000
Roy Daniel	(2)	2007	215,500	-	-	41,750	71,000	328,250
(appointed 13 Apr 2006)		2006	130,000	-	30,000	20,775	-	180,775
Executives								
Samuel Afdal	(4)	2007	89,070	-	-	-	-	89,070
(commenced 4 Dec 2006)		2006	-	-	-	-	-	-
William Phillips	(5)	2007	222,675	-	-	-	-	222,675
(commenced 4 Dec 2006)		2006	-	-	-	-	-	-
Total		2007	941,580	151,166	-	41,750	156,500	1,290,996
		2006	453,450	81,806	180,000	20,775	223,250	959,281

(1) On 27 Jan 2006, Kevin Tomlinson was granted 1,000,000 unlisted options (at no cost) over un-issued ordinary shares on the following terms:

Tranche	Number of options	Vesting criteria	Exercise price	Expiry date	Value/option
1st	250,000	Full vesting upon issue	$0.72	02/10/2008	$0.269
2nd	500,000	Full vesting upon issue	$0.90	02/10/2008	$0.234
3rd	250,000	Full vesting upon issue	$1.50	02/10/2008	$0.156

The estimated value per option for the three tranches at the date of grant is based on the Black and Scholes model.

13. REMUNERATION REPORT (continued)

(2) On 08 Aug 2006, Roy Daniel was granted 500,000 unlisted options (at no cost) over un-issued ordinary shares on the following terms:

Tranche	Number of options	Vesting criteria	Exercise price	Expiry date	Value/option
-	500,000	Full vesting upon issue	$0.90	02/10/2008	$0.142

The estimated value per option for the three tranches at the date of grant is based on the Black and Scholes model

(3) On 08 Aug 2006, Dr Robert Weinberg was granted 750,000 unlisted options (at no cost) over un-issued ordinary shares on the following terms:

Tranche	Number of options	Vesting criteria	Exercise price	Expiry date	Value/option
1st	500,000	Full vesting upon issue	$0.90	02/10/2008	$0.142
2nd	250,000	Full vesting upon issue	$1.50	02/10/2008	$0.058

The estimated value per option for the three tranches at the date of grant is based on the Black and Scholes model

(4) US$70,000 converted at average exchange rate for the year of 0.7859

(5) US$175,000 converted at average exchange rate for the year of 0.7859

(c) Remuneration options

Name	Vested number	Granted number	Grant date	Value per option at grant date	Exercise price	First exercise date	Last exercise date
Directors							
Kevin Tomlinson	1,000,000	1,000,000	03/10/05	$0.22325	various	-	02/10/08
Geoffrey Davis	600,000	600,000	23/06/04	$0.20570	$0.4334	-	23/12/09
Geoffrey Davis	2,000,000	2,000,000	16/12/04	$0.34580	$0.5764	16/12/05	16/12/07
Roy Daniel	500,000	500,000	16/12/04	$0.29640	$0.5764	16/12/05	16/12/07
Roy Daniel	500,000	500,000	08/08/06	$0.14200	$0.90	-	02/10/08
Robert Weinberg	500,000	500,000	08/08/06	$0.14200	$0.90	-	02/10/08
Robert Weinberg	250,000	250,000	08/08/06	$0.05800	$1.50	-	02/10/08

The service and performance criteria set to determine remuneration are included per note (h).

The exercise price of Mr Tomlinson's options represents the following premiums to the issue price of the Company's Prospectus Rights Issue in August 2005 at $0.60 per share:

(i) 1st tranche of 250,000 options exercisable at $0.72 represents a premium of 20%;
(ii) 2nd tranche of 500,000 options exercisable at $0.90 represents a premium of 50%; and
(iii) 3rd tranche of 250,000 options exercisable at $1.50 represents a premium of 150%.

The exercise price for Messrs Davis' and Daniel's options is based on a 10% premium on the average closing price for 5 days prior to 16 December 2004. The vesting provision is 50% on 1st anniversary (16 December 2005) and the remaining 50% on 2nd anniversary 16 December 2006.

The exercise price for the options granted to Messrs Daniel and Weinberg on 08 Aug 2006, are identical to the 2nd and 3rd tranches of Mr Tomlinson's options.

(d) Shares issued on exercise of remuneration options

No options previously granted as remuneration were exercised during the year.

(e) Option holdings

The movement during the year in the number of options 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:

Name	Balance 01/07/06	Options granted as remun-eration	Options sold, acquired, exercised	Options held at appoin tment	Balance 30/06/07	Vested & exer cisable 30/06/07	Total not exer cisable 30/06/06
Directors							
Kevin Tomlinson	1,006,250	1,000,000	(6,250)	-	1,000,000	1,000,000	-
Geoffrey Davis	4,092,500	-	(1,492,500)	-	2,600,00	2,600,000	-
Roy Daniel	589,007	500,000	(89,007)	-	1,000,000	1,000,000	-
Robert Weinberg	-	750,000	-	-	750,000	750,000	-

(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, including their personally related entities is as follows:

Name	Balance 01/07/06	Shares held at appoint ment	Shares purchased	Options exercised	Shares sold	Balance 30/06/07
Directors						
Kevin Tomlinson	12,500	-	14,200	6,250	-	32,950
Geoffrey Davis	3,210,000	-	-	1,492,500	-	4,702,500
Roy Daniel	181,000	-	-	89,007	-	270,007
Robert Weinberg	-	40,000	12,250	-	-	52,250
Executives (*)						
Samuel Afdal	-	4,520,000	-	-	-	4,520,000
William Phillips	-	14,600,000	-	-	-	14,600,000

(*) Messrs Afdal and Phillips commenced employment with the Group on 4 December 2006.

(g) Remuneration policies

Remuneration levels for key management personnel of the Group are 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 a lso the issue of options to encourage alignment of personal and shareholder interests.

The Board obtains independent advice from external consultants in the form of a written report detailing market levels of remuneration for comparable executive roles in resource based international corporations.

13. REMUNERATION REPORT (continued)

Executive remuneration packages:

The Company's aim is to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward Executives for Company and individual performances; and
- ensure total remuneration is competitive by international market standards.

In determining the level and make-up of executive remuneration, the Board sets remuneration levels that reflect the market salary for a position and individual of comparable responsibility and experience.

Remuneration consists of a fixed remuneration and long term incentive portion as considered appropriate.

Fixed Remuneration:

Fixed remuneration consists of base salary, any non-financial benefits and employer contributions to superannuation funds.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board and the process involves the review of Company and individual performance, and relevant comparative remuneration in the international market.

In addition, the Board engages the services of an external consultant to provide analysis and independent advice to ensure that Directors and Executives' remuneration levels are competitive in the international market place.

Performance linked remuneration:

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding corporate objectives. The short-term incentive is an 'at risk' bonus provided in the form of cash whilst the long-term incentive is provided as options over ordinary shares.

- Short-term incentive s ("STI")

  Each year, the Board sets key performance indicators ("KPI") for key management personnel. The KPI generally include measures relating to the Group, the relevant segment, and the individual, and include financial, people, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

  At the end of the financial year the Board assesses the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the financial year. Should the Group achieve the set KPIs, the Board will reward the key management personnel with a bonus during the salary review. A percentage of pre-determined maximum amount is awarded depending on results. No bonus is awarded where performance falls below the minimum.

  The method of assessment was chosen as it provides the committee with an objective assessment of the individual's performance and is paid in the form of cash.

- Long-term incentive ("LTI")
  LTI's granted to key management personnel are in the form of options over ordinary shares.

All key management personnel have been incentivised with options and the Board see no necessity to establish an Executive Share Option Plan. The board will however reassess the situation on an annual basis with respect to the establishment of an Executive Share Option Plan.

The primary objective of option as a basis of remuneration, is to reward key management personnel in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Non-Executive remuneration packages:

The Board seeks to set aggregate remuneration at a level which 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 voted upon by shareholders at a meeting held on 29 November 2005, is not to exceed $200,000 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 based companies with similar responsibilities and the experience of the Non-Executive Directors when undertaking the review process. Directors' fees cover all main Board activities.

No retirement benefits are provided for any Non-Executive Director's retirement or termination (other than in accordance with the rules set out in the Corporations Act).

Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, subject to shareholder approval in accordance with ASX Listing Rules. The option incentive is targeted to add shareholder value by having a strike price considerably greater than the market price at the time of granting.

(h) Employment contracts

Executive Directors

- **Geoffrey Davis** (Managing Director)

  On 1 January 2006 the Company entered into a consultancy services agreement with Harvest Services Aust Pty Ltd ("Harvest Services") and Mr Geoffrey Davis by which Harvest Services and Mr Davis agreed that Mr Davis will provide services to the Company commensurate with that of a managing director until 31 December 2008.

  Harvest Services will receive remuneration for the services provided by Harvest Services and Mr Davis in the sum of A$420,000 per annum exclusive of GST. The remuneration of Mr Davis is reviewed annually in October by the Board and the consideration may include bonuses.

  Mr Davis' employment may be terminated by:
  (i) Expiry;
  (ii) Mr Davis, at any time during the term of the agreement on giving 6 month's notice;
  (iii) Medusa, at any time during the term of the agreement on giving 6 month's notice;
  (iv) The Company, immediately in the event of serious misconduct or in other nominated circumstances;

Mr Davis' consultancy agreement also contains provisions for the protection of Medusa's interests in areas such as confidential information, intellectual property and moral rights.

13. REMUNERATION REPORT (continued)

(h) Employment contracts (continued)

Executive Directors

- **Roy Daniel** (Finance Director/Company Secretary)

  On 27 November 2006, Mr Roy Daniel executed an employment agreement with the Company backdated to 1 October 2006 for a fixed term of 2 years.

  Under the terms of the agreement, the remuneration of Mr Daniel is reviewed annually and maintained at a level that reflects the progress of the Company as well as the maintenance of industry standards for similar positions and responsibilities. The annual review will also take into consideration the payment of bonuses as corporate milestones are achieved.

  In addition to termination for cause, either of the Company or Mr Daniel may terminate the agreement without cause by providing 6 months' written notice without cause to the other parties.

  Mr Daniel current salary package is A$275,000 per annum.

  Under the terms of the employment contract, Mr Daniel may be terminated by:
  (i) Expiry;
  (ii) Mr Daniel, at any time on giving 6 month's notice;
  (iii) Medusa, at any time on giving 6 month's notice;
  (iv) The Company, immediately in the event of serious misconduct;

  Mr Daniel's employment contract also contains provisions for the protection of Medusa's interests in areas such as confidential information and business dealings.

Non-Executive Directors

- **Kevin Tomlinson** (Non-Executive Chairman) receives director's fees of £36,000 per annum; and

- **Dr Robert Weinberg** (Non-Executive Director) Receives director's fees of £25,000 per annum

Executives

- **William Philips** (Operations Director, Philsaga Mining Corporation)

  On 4 December 2006, Philsaga executed a management consultancy agreement with Mindanao Philcord Holdings Corporation ("Mindanao Philcord"), a company associated with William Phillips, Operations Director of Philsaga Mining Corporation.

  Under the terms of the management consultancy agreement, Philsaga has engaged Mindanao Philcord to provide Philsaga, or the Medusa group of companies, with project management services for the Co-O Mine and any other mining activities in the Philippines together with any other required management or advisory services.

  The engagement of Mindanao Philcord by Philsaga is for an initial term of 3 years and is renewable thereafter for 1 year periods by mutual agreement between the parties. During the initial term, Philsaga may only terminate the agreement upon limited events akin to misconduct or incapacity.

  Philsaga will pay Mindanao Philcord the sum of US$25,000 per calendar month. Philsaga will additionally reimburse Mindanao Philcord for all expenses reasonably incurred in the performance of his services including relating to entertainment, accommodation, meals, telephone and travelling.

- **Samuel Afdal** (President, Philsaga Mining Corporation)

  On 4 December 2006, Philsaga executed a management consultancy agreement with Samuel G Afdal.

  Under the terms of the management consultancy agreement, Philsaga has engaged Mr Afdal to provide Philsaga or the Medusa group of companies with management and advisory services upon milling, administration and industrial relations matters for the Co-O Mine and any other mining activities in the Philippines together with other required complimentary services.

  The engagement of Mr Afdal by Philsaga is for an initial term of 3 years and is renewable thereafter for 1 year periods by mutual agreement between the parties. During the initial term, Philsaga may only terminate the agreement upon limited events akin to misconduct and incapacity.

  Philsaga will pay Mr Afdal the sum of US$10,000 per calendar month. Philsaga will additionally reimburse Mr Afdal for all expenses reasonable incurred in the performance of his services including relating to entertainment, accommodation, meals, telephone and travelling.

14. OPTIONS

Un-issued shares under option

At the date of this report, the following options remain over unissued ordinary shares:

Expiry date	Exercise price	Number of options	Type
16 December 2007	$0.5764	3,000,000	Unlisted
02 October 2008	$0.7200	250,000	Unlisted
02 October 2008	$0.9000	1,500,000	Unlisted
02 October 2008	$1.5000	500,000	Unlisted
13 November 2008	$0.6500	171,446	Unlisted
01 February 2009	$1.6000	7,000,000	Unlisted
19 December 2009	$0.7128	800,000	Unlisted
23 December 2009	$0.4334	600,000	Unlisted

There are no unissued shares under option at the date of this report other than those referred to above and these options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

Since the end of the financial year, 22,736,273 options were converted to ordinary shares at the following exercise prices:

- 22,511,273 at $0.20 per option; and
- 225,000 at $0.6072 per option.

15. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the following current Directors of the Company, Messrs Tomlinson, Davis, Daniel and Dr Weinberg and the following former Directors Messrs Cato, Mein and Dr Schiller against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors 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.

Insurance premiums

No details of the nature of the liabilities covered and the amount of premium paid in respect of the Directors' and Officers' Liability Insurance policy has been disclosed, as such disclosure is prohibited under the terms of the policy.

16. ENVIRONMENTAL REGULATIONS

The Group's operations are subject to environmental regulations in relation to its exploration activities. The Directors are not aware of any significant breaches during the period covered by this report.

17. CORPORATE GOVERNANCE STATEMENT

The Australian Stock Exchange ("ASX") Listing Rules ("Listing Rules") require a listed entity to include in its annual report, a statement on Corporate Governance practices disclosing the extent to which it has followed the "best practice" corporate governance recommendations set by the ASX Corporate Governance Council ("Council").

The concept of "corporate governance" is the systems, policies and procedures under which an entity is directed and managed. The benefits of good corporate governance are accountability, systems of control and the encouragement to create value. There is no single model of good corporate governance. Corporate governance will evolve as an entity's circumstances change and must be tailored to its circumstances.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with Council's recommendation, unless otherwise stated.

BOARD OF DIRECTORS

Role of 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 they are elected and to whom they are accountable.

To fulfill this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring financial reports and capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and Senior Executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

The Board has delegated responsibilities for the day to day operational, corporate and administrative activities of the Group to the Managing Director who is also the Chief Executive Officer ("CEO") and the Finance Director who is also the Chief Financial Officer ("CFO").

The Company complies with the Council's recommendations 2.2 and 2.3, which recommends that the Chairperson should be independent and that the role of the Chairperson and CEO should not be the same individual.

Board process

The full Board currently holds six scheduled meeting each year, plus any extraordinary meetings at such other times as may be necessary to address significant matters that may arise and, Executives are regularly invited to participate in board discussions. Whenever possible, Non-Executive Directors make site visits to meet with management to not only help gain a better understanding of business operations but to also make contact with a wider group of employees.

The agenda for meetings is prepared by the Company Secretary in conjunction with the Managing Director and includes standing items such as financial and operational reports, strategic matters, governance and compliance. Board papers are circulated to the Directors in advance of all scheduled meetings.

Independent professional advice and access to company information

In fulfilling their obligations, each Director has the right of access to all relevant company information and to the Company's Executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense.

The Director must consult with an adviser suitably qualified in the relevant field, and obtain the Chairperson's approval of the fee payable for the advice before proceeding with the consultation which will not be unreasonably withheld. A copy of the advice received by the Director is made available to all members of the Board.

Composition of the Board

The names of the Directors of the Group in office at the date of this report are set out in the Directors' Report on page 2 of this report.

The composition of Medusa's Board is determined applying the following principles:

- Directors appointed by the Board are subject to election by shareholders at the following Annual General Meeting and thereafter are subject to re-election in accordance with the Company's constitution;
- A majority of Directors having extensive knowledge of the Company's business in mining and exploration;
- A Non-Executive independent Director as Chairperson;
- the Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas, or when an outstanding candidate is identified; and
- the Board should comprise Directors with an appropriate range of qualifications and expertise.

The Board will review its composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with the relevant qualifications, skills and experience.

Notwithstanding the Council's recommendation 2.1 that the majority of the Board should be independent Directors, the Board believes that the current size and stature of the Group does not warrant the addition of any new independent Directors to the Board. The Board is of the opinion that the objectives and current strategy of the Group are best served and achievable by members of the current Board irrespective of their degree of independence. It is however the Board's intention to continually review and assess the benefits associated with the introduction of external independent Non-Executive Directors.

17. CORPORATE GOVERNANCE STATEMENT (continued)

NOMINATION COMMITTEE

The Board believes that the Group is not of a size, nor are its financial affairs of such complexity to justify the establishment of a Nomination Committee of the Board of Directors as recommended by the Council's recommendation 2.4.

Notwithstanding its reasons for not establishing a Nomination Committee, the Board resolved that it would be beneficial to adopt and implement a formal Charter that clearly sets out the Nomination Committee's role and responsibilities, composition, structure and membership requirements.

All matters which might properly be dealt with by a Nomination Committee are considered at full Board of Directors meetings.The Board will meet annually to review the necessity to establish a Nomination Committee.

REMUNERATION COMMITTEE

The Board believes that the Group is not of a size, nor are its financial affairs of such complexity to justify the establishment of a Remuneration Committee of the Board of Directors as recommended by the Council's recommendation 9.2.

Notwithstanding its reasons for not establishing a Remuneration Committee, the Board resolved that it would be beneficial to adopt and implement a formal Charter that clearly sets out the Remuneration Committee's role and responsibilities, composition, structure and membership requirements.

All reviews of remuneration packages and policies applicable to Executive Directors, Non-Executive Directors and Senior Executives normally conducted on an annual basis by the Remuneration Committee are handled by the Board of Directors.

The Board will meet annually to review the necessity to establish a Nomination Committee.

Remuneration policies

Details on Remuneration policies of the Group are included in the Remuneration Report under section 13 (g) within this Directors' Report.

AUDIT COMMITTEE

The Board believes that the Group is not of a size, nor are its financial affairs of such complexity to justify the establishment of an Audit Committee of the Board of Directors as recommended by the Council's recommendation 4.2.

Notwithstanding its reasons for not establishing an Audit Committee, the Board resolved that it would be beneficial to adopt and implement a formal Charter that clearly sets out the Audit Committee's role and responsibilities, composition, structure and membership requirements.

The Board will meet annually to review the necessity to establish an Audit Committee.

All issues and matters normally dealt with by an Audit Committee are assigned to the Company Secretary (operating within the parameters of an Audit Committee Charter, reporting directly to the Board:

The role of the Company Secretary in discharging his responsibilities will include:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs) and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- assessing the performance and objectivity of the internal audit function;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- reviewing the nomination and performance of the external auditor who were appointed in October 2004. The external audit engagement partner will be rotated after the 30 June 2010 audit;
- assessing the adequacy of the internal control framework and the Company's Code of Conduct;
- monitoring the procedures to ensure compliance with the Corporations Act 2001, ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Company Secretary also reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the draft half-year and annual reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
- as required, to organise, review and report on any special reviews or investigations deemed necessary by the Board.

The CEO and Company Secretary declare annually in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

17. CORPORATE GOVERNANCE STATEMENT (continued)

RISK MANAGEMENT

Oversight of the risk management system

The Board monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.

Operational, financial reporting and compliance risks are continually assessed, monitored and managed at management level and any specific areas of risk which are classified material are considered and dealt with at Board level.

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

Risk profile

Areas of major risks faced by Medusa, include matters of financial reporting, the use of information systems, environmental and safety with respect to exploration activities, optimisation of returns on funds and listed securities and geographical and political risks associated with the company's operations in the Philippines.

Risk management and compliance and control

To better manage Medusa's risk profile, the Board has established an internal control framework that can be described as follows:

- financial reporting accuracy and compliance with the financial reporting regulatory framework :-

  There is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the remainder of the year prepared when necessary.

  The CEO and Company Secretary declare on an annual basis to the Board in writing that the financial reporting risk management framework and associated compliance and controls have been assessed and found to be operating efficiently and effectively.
- financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in Note 24 to the financial statements;
- health and safety standards are monitored and reviewed to achieve both industry standards and compliance with regulations;
- all business transactions of a material nature are properly authorised and executed;
- the quality and integrity of personnel; and
- environmental regulation compliance - the Group is aware and committed to ensuring that sound environmental management and safe practices are carried out on its exploration activities in compliance with relevant statutory requirements relating to the environment.

ETHICAL STANDARDS

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group, and to comply at all times with the existing laws governing its operations. In addition, they are also expected to conduct the Company's activities in keeping with the highest legal, moral, ethical standards.

Conflict of interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company.

Where the Board believes that a significant conflict exists for a Director on a board matter, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Details of Director related entity transactions with the Company and Group are set out in Note 29 to the financial statements.

Code of conduct

All employees (including Directors) are required at all times to act ethically, honestly, responsibly and diligently by:

- complying with existing laws and regulations, including policies on legal compliance in countries where the legal systems and protocols are significantly different;
- reporting of unethical behaviour;
- protecting Company assets;
- maintaining proper accounting policies, practices and disclosures;
- avoiding any conflicts of interest;
- maintaining confidentiality;
- not indulging in any alcohol or drug abuse;
- avoiding discriminatory acts; and
- being responsible to the community, such as environmental protection policies, supporting community activities and sponsorship and donations.

17. CORPORATE GOVERNANCE STATEMENT (continued)

Share trading

Whilst the Board encourages its Directors and employees to own securities in the Company, it is also mindful of its responsibility that the Group comply with the Corporation Act 2001 pertaining to "insider trading" and "its proper duties in relation to the use of inside information".

To ensure that the above issues comply with the requirements of the Corporation Law, the Board has established a policy on share trading in the Company's securities by Directors and employees.

Restrictions imposed by the Board with respect to share trading is summarised as follows

- Directors and employees must notify the CEO or in his absence the Chairman of their intent to trade the Company's shares and confirm that they are not aware of any inside information;
- trading in the Company's shares is prohibited at the following times:
  - one month prior to the release of any Quarterly report by the Company, which is normally one month following the end of each calendar quarter;
  - one month prior to the release of the Company's full year and half-yearly accounts; and
  - when in possession of unpublished price sensitive information ("inside information") which might or might not be generally available, that will materially affect the price or value of the Company's shares; and
- active trading in Medusa's shares, with a view to derive profit related income is prohibited at all times.

COMMUNICATION WITH SHAREHOLDERS

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases.

In summary, the Continuous Disclosure Policy operates as follows:

- the CEO, CFO and Company Secretary are responsible for interpreting the Company's policy and where necessary inform the Board;
- the CEO is the only authorized spokesperson for the Group and the Company Secretary is responsible for all communications with the ASX;
- the annual report which includes relevant information about the operations and financials of the Group during the year, changes in the state of affairs and details of future developments is distributed to all shareholders in October each year (unless a shareholder has specifically requested not to receive the document);
- the half-yearly report which contains summarised financial information and a brief review of the operations of the Group during the period is lodged with the Australian Securities and Investments Securities and ASX in March each year and electronically delivered to any shareholders who request a copy;
- the quarterly report containing a review of the operations and cash flow statement of the Group for the relevant period;

- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market and related information are placed on the Company's website after their release to the ASX;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- the external auditor attends the annual general meetings to answer any questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information including that of the previous three years, is made available on the Company's website within two days of the public release and is emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses with the Company is available on the Company's website.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

18. 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 year.

19. NON-AUDIT SERVICES

During the year, Bentleys MRI Perth Partnership ("Bentley MRI"), 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 2001 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; and

b) the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, Bentleys MRI, and its related practices for audit and non-audit services during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

19. NON-AUDIT SERVICES (continued)

	Consolidated	
	2007	2006
Audit services:		
Auditor of the Company-		
Audit and review of financial reports (Bentleys MRI, Perth)	70,740	37,250
Other auditors-		
Audit and review of financial reports (non-Bentley MRI firms)	47,253	28,222
Total audit services	117,993	65,472
Services other than statutory services:		
Other services-		
Taxation services	10,230	16,290
Accounting services	11,500	-
Investigating Accountants Report (AIM listing)	49,000	-
Total other services other than statutory services	70,730	16,290

20. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration can be found on page 61 and forms part of the Directors' Report for the financial year ended 30 June 2007.

21. ROUNDING OFF AMOUNTS

Amounts have been rounded to the nearest dollar.

Signed in accordance with a resolution of the Board of Directors

Geoff Davis
Managing Director

Dated at Perth this 18th day of September 2007

AUDITOR'S INDEPENDENCE DECLARATION

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Perth Partnership
ABN 17 735 344 518

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West Perth WA 6005
Australia

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LEAD 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, in relation to the audit for the financial year ended 30 June 2007 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

BENTLEYS MRI PERTH PARTNERSHIP

J W VIBERT
PARTNER

Dated at Perth this 18th day of September 2007.

Chartered Accountants
A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Revenue	2	21,536,694	4,981,682	376,069	79,301
Cost of sales		(4,500,538)	(3,077,978)	-	-
Amortisation & depreciation expense	3	(471,677)	(498,272)	(13,059)	(6,732)
Exploration & evaluation expenses	3	(1,129,230)	(263,829)	46,752	(179,841)
Employee benefits expense		(733,118)	(691,301)	(733,118)	(676,350)
Administration expenses		(2,467,179)	(741,152)	(131,421)	(84,709)
Other expenses		(2,724,455)	(1,499,864)	(2,134,065)	(1,235,179)
Share of net loss of joint venture accounted for using the equity method	10	-	(7,620)	-	-
Recognition of share based payments expense		(531,391)	(543,200)	(531,391)	(543,200)
Profit / (loss) before income tax expenses		8,979,106	(2,341,534)	(3,120,233)	(2,646,710)
Income tax expense	4	-	-	-	-
Profit / (loss) attributable to members of the Company	21	**8,979,106**	**(2,341,534)**	**(3,120,233)**	**(2,646,710)**
Basic earnings / (loss) per share	5	**$0.095**	**($0.046)**	**($0.033)**	**($0.052)**
Diluted earnings / (loss) per share	5	**$0.089**	**($0.046)**	**($0.031)**	**($0.052)**

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
CURRENT ASSETS					
Cash & cash equivalents	22(a)	20,168,063	3,494,291	19,166,563	2,405,990
Trade & other receivables	7	1,217,883	199,043	64,475	29,456
Inventories	8	1,631,108	390,778	-	-
Other current assets	9	277,831	127,883	170,980	127,883
Other financial assets	13	730,000	-	730,000	-
Total Current Assets		**24,024,885**	**4,211,995**	**20,132,018**	**2,563,329**
NON-CURRENT ASSETS					
Trade & other receivables	7	-	-	35,810,784	9,838,146
Investments accounted for using the equity method	10	-	-	-	-
Property, plant & equipment	11	42,206,643	4,009,148	57,780	58,820
Exploration and evaluation expenditure	12	15,557,243	6,242,501	-	-
Intangible Assets	14	2,111,090	-	-	-
Other financial assets	13	31,911	-	9,056,786	282,886
Total Non-Current Assets		**59,906,887**	**10,251,649**	**44,925,350**	**10,179,852**
TOTAL ASSETS		**83,931,772**	**14,463,644**	**65,057,368**	**12,743,181**
CURRENT LIABILITIES					
Trade & other payables	15	13,461,483	1,522,904	7,814,144	640,282
Total Current Liabilities		**13,461,483**	**1,522,904**	**7,814,144**	**640,282**
NON-CURRENT LIABILITIES					
Long term borrowings	16	-	30,538	-	-
Total Non-Current Liabilities		**-**	**30,538**	**-**	**-**
TOTAL LIABILITIES		**13,461,483**	**1,553,442**	**7,814,144**	**640,282**
NET ASSETS		**70,470,289**	**12,910,202**	**57,243,224**	**12,102,899**
EQUITY					
Issued capital	18	63,805,000	16,075,833	63,805,000	16,075,833
Reserves	19	2,338,248	1,885,280	1,544,961	1,412,416
Retained profits / (Accumulated losses)	21	4,327,041	(5,050,911)	(8,106,737)	(5,385,350)
TOTAL EQUITY		**70,470,289**	**12,910,202**	**57,243,224**	**12,102,899**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Share capital Ordinary $	Accu-mulated Losses $	Option Reserve $	Foreign Currency Translation Reserve $	Total $
CONSOLIDATED					
Balance at 01.07.2005	5,260,273	(2,709,377)	869,216	-	3,420,112
Shares issued during the period	10,815,560	-	-	-	10,815,560
Share options issued during the period in accordance with AASB 2 - Share Based Payment	-	-	543,200	-	543,200
Exchange differences arising on translation	-	-	-	472,864	472,864
Loss attributable to members of Company	**-**	**(2,341,534)**	**-**	**-**	**(2,341,534)**
Balance at 30.06.2006	16,075,833	(5,050,911)	1,412,416	472,864	12,910,202
Shares issued during the period	47,729,167	-	-	-	47,729,167
Share options issued during the period in accordance with AASB 2 - Share Based Payment	-	-	531,391	-	531,391
Exchange differences arising on translation	-	-	-	320,423	320,423
Transfer from Option Premium Reserve	-	398,846	(398,846)	-	-
Profit attributable to members of Company	**-**	**8,979,106**	**-**	**-**	**8,979,106**
Balance at 30.06.2007	63,805,000	4,327,041	1,544,961	793,287	70,470,289
COMPANY					
Balance at 01.07.2005	5,260,273	(2,738,640)	869,216	-	3,390,849
Shares issued during the period	10,815,560	-	-	-	10,815,560
Share options issued during the period in accordance with AASB 2 - Share Based Payment	-	-	543,200	-	543,200
Loss attributable to members of Company	**-**	**(2,646,710)**	**-**	**-**	**(2,646,710)**
Balance at 30.06.2006	16,075,833	(5,385,350)	1,412,416	-	12,102,899
Shares issued during the period	47,729,167	-	-	-	47,729,167
Share options issued during the period in accordance with AASB 2 - Share Based Payment	-	-	531,391	-	531,391
Transfer from Option Premium Reserve	-	398,846	(398,846)	-	-
Loss attributable to members of Company	**-**	**(3,120,233)**	**-**	**-**	**(3,120,233)**
Balance at 30.06.2007	63,805,000	(8,106,737)	1,544,961	-	57,243,224

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		9,712,907	4,806,127	3,000	8,500
Receipt from sale of shares		223,367	-	223,367	-
Payments to suppliers and employees		(9,628,890)	(3,881,546)	(2,389,838)	(949,377)
Interest received		96,208	72,742	89,235	70,417
Net cash provided by/(used in) operating activities	22(b)	**403,592**	**997,323**	**(2,074,236)**	**(870,460)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		(1,387,863)	(568,077)	(12,018)	(34,363)
Payments relating to Philsaga Transaction		-	(50,539)	-	(35,409)
Payments for exploration activities		(4,167,894)	(1,563,532)	(1,813,684)	(1,312,938)
Payments for lease		-	(3,000,000)	-	-
Payment for development activities		(4,123,389)	(3,261,070)	-	-
Loans to controlled and joint venture entities		(50,195)	-	(6,522,899)	(5,944,781)
Investment in controlled and joint venture entities		-	-	(2,500)	(263,176)
Interest payment		(59,249)	-	-	-
Acquisition of controlled entities		(9,123,251)	-	(8,000,000)	-
Net cash (used in) investing activities		**(18,911,841)**	**(8,443,218)**	**(16,351,101)**	**(7,590,667)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		35,907,867	11,023,643	35,907,867	11,023,643
Transaction costs from issue of shares		(721,957)	(421,861)	(721,957)	(421,861)
Net cash provided by financing activities		**35,185,910**	**10,601,782**	**35,185,910**	**10,601,782**
Net increase in cash held		**16,677,661**	**3,155,887**	**16,760,573**	**2,140,655**
Cash at the beginning of the financial year		**3,494,291**	**330,585**	**2,405,990**	**265,335**
Exchange rate adjustment		**(3,889)**	**7,819**	**-**	**-**
Cash at the end of thefinancial year	22(a)	**20,168,063**	**3,494,291**	**19,166,563**	**2,405,990**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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 and the Corporations Act 2001.

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

The financial report of Medusa and controlled entities, and Medusa as an individual Company comply with all Australian equivalents to International Financial Reporting Standards ("AIFRS") in their entirety.

The financial statements were authorised for issue by the Directors on 13 September 2007.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Principles of consolidation

A controlled entity is any entity controlled by Medusa. Control exists where Medusa has the capacity to dominate the decision making in relation to financial and operating policies of another entity so that the other entity operates with Medusa to achieve the objectives of Medusa. A list of controlled entities is contained in Note 23 to the financial statements.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the Group during the year, their operating results have been included 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) Comparative figures

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

(c) Revenue recognition

Revenues are recognised at fair vale of the consideration received net of the amount of goods and services tax. Exchange of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gold and silver sales

Revenue from the production of gold and silver is recognised when the product is in the form in which it can be sold based on the delivered price.

Interest revenue

Interest income is recognised as it accrues, taking into account the interest rates applicable to the financial assets.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Dividends

Dividend revenue (net of franking credits) 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 and recognised when the dividends are received.

All revenue is stated net of the amount of goods and services tax ("GST").

d) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

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 Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Plant and equipment

Each class of plant and equipment is 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.

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

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

All plant and equipment have limited useful lives and are depreciated applying the straight line method over their estimated useful lives, 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.

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

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 to 33
- Leased plant and equipment	Straight line	20
- Office furniture and fittings	Straight line	7.5 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 the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of 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, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and 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.

(g) 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 Group 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 Group will obtain ownership of the asset or over the term of the lease. The useful life of the leased mine plant and equipment is disclosed in Note 1(e).

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.

(h) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Accounts payable are normally settled within 60 days.

(i) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

(j) Receivables

The collectibility of debts is assessed at the balance date and specific provision is made for any doubtful accounts.

(k) Exploration, evaluation and development expenditure

Exploration, evaluation and development costs incurred are accumulated in respect of each identifiable area of interest.

Exploration and evaluation costs are only carried forward to the extent where right of tenure of the area of interest is current and that they are expected to be recouped through sale or successful development and exploitation of that area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are only carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

Receipts from farm-in agreements are accounted for as a recoupment of exploration expenditure.

(l) 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.

(m) Employee benefits

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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 ("ATO"). 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 ATO is included as a current asset or liability in the income statement. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) 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.

(p) 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.

(q) 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 Company's functional and presentation currency.

(q) **Foreign currency transactions and balances** (continued)

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 differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised 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; 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 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.

(r) **Cash and cash equivalents**

For the purpose of the cash flow statement, 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 14 days to maturity.

(s) **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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised 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.

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.

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.

(t) Interest in jointly controlled entity

The Group's interests in jointly controlled entities are brought to account using the equity method of accounting in the consolidated financial statements. The Company's interests in jointly controlled entities are bought to account using the cost method. Details of the Group's interest are shown in Note 10.

(u) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average costs.

(v) Intangible assets and rights to royalty streams

The rights to a future royalty stream are based on an estimation of ounces produced valued at the selling price of gold on 5 December 2006 and will be amortised over future production.

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $

2. REVENUE

Operating activities:				
Sales income	10,782,210	4,900,034	-	-
Non-operating activities:				
Interest revenue	115,528	73,148	106,246	70,801
Gain on acquisition of subsidiaries	10,272,644	-	-	-
Gain/(loss) on disposal / liquidation of subsidiaries	142,445	-	45,956	-
Gain on sale of investment	220,867	-	220,867	-
Other	3,000	8,500	3,000	8,500
Total revenue	**21,536,694**	**4,981,682**	**376,069**	**79,301**

3. EXPENSES

Profits / (Loss) before income tax expense has been determined after charging/(crediting) the following items:				
Landslide Expenses	1,087,584	-	-	-
Depreciation of non-current assets *(Note 11)*	399,034	498,272	13,059	6,732
Amortisation Expense *(Note 12)*	72,643	-	-	
Total depreciation and amortisation	471,677	498,272	13,059	6,732
Exploration & evaluation expenditure written off *(Note 12)*	1,129,230	263,829	(46,752)	179,841
Foreign exchange loss	58,154	107,062	-	-
Impairment losses/(reversals):				
- trade receivables	(903,349)	163,784	(1,383,784)	163,784
- loan receivables	-	739,565	-	588,480
- other financial assets	(480,000)	18,723	(480,000)	185,231
	(1,383,349)	922,072	(1,863,784)	937,495
Operating lease rental:				
- minimum lease payments	42,433	38,532	42,433	38,532

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
4. TAXATION				
(a) The prima facie tax on loss before income tax is reconciled to the income tax as follows:				
Operating profit / (loss) before income tax	8,979,106	(2,341,534)	(3,120,233)	(2,646,710)
Prima facie income tax (expense)/credit at 30% (2006: 30%) on operating profit/ (loss)	2,693,732	(702,460)	(936,070)	(794,013)
less - tax effect of:				
Other (non-deductible) expenses	227,879	1,754	218,263	29,477
Provision of impairment loss of loans to controlled entities	-	-	(415,135)	225,679
Provision for impairment loss on investments	-	55,569	(47,100)	55,569
Non-assessable fair value gain	(2,145,793)	-	(144,000)	-
Non deductible reserve share based payments	159,417	162,960	159,417	162,960
Deferred tax assets not brought to account due to not being probable of future tax profits being available against which deductible temporary differences and tax losses can be utilised	-	482,177	1,164,625	320,328
Recoupment of prior year losses not previously brought to an account	(935,235)	-	-	-
Income tax (expense)/benefit	-	-	-	-
(b) 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(d) occur:-				
- temporary differences	82,888	539,930	82,888	539,930
- Australian tax losses	1,458,184	324,454	1,458,184	324,454
- Philippine tax losses	858,483	492,642	-	-
	2,399,555	1,357,026	1,541,072	864,384
Deferred tax liabilities offset against deferred tax losses	(146,503)	(2,503)	(146,503)	(2,503)
	2,253,052	1,354,523	1,394,569	861,881

The benefit of tax losses will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised; or the benefit can be utilised by another company in the Group in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) the Company and/or Group continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the Company and/or the Group in realising the benefit.

5. LOSS PER SHARE

Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	94,438,520	50,858,727	94,438,520	50,858,727
Plus unlisted options on issue	6,021,446	3,825,000	6,021,446	3,825,000
Weighted average of ordinary shares diluted as at 30 June 2007	**100,459,966**	**54,683,727**	**100,459,966**	**54,683,727**

6. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiary - Philsaga Mining Corporation ("Philsaga")

On 4 December 2006 the consolidated entity acquired all of the shares in Philsaga and its subsid-iaries for an immediate cash payment of $5,584,000, a deferred cash payment of $7,416,000 and 25 million shares in Medusa Mining Limited issued at $0.72 per share. To achieve a fair value of these shares a 20% discount factor ($3,600,000) has been applied relating to the voluntary escrow condition attached. In addition, based on valuation reports prepared by independent consultants, the directors have re-valued the carrying value of the asset by $34,488,230.

	Consolidated		
	Recognised values on acquisition $	Fair Value Adjustments $	Pre-acquisition carrying amounts $
Cash	782,606	-	782,606
Receivables	4,262,333	-	4,262,333
Prepayments	119,182	-	119,182
Plant & Equipment	22,629,755	21,807,208	822,547
Work In Progress	201,858	-	201,858
Exploration and Evaluation Expenditure	12,681,022	12,681,022	-
Other Assets	826,878	-	826,878
Total Assets	41,503,634	34,488,230	7,015,404
Creditors	(424,149)	-	(424,149)
Long Term Borrowings	(655,980)	-	(655,980)
Working Capital	(3,765,788)	-	(3,765,788)
Total Liabilities	(4,845,917)	-	(4,845,917)
Net identifiable assets and liabilities	36,657,717	34,488,230	2,169,487
Premium on Acquisition	**(9,257,717)**		
Consideration paid, satisfied in cash and shares	**27,400,000**		

6. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

CONSIDERATION	$
Cash	5,584,000
Deferred Cash Payment	7,416,000
Shares in Medusa Mining Limited	14,400,000
Purchase Price	**27,400,000**

(b) Acquisition and disposal of subsidiary - Central Mindanao Mining Company Inc. ("CMMCI")

Acquisition of CMMCI

On 5 December 2006 Philsaga Mining Corporation and Medusa Overseas Holdings Corporation ("MOHC") entered into a Share Purchase Agreement to purchase the remaining 44% shareholding of CMMCI for 44,000,000 Philippine Pesos ($A 1,170,405). The other 56% interest was indirectly acquired upon the acquisition of Philsaga on 4 December 2006. Subsequent to the purchase of CCMCI the fair value of the net assets was reassessed to A$2,111,090 in recognition of a right to a future royalty stream.

	Consolidated		
	Recognised values on acquisition $	Fair Value Adjustments $	Pre-acquisition carrying amounts $
Receivables	82,925	-	82,925
Right to future royalty stream	2,111,090	2,111,090	-
Total Assets	2,194,015	2,111,090	82,925
Creditors and Accruals	(271)	-	(271)
Total Liabilities	(271)	-	(271)
Net identifiable assets and liabilities	2,193,744	2,111,090	82,654
Gain on Acquisition	(1,023,339)		
Consideration Paid	**1,170,405**		

Disposal of CMMCI

On 8 June 2007 a Deed of Assignment was executed in which Philsaga and MOHC collectively assigned shares in CMMCI to an unrelated third party for 2,500,000 Philippine Pesos (A$63,821), excluding the right to a future royalty stream. The right to a future royalty stream has been assigned to Philsaga Mining Corporation and MOHOC in proportion to their shareholding prior to disposal.

(c) Acquisition of subsidiary - PHSAMED Mining Corporation ("PHSAMED")

At 30 June 2006 Medusa accounted for its investment in PHSAMED using the Equity method. As a consequence of the acquisition of Philsaga, Medusa's indirect investment in PHSAMED increased from 50% to 100% resulting in PHSAMED inclusion in the consolidated financial statements of Medusa.

	Recognised values on acquisition $
Cash	11,028
Receivables	60,916
Property, Plant and Equipment	3,460
Exploration & Evaluation Expenditure	1,703,597
Other Assets	62,679
Total Assets	1,841,680
Creditors	(157,977)
Long Term Borrowings	(1,635,285)
Total Liabilities	(1,793,262)
Net Assets	48,418
Loss on acquisition	8,412
Purchase Price	**56,830**

Goodwill on acquisition has not been recognised as the directors of the company consider that the fair values of the net assets acquired are effectively incorporated into the valuation of the net assets of Philsaga (refer (a) above).

The acquisitions by Medusa of its interest in Philsaga and CMMCI and its interest in PHSAMED has been shown in the consolidated balance sheet based on preliminary assessments of the fair value of cash and shares issued in consideration for the acquisition. In accordance with Accounting Standard AASB 3 Business Combinations, Medusa Mining Limited is required to measure the fair value of the consideration paid and allocated of this cost to the fair value of assets acquired, liabilities and contingent liabilities assumed. This process has been completed for the year ended 30 June 2007, being within 12 months of acquisition as set out in AASB 3.

(d) Liquidation of subsidiaries

The Company has deregistered Montrose Minerals Pty Ltd and Newcoast Nominees Pty Ltd., two controlled entities of Medusa Mining Limited.

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $

7. TRADE & OTHER RECEIVABLES

	2007 $	2006 $	2007 $	2006 $
Current:				
Trade receivables	1,197,298	337,055	43,889	167,468
less - provision for impairment of receivables	-	(163,784)	-	(163,784)
GST receivable	20,585	25,772	20,586	25,772
Total current receivables	**1,217,883**	**199,043**	**64,475**	**29,456**
Non-current:				
Loans to controlled entities	-	-	35,810,784	10,894,362
Loans to jointly controlled entities	-	739,565	-	163,784
less - provision for impairment of loans receivable	-	(739,565)	-	(1,220,000)
Total non-current receivables	**-**	**-**	**35,810,784**	**9,838,146**

Impairment losses:

The Directors of Medusa have reviewed the individual audited financial reports for each controlled and jointly controlled entity within the Group and where significant uncertainty exists as to the future capacity of the entity to repay advances from the Company, impairment losses are recognised based on the fair value of the advances.

8. INVENTORIES

	2007 $	2006 $	2007 $	2006 $
Consumables - at cost	650,491	360,376	-	-
Gold in circuit - at cost	980,617	30,402	-	-
Total inventories	**1,631,108**	**390,778**	**-**	**-**

9. OTHER CURRENT ASSETS

	2007 $	2006 $	2007 $	2006 $
Prepayments	277,831	127,883	170,980	127,883
Total other current assets	**277,831**	**127,883**	**170,980**	**127,883**

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2007 $	2006 $	2007 $	2006 $
Interest in joint venture entity	-	465,775	-	-
less - provision for impairment loss	-	(465,775)	-	-
Total investments accounted for (equity method)	**-**	**-**	**-**	**-**

A 50% interest in a joint venture entity was held in PHSAMED Mining Corporation, incorporated in the Philippines. As a consequence of the acquisition of Philsaga, Medusa's indirect investment increased to 100% which altered the accounting treatment from equity accounting to a full consolidation.

Impairment losses:

The Directors of Medusa have reviewed the individual audited financial reports for each controlled and jointly controlled entity within the Group and where significant uncertainty exists as to the recoverability of investments by the Company, impairment losses are recognised based on the fair value of the investments.

Interest in Joint Venture Entity		Consolidated		Company	
		2007 $	2006 $	2007 $	2006 $
(i)	*Accumulated losses attributable to interest in the joint venture entity:*				
	Balance at the beginning of the financial year	-	(6,158)	-	-
	Other adjustments	-	6,158	-	-
	Share of loss after income tax	-	(7,620)	-	-
	Balance at the end of the year	-	(7,620)	-	-
(ii)	*Carrying amount of investment in the joint venture entity:*				
	Balance at the beginning of the financial year	-	473,395	-	-
	Share of loss after income tax	-	(7,620)	-	-
	Provision for impairment loss	-	(465,775)	-	-
	Additional investments made during the year	-	-	-	-
	Balance at the end of the year	-	-	-	-
(iii)	*Share of joint venture entity's results and financial position:*				
	Current assets	-	67,327	-	-
	Non-current assets	-	1,620,566	-	-
	Total Assets	-	1,687,893	-	-
	Current liabilities	-	7,238	-	-
	Non-current liabilities	-	1,630,894	-	-
	Total Liabilities	-	1,638,132	-	-
	Net Assets	-	49,761	-	-
	Revenue	-	6,782	-	-
	Expenses	-	(14,402)	-	-
	Loss before income tax expense	-	(7,620)	-	-
	Income tax expense	-	-	-	-
	Loss after income tax	-	(7,620)	-	-

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $

11. PROPERTY, PLANT & EQUIPMENT

Plant and Equipment:				
At cost	40,867,028	1,437,255	-	-
less - accumulated depreciation	(1,484,348)	(43,062)	-	-
Total plant and equipment at net book value	**39,382,680**	**1,394,193**	**-**	**-**
Leased Plant and Equipment:				
At cost	3,216,584	3,000,000	-	-
less - accumulated amortisation	(487,834)	(450,000)	-	-
Total leased plant and equipment at net book value	**2,728,750**	**2,550,000**	**-**	**-**
Furniture and Fittings:				
At cost	136,508	77,577	80,927	68,908
less - accumulated depreciation	(41,295)	(12,622)	(23,147)	(10,088)
Total furniture and fittings at net book value	**95,213**	**64,955**	**57,780**	**58,820**
Total carrying amount at end of year	**42,206,643**	**4,009,148**	**57,780**	**58,820**
Reconciliations:				
Plant and Equipment:				
Carrying amount at beginning of year	1,394,193	27,734	-	-
plus - additions through acquisition	1,008,179	-	-	-
plus - additions	37,355,148	1,405,851	-	-
less - depreciation	(374,840)	(39,392)	-	-
Carrying amount at end of year	**39,382,680**	**1,394,193**	**-**	**-**
Leased Plant and Equipment:				
Carrying amount at beginning of year	2,550,000	-	-	-
plus - additions	184,564	3,000,000	-	-
less - depreciation	(5,814)	(450,000)	-	-
Carrying amount at end of year	**2,728,750**	**2,550,000**	**-**	**-**
Furniture and Fittings:				
Carrying amount at beginning of year	64,955	34,087	58,820	31,975
plus - additions through acquisition	9,662	-	-	-
plus - additions	38,976	39,748	12,019	33,577
less - depreciation	(18,380)	(8,880)	(13,059)	(6,732)
Carrying amount at end of year	**95,213**	**64,955**	**57,780**	**58,820**

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $

12. EXPLORATION , EVALUATION AND DEVELOPMENT EXPENDITURE

	2007 $	2006 $	2007 $	2006 $
Exploration and Evaluation				
Carrying amount at beginning of year	3,506,635	2,631,394	-	-
plus - costs incurred	2,109,768	1,139,070	(46,752)	179,841
plus - Philsaga costs incurred	3,839,626	-	-	-
less - expenditure written off	(1,129,230)	(263,829)	46,752	(179,841)
Carrying amount at end of year	**8,326,799**	**3,506,635**	**-**	**-**
Development				
Carrying amount at beginning of year	2,735,866	-	-	-
plus - costs incurred	4,567,221	2,735,866	(46,752)	-
less - amortisation expense	(72,643)	-	46,752	-
Carrying amount at end of year	**7,230,444**	**2,735,866**	**-**	**-**
Total carrying amount at end of year	**15,557,243**	**6,242,501**	**-**	**-**

13. OTHER FINANCIAL ASSETS

	2007 $	2006 $	2007 $	2006 $
Current				
Available for sale financial assets:				
Listed investments, at fair value				
- shares in listed entities	730,000	-	730,000	-
Total current listed investments, at cost	**730,000**	**-**	**730,000**	**-**
Non-current				
Available for sale financial assets:				
Unlisted investments, at cost				
- shares in controlled entities	-	-	9,099,786	456,787
- interest in joint venture entity	31,911	-	-	26,099
- provision for impairment	-	-	(43,000)	(200,000)
Total non-current unlisted investments, at cost	**31,911**	**-**	**9,056,786**	**282,886**

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
14. INTANGIBLE ASSETS				
Rights to royalty stream (refer Note 1(v))	2,111,090	-	-	-
Total Intangible Assets	**2,111,090**	**-**	**-**	**-**
15. TRADE & OTHER PAYABLES				
Current:				
Creditors and accrued expenses	13,396,319	1,486,629	7,748,980	604,007
Accrued employee benefits	65,164	36,275	65,164	36,275
Total current trade & other payables	**13,461,483**	**1,522,904**	**7,814,144**	**640,282**
Number of employees	**296**	**4**	**5**	**4**
16. LONG-TERM BORROWINGS				
Non-current:				
Loan from joint venture entity	**-**	**30,538**	**-**	**-**
17. AUDITOR'S REMUNERATION				
Remuneration received or due and receivable by the Company's auditors, Bentleys MRI Perth Partnership for:				
- auditing or reviewing the financial reports	70,740	37,250	70,740	37,250
- other services:				
Investigating accountant's report	49,000	-	49,000	-
due diligence investigations	-	-	-	3,625
- other services provided by related practice of auditor - taxation and accounting	21,730	16,290	21,730	16,290
Total auditor's remuneration	**141,470**	**53,540**	**141,470**	**57,165**
Remuneration of other auditors of the Company's Philippine subsidiaries for:				
- auditing or reviewing the financial reports	**47,253**	**28,222**	**-**	**-**

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $

18. ISSUED CAPITAL

142,037,548 ordinary shares (30 Jun 2006: 59,656,676)	67,365,068	17,057,203	67,365,068	17,057,203
less - issue costs	(3,560,068)	(981,370)	(3,560,068)	(981,370)
Total issued capital	**63,805,000**	**16,075,833**	**63,805,000**	**16,075,833**
Ordinary shares				
Balance at beginning of year (59,656,676)	16,075,833	5,260,273	16,075,833	5,260,273
18,275,117 shares issued at various prices less related costs	-	10,330,701	-	10,330,701
553,310 vendor shares issued at various prices	-	327,568	-	327,568
786,457 listed options exercised at $0.20 each	-	157,291	-	157,291
Ordinary shares issued during period				
(i) 16,377,892 ordinary shares @ $0.65 each	10,645,630	-	10,645,630	-
(ii) 766,707 ordinary shares @ $0.65 each	498,360	-	498,360	-
(iii) 25,000,000 ordinary shares @ $0.58 each	14,400,000	-	14,400,000	-
(iv) 17,500,000 ordinary shares @ $1.15 each	20,125,000	-	20,125,000	-
(v) 225,000 options converted @ $0.6072 each	136,620	-	136,620	-
(vi) 22,511,273 options converted @ $0.20 each	4,502,255	-	4,502,255	-
less - issue costs	(2,578,698)	-	(2,578,698)	-
Balance at end of year (142,037,548)	**63,805,000**	**16,075,833**	**63,805,000**	**16,075,833**

(i) In October 2006, the Company raised $10,645,630 before expenses via the issue of 16,377,892 fully paid ordinary shares at $0.65 per share to sophisticated investors and investment funds from the United Kingdom, Australia and New Zealand. The funds raised from the placement was managed by Ambrian Partners Limited and Westwind Partners (UK) Limited;

(ii) In November 2006, the Company raised $498,360 before expenses via the allocation of 766,707 fully paid ordinary shares at $0.65 per share to a limited number of broking houses in London, who will be the Company's market makers on the Alternative Investment Market in London;

(iii) In December 2006, the Company issued 25,000,000 fully paid ordinary shares at $0.58 per share to the principal shareholders of Philsaga Mining Corporation following the completion of the Philsaga Transaction. The actual issue price of $0.72 was discounted by a factor of 20% to allow for the issued shares which will be placed in escrow for a period of 12 months;

(iv) In June 2007, the Company raised $20,125,000 before expenses via the allocation of 17,500,000 fully paid ordinary shares at $1.15 per share to Gallagher Holdings Limited;

(v) A total of 225,000 unlisted options were converted to shares at $0.6072 per share in January 2007; and

(vi) A total of 22,511,273 listed options were converted to shares at $0.20 per share at various times during the year.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

The Company has fully paid ordinary shares of no par value.

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
19. RESERVES				
Option Premium Reserve	1,544,961	1,412,416	1,544,961	1,412,416
Foreign Currency Translation	793,287	472,864	-	-
Total reserves	**2,338,248**	**1,885,280**	**1,544,961**	**1,412,416**
(a) Option Premium Reserve				
Nil listed options (30 June 2005: 22,640,398)	-	361,721	-	361,721
6,021,446 share based payment options (30 June 2005: 3,825,000)	1,544,961	1,050,695	1,544,961	1,050,695
Total option premium reserve	**1,544,961**	**1,412,416**	**1,544,961**	**1,412,416**
Listed $0.20 options (expiring 31 January 2007):				
Balance at beginning of year (22,640,398)	361,721	338,171	361,721	338,171
Listed options issued during the previous year				
2,547,402 at no cost pursuant to Rights Issue	-	-	-	-
585,610 at no cost pursuant to Placement	-	-	-	-
50,000 in lieu of consulting fees	-	23,550	-	23,550
Listed options issued during the year				
No listed options were issued during the year	-	-	-	-
less - 22,511,273 options converted to shares	(361,721)	-	(361,721)	-
less - 129,125 options cancelled	-	-	-	-
Balance at end of year (Nil)	**-**	**361,721**	**-**	**361,721**

Note: 129,125 options remained unexercised at the end of the exercise period of 31 January 2007.and were subsequently cancelled.

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
(a) Option Premium Reserve (continued)				
Unlisted options:				
Unlisted options at beginning of year (3,825,000)	1,050,695	531,045	1,050,695	531,045
Unlisted options issued during the previous year				
1,000,000 employee options (vested)	-	296,400	-	296,400
1,000,000 unlisted employee options	-	223,250	-	223,250
Unlisted options issued during the year				
(i) 1,000,000 unlisted employee options (vested)	321,100	-	321,100	-
(ii) 1,250,000 unlisted employee options	158,000	-	158,000	-
(iii) 171,446 unlisted broker options	52,291	-	52,291	-
less - 225,000 unlisted options converted to shares	(37,125)	-	(37,125)	-
Balance at end of year (6,021,446)	**1,544,961**	**1,050,695**	**1,544,961**	**1,050,695**
Total unlisted options	**1,544,961**	**1,412,416**	**1,544,961**	**1,412,416**

Unlisted options over ordinary shares at 30 June 2007 (unless other stated, all unlisted options have full vesting rights)

- 3,000,000 options expiring 16 December 2007 and exercisable at 57.64 cents each;
- 250,000 options expiring on 02 October 2008 and exercisable at 72.00 cents each;
- 1,500,000 options expiring on 02 October 2008 and exercisable at 90.00 cents each;
- 500,000 options expiring on 02 October 2008 and exercisable at $1.50 each;
- 171,446 options expiring on 13 November 2008 and exercisable at 65 cents each;
- 800,000 options expiring on 19 December 2009 and exercisable at 71.28 cents each (No options are vested at balance date);
- 600,000 options expiring 23 December 2009 and exercisable at 43.34 cents each.

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

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

(b) Foreign Currency Translation Reserve

The foreign currency translation reserve for the group records exchange differences arising on translation of foreign controlled subsidiaries. The balance at the end of the year is $793,287 (2006: $1,050,695)

20.SHARE BASED PAYMENTS

The following share based payment arrangements existed at 30 June 2007:

(i) On 23 June 2004, Mr Geoff Davis, Managing Director of Medusa became entitled to 600,000 options exercisable at $0.4334 per option. The grant of options which was approved at the Company's Annual General Meeting on 11 November 2004, hold no voting or dividend rights. The options which are fully vested expire on 23 December 2009. At balance date, no options have been exercised;

(ii) Shareholders at a General Meeting on 16 May 2005, approved the issue of 3,000,000 unlisted options over ordinary shares in the Company as follows:

- 1,000,000 options to employees exercisable at $0.5764 per option. Under the terms of the issue, the employees would be required to remain in the employment of the Company at 31 December 2005 to achieve 50% vesting with full vesting achieved if they remain employees of the Company a year later on 16 December 2006. At balance date all of the options have full vesting. The options which hold no voting or dividend rights have an expiry date of 16 December 2007; and
- 2,000,000 options to Mr Geoff Davis, Managing Director of Medusa exercisable at $0.5764 per option. Under the terms of the issue, Mr Davis would have immediate vesting in 50% of the options but would be required to remain in the employment of the Company at 31 December 2005 to achieve a further 25% vesting with full vesting achieved if he remains an employee of the Company a year later on 16 December 2006. At balance date all of the options have full vesting. The options which hold no voting or dividend rights have an expiry date of 16 December 2007;

(iii) On 3 October 2005, Mr Kevin Tomlinson, Non-Executive Chairman of Medusa became entitled to 1,000,000 unlisted options exercisable at the following prices:

- 250,000 options exercisable at $0.72 per option;
- 500,000 options exercisable at $0.90 per option; and
- 250,000 options exercisable at $1.50 per option.

The grant of option which was approved at the Company's Annual General Meeting on 29 November 2005, hold no voting or dividend rights and expire on 2 October 2008. At balance date, no options have been exercised. There are no restrictions to prevent these options from being exercised over their life.

(iv) Shareholders at the Company's Annual General Meeting on 27 November 2006, approved the issue of 500,000 unlisted options exercisable at $0.90 per option to the Company's Finance Director, Roy Daniel.

The options which hold no voting or dividend rights have an expiry date of 2 October 2008. At balance date, no options have been exercised. There are no restrictions to prevent these options from being exercised over their life.

(v) Shareholders at the Company's Annual General Meeting on 27 November 2006, approved the issue of 750,000 unlisted options exercisable at the following prices to Dr Robert Weinberg:

- 500,000 options exercisable at $0.90 per option; and
- 250,000 options exercisable at $1.50 per option.

The options which hold no voting or dividend rights have an expiry date of 2 October 2008. At balance date, no options have been exercised. There are no restrictions to prevent these options from being exercised over their life.

(vi) On 30 April 2007, the Company issued 171,446 unlisted options over the shares of the Company to the following parties, as part consideration for funds raised in a placement in November 2006:

- 60,304 options to Westwind Partners (UK) Limited;
- 59,725 options to Pershing Keen Nominees; and
- 51,417 options to Ambrian Partners Limited.

The options which hold no voting or dividend rights have an expiry date of 13 November 2008 and are exercisable at $0.65 per option. At balance date, no options have been exercised. There are no restrictions to prevent these options from being exercised over their life.

(vii) On 19 December 2006, the Company issued 800,000 unlisted options over the shares of the Company to certain employees. The options which hold no voting or dividend rights have an expiry date of 19 December 2009 and are exercisable at $0.7128 per option.

Under the terms of the issue, the employees would be required to remain in the employment of the Company at 19 December 2007 to achieve 50% vesting of the options, with full vesting if they remain employees of the Company a year later on 19 December 2008.

	Consolidated				Company			
	2007		2006		2007		2006	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Outstanding at start of year	4,575,000	0.5911	2,525,000	0.4408	4,575,000	0.5911	2,525,000	0.4408
Granted	3,221,446	0.7863	2,050,000	0.7763	3,221,446	0.7863	2,050,000	0.7763
Forfeited	-	-	-	-	-	-	-	-
Exercised	(975,000)	-	-	-	(975,000)	-	-	-
Outstanding at year end	6,821,446	0.7258	4,575,000	0.5911	6,821,446	0.7258	4,575,000	0.5911
Exercisable at year end	6,021,446	0.7275	4,575,000	0.5911	6,021,446	0.7275	4,575,000	0.5911

20. SHARE BASED PAYMENTS (continued)

A total of 975,000 options (225,000 unlisted and 750,000 listed) were exercised during the year ended 30 June 2007.

The options outstanding at 30 June 2007 (all of which are unlisted) had a weighted average exercise price of $0.7275 and a weighted average remaining contractual life of 14.17 months. Exercise prices range from $0.4334 to $1.50 in respect of options outstanding at 30 June 2007.

The weighted average fair value of options granted during the year was $0.2149.

This price was calculated by using a Black and Scholes option pricing model (using historical share price volatility measures) and applying the following inputs:

Weighted average exercise price	$0.8808
Weighted average life of option	28.32 months
Average underlying share price	$0.7196
Expected share price volatility	50%
Average risk free interest rate	5.97%

Included under share-based payment expense in the income statement is $531,391 (2006:$543,200) and relates, in full, to equity-settled share based payment transactions.

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $

21. RETAINED PROFITS / (ACCUMULATED LOSSES)

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Accumulated losses at beginning of year	(5,050,911)	(2,709,377)	(5,385,350)	(2,738,640)
Transfer from Option Premium Reserve	398,846	-	398,846	-
Net Profit / (loss) attributable to members of Company	8,979,106	(2,341,534)	(3,120,233)	(2,646,710)
Retained profits/ (accumulated losses) at end of year	**4,327,041**	**(5,050,911)**	**(8,106,737)**	**(5,385,350)**

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $

22. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash:

For the purposes of the Cash Flow Statement, 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 Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:-

	2007 $	2006 $	2007 $	2006 $
Cash at bank	20,167,813	3,494,041	19,166,313	2,405,740
Cash on hand	250	250	250	250
Total cash assets	**20,168,063**	**3,494,291**	**19,166,563**	**2,405,990**

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

	2007 $	2006 $	2007 $	2006 $
Profit / (loss) after income tax	8,979,106	(2,341,534)	(3,120,233)	(2,646,710)
add/(less) - non-cash items:				
- Depreciation / Amortisation	471,677	498,272	13,059	6,732
- Impairment losses on investments and receivables	(1,383,349)	922,072	(1,863,784)	937,495
- Share of net loss of joint venture accounted for using the equity method	-	7,620	-	-
- Exploration expenses written off	1,129,230	263,829	(46,752)	179,841
- Prospectus costs written off	-	100,108	-	100,108
- Recognition of share based expenses	531,391	543,200	531,391	543,200
- Gain or acquisition of subsidiaries	(10,272,644)	-	-	-
- Gain on disposal / liquidation of subsidiaries	(142,445)	-	(45,956)	-
- Foreign exchange (gains)/losses	58,154	372,004	-	(303,744)
	(628,880)	365,571	(4,532,275)	(1,183,078)
add/(less) - changes in assets and liabilities				
- (increase) in trade & other receivables	(855,056)	(180,686)	128,766	(59,564)
- (increase) in prepayments	(149,948)	(101,656)	(43,098)	(102,422)
- (increase) in inventories	(1,240,330)	(390,778)	-	-
- increase in trade & other payables	3,396,662	1,273,616	2,343,482	443,348
- increase in employee benefits	(118,856)	31,256	28,889	31,256
Net cash provided by/(used in) operating activities	**403,592**	**997,323**	**(2,074,236)**	**(870,460)**

23. INVESTMENT IN CONTROLLED ENTITIES

The following companies are controlled entities of Medusa Mining Limited:

Controlled Entities	Date of incorporation	Country of incorporation	Attributed % interest held	
			2007	2006
Medusa Exploration & Development Corporation (Note 1)	29 May 2003	Philippines	40%	64%
Phsamed Mining Corporation (Note 2)	23 Apr 2003	Philippines	40%	26%
Medusa Overseas Holding Corporation (Note 3)	08 May 2003	Philippines	64%	40%
Philsaga Mining Corporation (Note 4)	17 May 2001	Philippines	78%	-
Mindanao Mineral Processing and Refining Corporation	03 Nov 2005	Philippines	100%	100%

Note 1. There are agreements in place which deal with the relationship between Medusa Mining Limited ("Medusa") and the other shareholders in Medusa Exploration and Development Corporation ("MEDC"). In such circumstances, the assets and liabilities of MEDC and its subsidiaries have been attributed 100% to the Consolidated Entity.

Note 2. Phsamed Mining Corporation is 100% owned by MEDC.

Note 3. Medusa Overseas Holding Corporation ("MOHC") is 60% owned by MEDC. There are agreements in place which deal with the relationship between Medusa Mining Limited ("Medusa") and MEDC. In such circumstances, the assets and liabilities of MOHC and its subsidiaries have been attributed 100% to the Consolidated Entity.

Note 4. Philsaga Mining Corporation ("PMC") is 60% owned by MOHC. There are agreements in place which deal with the relationship between Medusa Mining Limited ("Medusa") and MOHC. In such circumstances, the assets and liabilities of PMC and its subsidiaries have been attributed 100% to the Consolidated Entity.

24. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

(a) Interest rate risk exposure

The Group is exposed to interest risk on its cash balances and term deposits held with financial institutions in Australia.

The Group is not exposed to interest rate risk on any class of financial assets and financial liabilities at 30 June 2007 except for cash balances that earn interest at an average of 1% to 5% (2006: 1% to 5%) per annum.

(b) Credit risk exposure

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the Group which have been recognised on the balance sheet, is the carrying amount, net of any provision for impairment.

The Group's transactions occur in Australia and the Philippines. It is not, however, materially exposed to an individual customer.

The Group has minimal credit risk relating to trade debtors and term debtors due to the nature of its business.

(c) Foreign exchange risk

The Group may be exposed to foreign exchange risk in dealings with its Philippines controlled entities.

(d) Net fair values of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the Group follows:

The net fair value of monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the value of contractual or expected future cash flows on amounts due from customers or other corporations reduced for expected credit losses) or due to suppliers. The carrying amounts of bank term deposits, trade debtors, term debtors, listed securities and accounts payable approximate their net fair value.

25. KEY MANAGEMENT PERSONNEL REMUNERATION

Disclosures in relation to the above have been detailed in the Remuneration Report section of the Directors' Report.

26. COMMITMENTS

(a) Exploration commitments:

The Company 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.

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
These obligations are not provided in the financial report and are payable:				
- no later than 1 year	64,142	100,000	-	-
- 1 year or later and no later than 5 years	141,908	100,000	-	-
Total exploration commitments	**206,050**	**200,000**	**-**	**-**

(b) Operating lease expense commitments:

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

The Group leases office premises under an operating leases expiring in April 2009. 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.

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
These obligations are not provided in the financial report and are payable:				
- no later than 1 year	43,279	42,264	43,279	42,264
- 1 year or later and no later than 5 years	14,426	56,352	14,426	56,352
Total operating lease expense commitments	**57,705**	**98,616**	**57,705**	**98,616**

(c) Other commitments:

There is a consultancy agreement with Harvest Services Aust Pty Ltd ("Harvest"), a Company associated with a Director, whereby Harvest has agreed to provide the services of Geoffrey Davis to act as Managing Director of the Company for a period of 5 years, terminating in December 2008

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
These commitments are not provided in the financial report and are payable:				
- no later than 1 year	420,000	300,000	420,000	300,000
1 year or later and no later than 5 years	210,000	450,000	210,000	450,000
Total other commitments	**630,000**	**750,000**	**630,000**	**750,000**

27. RELATED PARTIES

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

Key Management Personnel related parties

The names of each person holding the position of Director of Medusa Mining Limited during the financial year were Messrs Kevin Tomlinson, Geoffrey Davis, Roy Daniel and Robert Weinberg.

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

Apart from Director related transaction with the Company or its controlled entities disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Related parties:	Kevin Tomlinson, Geoffrey Davis, Roy Daniel, Robert Weinberg
Type of transaction:	Director 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.

Related party:	Cedardale Holdings Pty Ltd
Nature of relationship:	Director related entity (Geoffrey Davis)
Type of transaction:	Lease of office premises
Transaction details:	The Company occupies and leases its office premises (inclusive of parking bays) from Harvest Services at a rate of $3,607 per month. During the year, Cedardale Holdings Pty Ltd charged the Company $42,433 for the lease of office premises. No amounts were outstanding at year-end.

27. RELATED PARTIES (continued)

Related party:	Harvest Services Aust Pty Ltd
Nature of relationship:	Director related entity (Geoffrey Davis)
Type of transaction:	Consultancy Services Agreement
Transaction details:	Under the terms of this Consultancy Services Agreement, Harvest Services Aust Pty Ltd ("Harvest Services"), a Company associated with Geoffrey Davis, agrees to provide the services of Geoffrey Davis to the Company, commensurate with that of a Managing Director for a period of 5 years from December 2003, the date the Company's Shares were first quoted on the ASX. Harvest Services is entitled to receive a consultancy fee (subject to annual reviews) of $35,000 per month (excluding GST) and the reimbursement of out of pocket expenses incurred in the course of providing services to the Company Either of the Company, Harvest Services or Mr Davis as the parties to the consultancy services contract may terminate the contract by providing 6 months written notice to the other parties. During the year, Harvest Services charged the Company $390,000 in fees. No amounts were outstanding at year-end.

28. EVENTS SUBSEQUENT TO BALANCE DATE

- The Company on 1 August 2007, advised that it had signed a Heads of Agreement ("HOA") with Sierra Mining Limited ("Sierra"), an ASX listed entity, whereby Medusa upon completion of satisfactory due diligence, will earn a 70% joint venture interest in Exploration Permit application 000037-XIII and Mineral Production Sharing Agreement application 000003-XIII (together the "Bunawan JV").

  Key terms of the HOA are:

  - Medusa has the right to earn a 70% interest by:
    - contributing a minimum of US$1.5 million on exploration and/or development expenditure in the Bunawan JV over a period of 3 years from the date of granting of the necessary permits;
    - after Medusa has earned its 70% interest, Sierra has the right to contribute to ongoing expenditure or dilute to a 3% Net Smelter Royalty.
  - Medusa is required to spend a minimum of US$300,000 within 1 year after the granting of tenements; and
  - Medusa is responsible for all costs incurred to progress the tenements to grant status.

  In addition, Medusa has also agreed upon the signing of a Joint Venture Agreement ("JVA") between the parties to take a 9.9% placement in Sierra of 4.85 million shares, at an issue price of A$0.25 each, representing a total consideration of A$1.21 million. As part of the placement, Medusa will be granted 2.425 million unlisted options (at no cost) over Sierra shares exercisable at A$0.30 each with an expiry date of 4 years from the date of signing of the JVA.

- Shareholders of the Company at a meeting on 7 August 2007, approved the issue of 7,000,000 unlisted options exercisable at $1.60 per option and an expiry date of 1 February 2009 to Gallagher Holdings Limited ("Gallagher"). The approved options were issued in consideration of Gallagher subscribing for 17,500,000 shares in the issued capital of the Company at a subscription price of $1.15 per share to raise gross proceeds of $20,125,000 in June 2007.

Other than the matters described above, there has not arisen in the interval between the end of the financial year and the date of this report any 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 Group is involved in mining and exploration activity on mineral properties situated in Western Australia and the Philippines.

Geographical segments	Australia		Philippines		Consolidated	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
Segment revenue	376,069	79,301	21,160,625	4,902,381	21,536,694	4,981,682
Segment result	(3,120,233)	(2,646,736)	12,099,339	305,202	8,979,106	(2,341,534)
Segment assets	20,189,800	2,100,310	63,741,972	12,363,334	83,931,772	14,463,644
Segment liabilities	7,814,144	640,282	5,647,339	913,160	13,461,483	1,553,442
Acquisition of non-current segment assets	12,019	33,577	37,566,669	4,412,022	37,578,688	4,445,599
Amortisation and Depreciation of segment assets	13,059	6,732	458,618	491,540	471,677	498,272
Other non-cash segment expenses	40,842	1,652,942	1,990,331	76,159	2,031,173	1,729,101

The Group operates in two geographical segments being Australia and the Philippines.

All segment revenue is from sales to external customers. There are no inter-segment sales.

All impairment losses (refer Note 3) relate to the Company's investments in and loans to Philippines based controlled and jointly controlled entities.

30. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report.

30. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings Per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.

AASB 8 Operating Segments replaces the presentation for annual reporting periods beginning on or after 1 January 2009 and it is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.

AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation II amends AASB 2 Share-based Payments to insert the transitional provisions of IFRS 2, previously contained in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report. The potential impact on the Company has not yet been determined.

AASB 2007-2 Amendments to Australia Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statement, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as the Interpretation 12 Service Concession Arrangements.

AASB 2007-2 Amendments to Australian Accounting Standards also amends references to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and other Amendments makes consequential amendments to AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards, AASB 2 Share Based Payments, AASB 3 Business Combinations, AASB 4 Insurance Contracts, AASB 5 Non-Current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 7 Financial Instruments : Disclosures, AASB 102 Inventories, AASB 107 Cash Flow Statement, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 110 Events after the Balance Sheet Date. AASB 112 Income Taxes, AASB 114 Segment Reporting, AASB 116 Property, Plant and Equipment, AASB 117 Leases, AASB 118 Revenue, AASB 119 Employee Benefits, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Currency Rates, AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investment in Associates, AASB 129 Financial Reporting in Hyperinflationary Economies, AASB 130 Disclosures of Financial Statement of Banks and Similar Financial Institutions, AASB 131 Interest in Joint Ventures, AASB 132 Financial Instruments: Disclosures and Presentation, AASB 133 Earnings Per Share, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 137 Provision, Contingent Liabilities and Contingent Assets, AASB 138 Intangible Assets, AASB 139 Financial Instruments: Recognition and Measurement, AASB 141 Agriculture, AASB 1023 General Insurance Contracts, and AASB 1038 Life Insurance Contracts. This standard is applicable to annual reporting periods beginning on or after 1 July 2007. The potential impact on the Company has not yet been determined.

AASB 2007-5 Amendments to Australian Accounting Standard - Inventories Held for Distribution by Not-for-Profit Entities requires inventories held for distribution by not-for-profit entities to be measured at the lower of cost and current replacement costs. AASB 2007-5 is applicable for annual reporting periods beginning on or after 1 July 2007 and is not expected to have an impact on the financial results or disclosures contained within the financial report.

AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow Statements, AASB 111 Construction contracts, AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets, Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and Interpretation 12 Service Concession Arrangements. AASB 2007-6 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be applied at the same time as AASB 123 Borrowing Costs. This standard principally removes the references to expensing borrowing costs on qualifying assets.

AASB 2007-7 Amendments to Australian Accounting Standards arising from AASB 2007-4 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 2 Share-Based Payment, AASB 4 Insurance Contracts, AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB Cash Flow Statements and AASB 128 Investments in Associates. AASB 2007-7 is applicable for annual reporting periods beginning on or after 1 July 2007. This standard is only expected to impact disclosures contained within the financial report.

31. FRANKING ACCOUNT

The Company has no franking credits available.

32. COMPANY DETAILS

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

Suite 7
11 Preston Street
Como
Western Australia 6152.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Medusa Mining Limited (the "Company"):

   (a) the financial statements and notes set out on pages 62 to 98 and the remuneration disclosures that are contained in pages 44 to 51 of the Remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the remuneration disclosures that are contained in page 44 to 51 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the Directors:

Dated this 18th day of September 2007

Geoffrey Davis
Managing Director

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Perth Partnership
ABN 17 735 344 518

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F 61 8 9322 7787

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDUSA MINING LIMITED

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Medusa Mining Limited (the "Company"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity, and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 32, and the directors' declaration set out on pages 62 to 101 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in the Directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' report.

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in Directors' report based on our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDUSA MINING LIMITED

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the Directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion on the financial report

In our opinion, the financial report of Medusa Mining Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the financial year ended on that date, and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's opinion on AASB 124 remuneration disclosures contained in the Directors' report

In our opinion, the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures.*

BENTLEYS MRI PERTH PARTNERSHIP

J W VIBERT
PARTNER

Dated at Perth this 18th day of September 2007.

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 August 2007.

1. Shareholding

(a) Distribution of shareholders

Distribution	Number of shareholders
1 - 1,000	70
1,001 - 5,001	336
5,001 - 10,000	239
10,001 - 100,000	419
100,001 and over	92
Total	**1,156**

The number of shareholdings held in less than marketable parcels is 15.

(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) On market buy back

There is no current on-market buy back.

(d) Substantial shareholders

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

Name	Ordinary shares held	
	Number of shares	Percentage
Gallagher Holdings Limited	17,500,000	12.32%
Advanced Concept Holdings Limited	14,600,000	10.28%
Forty Traders Limited	7,051,584	6.84%

1. Shareholding (continued)

(e) Twenty largest shareholders

Total number of ordinary shares on issue - 142,037,548

Name of shareholders	Number of shares held	% held
1. Citicorp Nominees Pty Limited	20,390,661	14.36
2. Gallagher Holdings Limited	17,500,000	12.32
3. Advanced Concept Holdings Limited	14,600,000	10.28
4. Yandal Investments Pty Ltd	6,400,000	4.51
5. Pershing Keen Nominees Limited	6,090,708	4.29
6. Forty Traders Limited	5,075,774	3.57
7. Secdea Philippines Holdings Limited	4,000,000	2.82
8. Resource Capital Fund III LP	3,715,385	2.62
9. Willaim Douglas Goodfellow	3,386,750	2.38
10. Yarandi Investments Pty Ltd (Griffith Family No 2 A/C)	2,903,791	2.04
11. HSBC Custody Nominees (Australia) Limited - A/C 2	2,571,320	1.81
12. Mr Edward Stuart Mackey Mein	2,542,500	1.79
13. HSBC Custody Nominees (Australia) Limited	2,378,290	1.67
14. Geoffrey Davis and Susan Davis	2,166,000	1.52
15. Marford Group Pty Ltd	1,868,212	1.32
16. Bruce Birnie Pty Ltd	1,500,000	1.06
17. Cedardale Holdings Pty Ltd	1,446,500	1.02
18. Yellowrock Pty Ltd	1,316,720	0.93
19. Yellowrock Pty Ltd	1,190,299	0.84
20. ANZ Nominees Limited Cash Income A/C	1,103,951	0.78
Total	**102,146,861**	**71.92**

2. UNQUOTED EQUITY SECURITIES AND RESTRICTED SECURITIES

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

Type of securities	Number of securities	% held
25,000,000 ordinary shares placed in voluntary escrow for a period of one year from 5 December 2006 to 4 December 2007:		
Persons holding 20% or more:		
- Advanced Concept Holdings Limited	14,600,000	58.40
- Yandal Investments Pty Ltd	6,400,000	25.60
3,000,000 unquoted options to subscribe for ordinary shares exercisable at 57.64 cents per share, with an expiry date of 16 December 2007:		
Persons holding 20% or more:		
- Harvest Services Australia Pty Ltd	2,000,000	66.67
2,250,000 unquoted options to subscribe for ordinary shares exercisable at the following prices per share, with an expiry date of 2 October 2008:		
- 250,000 @ $0.72 per share;		
- 1,500,000 @ $0.90 per share; and		
- 500,000 @ $1.50 per share.		
Persons holding 20% or more:		
- Kevin Tomlinson	1,000,000	44.45
- Robert Weinberg	750,000	33.33
- Roy Daniel	500,000	22.22
171,446 unquoted options to subscribe for ordinary shares exercisable at 65 cents per share, with an expiry date of 13 November 2008:		
Persons holding 20% or more:		
Westwind Partners (UK) Limited	60,304	35.17
Pershing Keen Nominees	59,725	34.84
Ambrian Partners Limited	51,417	29.99
7,000,000 unquoted options to subscribe for ordinary shares exercisable at $1.60 per share, with an expiry date of 1 February 2009:		
Persons holding 20% or more:		
- Gallagher Holdings Limited	7,000,000	100.00
800,000 unquoted options to subscribe for ordinary shares exercisable at 71.28 cents per share, with an expiry date of 19 December 2009:		
Persons holding 20% or more:	-	-
600,000 unquoted options to subscribe for ordinary shares exercisable at 43.34 cents per share, with an expiry date of 23 December 2009:		
Persons holding 20% or more:		
- Harvest Services Australia Pty Ltd	600,000	100.00

3. The name of the Company Secretary is:

Roy Daniel

4. The Principal Registered Office of the Company is:

Suite 7,
11 Preston Street
Como, WA 6152

Telephone: +618 9367 0601
Facsimile: +618 9367 0602
Email: admin@medusamining.com.au

5. The Registers of the Company's securities are held at the following addresses:

Australia:

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, WA 6000

Telephone: +618 9323 2000
Facsimile: +618 9323 2033
Investor enquiries: 1300 557 010

United Kingdom:

Computershare Investor Services Plc
PO Box 82
The Pavilions
Bridgewater Road
Bristol BS99 7NH, UK

Telephone: +44 (0)870 702 0003
Facsimile: +44 (0)870 703 6116

6. Stock Exchange Listings

Quotation has been granted for all the ordinary shares of the Company on:

- Australian Stock Exchange Limited (Home Exchange);
- Alternative Investment Market (London);
- Frankfurt Stock Exchange

SCHEDULE OF TENEMENTS AS AT 31 AUGUST 2007

Name	Tenement number	Medusa's Interest	Royalty	Registered Holder	Area (hectares)
Co-O Mine	SMP-05-2006	100%	-	Philsaga	423.15
	APSA (XIII) 000084	100%	-	BMMRC	2,209.00
Co-O	APSA (XIII) 000012	100%	-	BMMRC	339.80
	APSA (XIII) 000013	100%	-	BMMRC	2,464.00
	APSA (XIII) 000088	100%	-	Phsamed	7,303.73
	APSA (XIII) 000098	100%	1% net profit	Philcord	1,184.38
	APSA (XIII) 000099	100%	1% net profit	Philcord	1,607.43
	APSA (XIII) 000087	100%	-	Philsaga	846.44
Saugon	EP (XIII) 000017	100%	-	Philsaga	3,101.00
	EPA (XIII) 000064	100%	-	Philsaga	3,978.54
	EPA (XIII) 000065	100%	-	Philsaga	3,047.53
	EPA (XIII) 000066	100%	-	Philsaga	6,796.00
	EPA (XIII) 000067	100% (assignment)	-	Samuel Afdal	1,692.69
	EPA (XIII) 000069	100%	-	Phsamed	7,789.80
	EPA (XIII) 000087	100% (assignment)	-	Samuel Afdal	764.20
Sinug-ang	EPA (XIII) 000110	100%	5% gross	Carlos Lademora	190.38
	EPA (XIII) 000114	100%	5% gross	Neptali Salcedo	190.38
	SSMP X-ADS-05-1218	100%	5% gross	LMC	20.00
	SSMP X-ADS-05-1510	100%	5% gross	LMC	20.00
Anoling	APSA (XIII) 000039	100%	8% gross	Bernster Mining Corp	424.80
	SSMP (ADS) 05-10-06	100%	8% gross	Philsaga	20.00
	SSMP (ADS) 05-11-06	100%	8% gross	Philsaga	20.00
Tambis	APSA (XIII) 000022	100%	7% net smelter	Philex	6,262.00
	SSMP-XIII-SDS-002-05	100%	7% net smelter	Philsaga	20.00
	SSMP-XIII-SDS-003-05	100%	7% net smelter	Philsaga	20.00
Das-Agan	APSA (XIII) 000024	100%	3% gross	Das-Agan Mining Corp	3,824.00
Abacus	EPA (XIII) 000028	100%	3% gross	Abacus Consolidated	9,365.00
Apical	APSA (XIII) 000028	Earning 70% (JV)	-	Apical Mining Corp	1,996.60
Bunawan	APSA (XIII) 00003	Earning 70% (JV)	3% gross	Bunawan Mining Corp	4.655.00
	EPA (XIII) 00037	Earning 70% (JV)	3% gross	Bunawan Mining Corp	2,916.00
Corplex	AFTA (XIII) 00004 (south)	100%	3% net smelter	Corplex	4,860.00
	AFTA (XIII) 00004 (north)	100%	4% gross	Corplex	162.00
	APSA (XIII) 000054	100% (Magnum Gold NL earning 50%)	3% net smelter	Corplex	2,116.18
	APSA (XIII) 00077	100%	4% gross	Corplex	810.00
Golden	APSA (XIII) 000033	100%	2% gross	J&E Golden	162.00

Abbreviations:

Tenements -

APSA	- Application for Mineral Production Sharing Agreement	SMP	- Special Mining Permit
AFTA	- Application for Financial Technical Assistance Agreement	SSMP	- Small Scale Mining Permit
EPA	- Exploration Permit Application	EP	- Exploration Permit

Registered Holder -

Philsaga	- Philsaga Mining Corporation	LMC	- Lademora Mining Corporation
BMMRC	- Base Metals Mineral & Resources Corporation	Corplex	- Corplex Resources Inc
Phsamed	- Phsamed Mining Corporation	Philex	- Philex Gold Philippines Inc
Philcord	- Mindanao Philcord Mining Corporation	J&E Golden	- J & E Golden Resources Corporation