



MEDUSA MINING LIMITED

ABN 60 099 377 849
and Controlled Entities

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2006

MEDUSA MINING LIMITED

ABN 60 099 377 849

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MEDUSA MINING LIMITED

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DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2006 and the review report thereon:

DIRECTORS

The Directors of the Company at any time during or since the end of the half-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

REVIEW OF OPERATIONS

A summary of activities for the period is presented below and the locations of the Company's projects are shown on Figure 1.

PHILSAGA TRANSACTION

The Philsaga acquisition was settled on 4 December 2006 whereby the Company paid the vendors of Philsaga a consideration 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 an escrow arrangement for at least 12 months) and 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 made to contractors;
- Yandal Investments Pty Ltd was paid in full, the consideration being A\$3.584 million and 6.4 million shares;
- Secdea Philippines Holdings Corporation was paid in full, the consideration being A\$80,000 and 4 million shares;
- Advanced Concept Holdings Limited was paid A\$920,000 and issued with 14.6 million shares.

In addition, Advanced Concept Holdings Limited also agreed to provide vendor finance for the balance of the cash component 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.

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



Figure 1: Locations of Philippines Projects

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Picop Supreme Court Case

On 6 December 2006, the Supreme Court ("SC") of the Republic of the Philippines unanimously confirmed that the Department of Environment and Natural Resources ("DENR") can now proceed, subject to regulatory compliance, with the issuance to Philsaga Mining Corporation ("Philsaga") of Mineral Production Sharing Agreement ("MPSA") application 084-XIII covering the Co-O Mine.

As anticipated, on 6 January 2007, Picop lodged a Motion for Re-consideration challenging the decision of the SC. The SC on 14 February 2007 dismissed with finality Picop's Motion for Re-consideration, and the Company received formal confirmation on 7 March 2007.

Background

The unanimous decision of the Supreme Court of the Philippines on the case lodged by Picop Resources Inc ("Picop"), a timber licence holder, arose when Philsaga's predecessor was required under the new mining code introduced in 1995 to convert old style tenements to new tenements compliant with the new mining law. Picop lodged an adverse claim against the MPSA applications in 1997 on the grounds that mining could not be undertaken in timber licences. Philsaga acquired these tenement applications in 2000 and proceeded to challenge the adverse claim. Philsaga won the case against Picop in two lower courts and subsequently Picop lodged a case in the Supreme Court against the claim owner and a division of the Department of Environment and Natural Resources.

Co-O MINE

Production from the Co-O Mine for the period is summarised in Table 1.

Table I: Production July to December 2006

Period	Ore mined	Recovered		Cash costs	Gold sales	Comments
		grade	ounces			
	(wet tonnes)	(g/t Au)	(ozs)	(US \$ per oz)	(US \$ million)	
Jul to Sept 2006	12,024	9.3	3,522	263	2.17	Development and some stope ore
Oct to Dec 2006	13,949	8.8	3,647	278	2.20	
TOTAL	25,973	9.02	7,169	270	4.37	

Development

Production ramp up was delayed in the September quarter by temporary winder problems followed by difficult sinking conditions for the 3W shaft from 80 metres depth to the final depth of 122 metres. This was finally completed in January 2007.

Development on the 3117 metre level (the 10W shaft level) has now been advanced to approximately 450 metres west of the Oriental Fault and has continued to develop on an ore grade vein approximately one metre wide, generally containing between 4 and 12 g/t gold. This development will continue to approximately 550 metres west of the Oriental Fault to near the position where drill hole TIN 3 intersected 3.80 metres at 21.15 g/t gold.

Development at the 3050 metre level (the 3W shaft level) involves driving along veins as well as the sinking of two winzes 50 metres apart to 40 metres depth (to the 3010 metre level) on the east side of the Oriental Fault. A new sublevel development is underway on the 3010 metre level.

A new ventilation rise near the 10W shaft using an Alimak platform has commenced and should be completed during Q2 2007.

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Landslide at Co-O adit entrance

On 10 January 2007 the Company advised the ASX that torrential monsoonal rain over the previous two weeks at the Co-O Mine site caused a landslide in the early morning of 9 January 2007 in the vicinity of the main Co-O adit. This resulted in approximately 60,000 to 70,000 tonnes of material slipping from approximately 70 metres above the adit. Some of the material temporarily blocked the adit entrance and cut power lines and other services to the mine. No personnel were affected by the slide as all were evacuated through the Tinago Shaft at the western end of the mine.

Round the clock work with three front end loaders and trucks allowed mine drainage at adit level to be re-established on Friday, 12 January 2007 and power was reconnected on Sunday night, 14 January 2007 enabling the pumps on both the main levels below the adit to be re-started. The water level in the bottom level of the mine (3050 metre level) had risen approximately one metre in the main drive and has now been cleared, along with rock and silt accumulations resulting from uncontrolled water flow down through the workings while the power and drainage were cut.

Repairs to the current adit are complete and the mine is back in operation. The mine access road which was also cut has been returned to full operational use.

Ore production from the Co-O Mine recommenced on 21 January 2007 and has been stockpiled. Milling recommenced on 1 February 2007.

In order to reduce the risk of losing future access to the mine, the Company has commenced excavating a new by-pass adit which will connect with the 3W shaft position providing an improved loop rail system and improved safety. This work is progressing and is expected to be completed in the next quarter.

Deep drilling

Drilling the Co-O Mine deeps on both sides of the Oriental Fault commenced in December 2006 utilising two diamond drill rigs, one on each side of the fault, drilling step out holes to the east and to the west towards the Tinago Shaft area at the western end of the mine. The aim is to intersect the vein system where possible (subject to topographic and other constraints) at approximately the 2950m level which is approximately 100 metres below the current bottom of the mine (or approximately 200 metres below adit level) with possibly some deeper holes being drilled depending on results. It is anticipated that the first batch of results will be available in late February

Re-estimation of the resources is expected to be completed during the third quarter 2007 following the deep drilling and the availability of more underground information.

Sinug-ang Project

The Sinug-ang Project is situated immediately north of the Co-O Mine and comprises two prospects: the Banbanon Prospect in the area of current drilling which was explored in the 1980s by surface sampling and drilling,; and the Sinug-ang prospect located further to the north on the same vein system which trends in a NNW direction parallel to the Philippine Rift Fault trend. Some small scale mining activities of selected parts of the Banbanon Vein and with limited lateral extent have been undertaken to a depth of approximately 130 metres below surface.

Following drilling during Q4 2006, interpretative work and compilation based on the drill results is now identifying possible positions of dilation along the Sinug-ang Fault system which are to be targeted in future work.

Drilling of two holes has commenced around an existing shaft that has been chosen as a possible development position for the Banbanon Prospect in which a +500 metre long zone of +5 g/t gold has been outlined from surface to depths varying between 100 and 250 metres. If the current drilling is successful, the existing shaft will be refurbished to establish quick and cheap access to the vein system for underground investigation.

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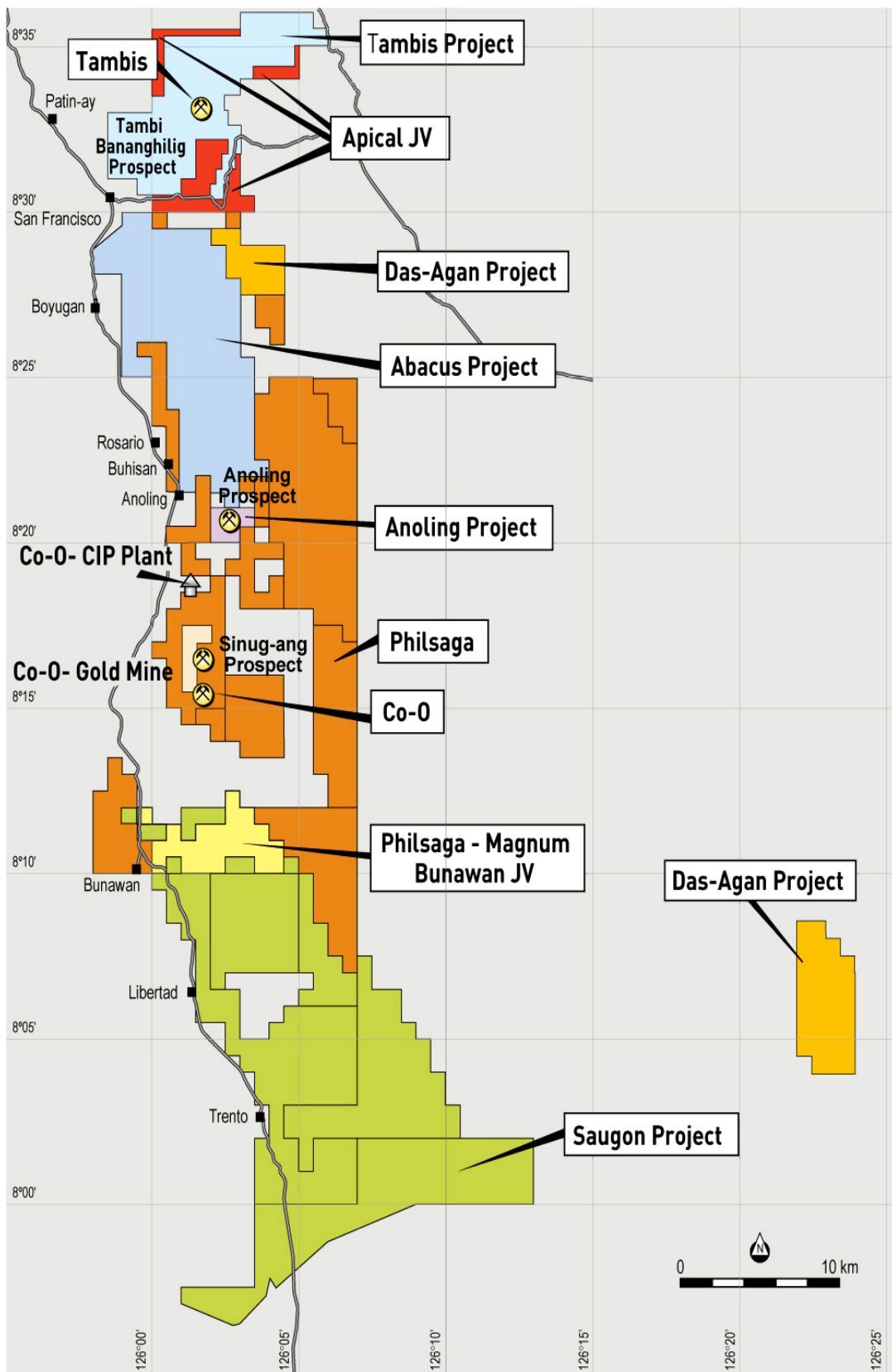


Figure 2: Regional tenement map

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TAMBIS BANANGHILIG MINE

Background

The Tambis Bananghilig Mine is located approximately 35 km by the National Highway to the north of the Co-O Plant.

A large area of alteration hosts numerous veins near the northern edge of a large aeromagnetic anomaly. An extensive drillhole data base in this area suggests the presence of multiple veins which are currently being investigated from underground. The area to the south of the drilling is covered by younger limestone and drilling clearly shows that mineralised veins continue below the limestone.

Development

Work on the North-South Vein adit on the north side of the Bananghilig River has continued where sub-levels below the adit continue to be established. Driving at adit level to the north was discontinued due to the intersection of old (and previously unknown) workings on this level. Development ore is continuing to be stockpiled and at 31 December 2006, totalled 1,600 tonnes at 7.57 g/t gold. A metallurgical test work program is in progress to determine the optimum treatment route for this ore.

Underground drilling is in progress from the ends of the drives from the L170 inclined shaft. Compilation of this work will be used to prioritise further development.

OTHER PROJECTS

➤ Abacus Project

The Mines Operating Agreement ("MOA") with Abacus Consolidated Resources and Holdings Inc. covers Exploration Permit ("EP") application number 000028-XIII situated in Agusan del Sur province in east Mindanao to the north of the Co-O mine and mill site as shown on Figure 2.

The granting process for the Abacus EP is being pursued.

➤ Anoling Project

The MOA with Alcorn Gold Resources Inc. covers Mining Production Sharing Agreement ("MPSA") application number 039-XIII situated in the Agusan del Sur province in east Mindanao to the north of the Co-O mine and mill site as shown on Figure 2.

The granting process for the Anoling MPSA is now being pursued. The granting of two Small Scale Mining Permits is expected to be completed during the next quarter.

➤ Das-agan Project

The MOA covers MPSA application number 039-XIII situated in the Agusan del Sur province in east Mindanao to the north of the Co-O Mine and mill site as shown on Figure 2. The granting process for the Das-Agan MPSA is being pursued.

➤ Saugon Gold-Silver Project (*Medusa 100%*)

Application for renewal of the Exploration Permit is in progress.

➤ Panaon Project (*Medusa divesting 50%*)

Medusa is in discussions with joint venture partner GoldSearch Limited with respect to the future of this project.

RELINQUISHED PROJECTS

The sale of the Anti Dam and Kurnalpi Projects to Fairstar Resources Limited (an ASX listed entity) was completed in October 2006. The Company received A\$50,000 in cash and one million Fairstar shares at the issue price of A\$0.25 per share

The Braemore Project was disbanded when sale of the project was not realised.

Subsequent to 31 December 2006, the Company has relinquished the Masapelid Project.

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CORPORATE

In November 2006, the Company raised A\$11,143,990 (before expenses), via the placement of 17,144,599 ordinary shares at A\$0.65 per share. The funds were raised to enable the Company to complete the acquisition of Philsaga Mining Corporation on 4 December 2006.

Medusa commenced trading of its shares on the Frankfurt Stock Exchange in Germany on 14 September 2006.

The Company completed a secondary listing and admission to the AIM Market of the London Stock Exchange on 21 November 2006.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 9 for the half-year ended 31 December 2006.

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



Geoffrey J Davis
Managing Director

Dated this 12th day of March 2007.

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

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

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

BENTLEYS MRI PERTH PARTNERSHIP



J W Vibert
Partner

Dated this 12th day of March 2007

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CONDENSED INCOME STATEMENT for the half-year ended 31 December 2006

	Note	Economic Entity	
		31 Dec 2006	31 Dec 2005
		A\$	A\$
Revenues		5,692,089	1,603,816
Net gain on acquisition of controlled entities	5	8,161,554	-
Net gain on liquidation of controlled entities		76,469	-
Total Revenue		13,930,112	1,603,816
Cost of sales		(2,560,914)	(793,742)
Depreciation & amortisation expense		(334,285)	(255,372)
Employee benefits expense		(207,281)	(357,440)
Exploration expenditure written off		(1,073,058)	(119,718)
Foreign exchange gain/(loss)		-	242,370
Administration expense		(239,384)	(423,338)
Other expenses		(1,814,694)	(222,965)
Share of net loss of joint venture accounted for using the equity method		-	(47,069)
Recognition of share based payments expense		(477,600)	(223,250)
Profit/(loss) before income tax expense		7,222,896	(596,708)
Income tax expense		-	-
Profit/(loss) for the period		7,222,896	(596,708)
Overall operations:			
Basic earnings per share		\$0.107	(\$0.013)
Diluted earnings per share		\$0.076	(\$0.007)

The accompanying condensed notes form part of these financial statements.

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CONDENSED BALANCE SHEET as at 31 December 2006

		Economic Entity	
		31 Dec 2006	30 Jun 2006
Note		A\$	A\$
CURRENT ASSETS			
	Cash & cash equivalents	2,679,958	3,494,291
	Trade & other receivables	1,853,281	199,043
	Inventories	347,692	390,778
	Prepayments	150,628	127,883
	TOTAL CURRENT ASSETS	5,031,559	4,211,995
NON-CURRENT ASSETS			
	Investments	282,225	-
	Property, plant & equipment	41,405,738	6,745,014
	Exploration, evaluation & development expenditure	11,810,794	3,506,635
	TOTAL NON-CURRENT ASSETS	53,498,757	10,251,649
	TOTAL ASSETS	58,530,316	14,463,644
CURRENT LIABILITIES			
	Trade & other payables	11,611,280	1,522,904
	Short term provisions	222,797	-
	TOTAL CURRENT LIABILITIES	11,834,077	1,522,904
NON CURRENT LIABILITIES			
	Trade & other payables	374,647	30,538
	TOTAL NON CURRENT LIABILITIES	374,647	30,538
	TOTAL LIABILITIES	12,208,724	1,533,442
	NET ASSETS	46,321,592	12,910,202
EQUITY			
	Issued capital	41,427,797	16,075,833
	Reserves	2,721,810	1,885,280
	Retained profits	2,171,985	(5,050,911)
	TOTAL SHAREHOLDERS' EQUITY	46,321,592	12,910,202

The accompanying condensed notes form part of these financial statements.

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CONDENSED STATEMENT OF CHANGES IN EQUITY for the half-year ended 31 DECEMBER 2006

	Share capital Ordinary	Retained Profits / (Accumulated Losses)	Option Reserve	Foreign Currency Translation Reserve	Total
	A\$	A\$	A\$	A\$	A\$
Balance at 01.07.2005	5,260,273	(2,493,053)	652,891	-	3,420,111
Shares issued during the period	7,285,356	-	-	-	7,285,356
Share options issued during the period in accordance with AASB 2 - Share Based Payments	-	-	223,250	-	223,250
Loss attributable to members of parent entity	-	(596,708)	-	-	(596,708)
Sub-total	12,545,629	(3,089,761)	876,141	-	10,332,009
Dividends paid or provided for	-	-	-	-	-
Balance at 31.12.2005	12,545,629	(3,089,761)	876,141	-	10,332,009
Balance at 01.07.2006	16,075,833	(5,050,911)	1,412,416	472,864	12,910,202
Shares issued during the period	25,351,964	-	-	-	25,351,964
Share options issued during the period in accordance with AASB 2 - Share based payments	-	-	477,600	-	477,600
Profit attributable to members of parent entity	-	7,222,896	-	-	7,222,896
Exchange differences arising on translation	-	-	-	358,930	358,930
Sub-total	41,427,797	2,171,985	1,890,016	831,794	46,321,592
Dividends paid or provided for	-	-	-	-	-
Balance at 31.12.2006	41,427,797	2,171,985	1,890,016	831,794	46,321,592

The accompanying condensed notes form part of these financial statements.

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CONDENSED CASH FLOW STATEMENT for the half-year ended 31 DECEMBER 2006

		Economic Entity	
		31 Dec 2006	31 Dec 2005
Note		A\$	A\$
CASH FLOWS FROM OPERATING ACTIVITIES			
	Receipts from customers	5,409,278	1,307,448
	Payments to suppliers and employees	(4,914,744)	(1,828,336)
	Interest received	57,289	44,544
	Net cash provided by / (used in) operating activities	551,823	(476,344)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Purchase of non-current assets	(1,086,127)	(39,143)
	Payments for exploration expenditure and tenements	(5,572,660)	(2,050,428)
	Payments for lease of plant	-	(3,000,000)
	Payments relating to acquisition of Philsaga	(5,584,000)	-
	Payments relating to Philsaga transactions	-	(50,539)
	Net cash (used in) investing activities	(12,242,787)	(5,140,110)
CASH FLOWS FROM FINANCING ACTIVITIES			
	Proceeds from issue of shares	11,518,164	7,653,580
	Transaction costs from issue of shares	(721,957)	(411,861)
	Net cash provided by financing activities	10,796,207	7,241,719
	Net increase/(decrease) in cash held	(894,757)	1,625,265
	Cash at beginning of period	3,494,291	330,585
	Exchange rate adjustments	80,424	18,117
	Cash at end of period	2,679,958	1,973,967

Note (a)

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

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

The accompanying condensed notes form part of these financial statements

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS for the half-year ended 31 DECEMBER 2006

Note 1: Basis of preparation

Medusa Mining Limited (the "Company") is a company domiciled in Australia.

The consolidated interim financial report of the Company as at and for the six months ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as (the "Consolidated Entity") and the consolidated entity's interests in associates and jointly controlled entities.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 is available on the company's website.

(a) Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006.

This consolidated interim financial report was approved by the Board of Directors on 12 March 2007.

(b) Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

(c) Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2006.

(d) Financial Risk Management

The consolidated entity's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2006.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS for the half-year ended 31 DECEMBER 2006

Economic Entity	
31 Dec 2006	31 Dec 2005
A\$	A\$

Note 2: Changes in accounting policy

There has been no change in accounting policy since the last annual reporting date.

Note 3: Loss for the period

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

- Interest revenue	67,775	45,591
- Net foreign exchange gain	-	197,901
- Exploration expenses written off	(1,073,058)	(119,718)
- Gold sales	5,621,313	1,553,788
- Other income	3,000	5,500

Note 4: Dividends

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

Note 5:

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

On 4 December 2006 the consolidated entity acquired all of the shares in Philsaga and its subsidiaries 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.

	Economic Entity		
	Recognised values on acquisition A\$	Fair Value Adjustments A\$	Pre-acquisition carrying amounts A\$
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		

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS for the half-year ended 31 DECEMBER 2006

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

On 5 December 2006 Philsaga Mining Corporation and Medusa Overseas Holdings Corporation entered into a Share Purchase Agreement to purchase the remaining 44% shareholding of CMMCI for 44,000,000 Pesos (\$A 1,170,405). The other 56% interest was indirectly acquired upon the acquisition of Philsaga on 4 December 2006.

	Recognised values on acquisition A\$
Receivables	82,925
Creditors and Accruals	(271)
Net Assets	82,654
Loss on acquisition	1,087,751
Purchase Price	1,170,405

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).

(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 has increased from 50% to 100% resulting in PHSAMED inclusion in the consolidated financial statements of Medusa.

	Recognised values on acquisition A\$
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).

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS for the half-year ended 31 DECEMBER 2006

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 will be completed for the year ended 30 June 2007, being within 12 months of acquisition as set out in AASB 3. The outcome of this process, whilst potentially impacting future consolidated earnings, is unlikely to impact future cash flows.

(d) Liquidation of subsidiaries

The Company has commenced deregistration of Montrose Minerals Pty Ltd and Newcoast Nominees Pty Ltd., two controlled entities of Medusa Mining Limited. At the time of the commencement of deregistration these companies were dormant and held minimal assets and liabilities.

Note 6: Segment Information

Primary reporting - geographical segment

Segment revenue:

	Economic Entity	
	31 Dec 2006	31 Dec 2005
	A\$	A\$
- Australia	3,911,506	49,438
- Philippines	10,018,606	1,554,378
Total Revenue	13,930,112	1,603,816

Segment results - Profit/(loss):

- Australia	875,668	(870,510)
- Philippines	6,347,228	273,802
Profit/(loss) from ordinary activities	7,222,896	(596,708)

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS for the half-year ended 31 DECEMBER 2006

	Economic Entity	
	31 Dec 2006	30 Jun 2006
	A\$	A\$
Note 7: Issued Capital		
Ordinary shares on issue (a)	41,427,797	16,075,833
<u>(a)</u>		
Opening balance	16,075,833	5,260,273
<i>add -</i>		
Shares issued during the period	25,351,964	10,815,560
	41,427,797	16,075,833

Ord shares issued during the half-year:	31 Dec 2006	30 Jun 2006	31 Dec 2006	30 Jun 2006
	Shares	Shares	A\$	A\$
<u>Movements in ordinary shares on issue</u>				
- Balance at beginning of the period	59,656,676	40,041,792	16,075,833	5,260,273
- Ordinary shares issued at \$0.65 per share as per Placement in Oct 2006	17,144,599	-	11,143,990	-
- Ordinary (vendor) shares issued at \$0.58 per share in Dec 2006 (Issue price of \$0.72 adjusted by 20% discount for shares in escrow) relating to acquisition of subsidiary.	25,000,000	-	14,400,000	-
- Options converted to ordinary shares at \$0.20 per share	1,870,870	786,457	374,174	157,291
- Ordinary shares issues at \$0.60 per share as per Rights Issue in Sep 2005	-	10,189,343	-	6,113,606
- Ordinary shares issued at \$0.60 per share to clients of State One Stockbroking in Sep 2005	-	2,342,440	-	1,405,464
- Ordinary shares issued at \$0.20 per share in lieu of consulting fees in Sep 2005	-	150,000	-	30,000
- Ordinary (vendor) shares issued at \$0.5472 per share in Jan 2006	-	136,602	-	74,749
- Ordinary (vendor) shares issued at \$0.65 per share in Mar 2006	-	266,366	-	173,138
- Ordinary (vendor) shares issued at \$0.53 per share in Apr 2006	-	150,342	-	79,681
- Ordinary shares issued at \$0.60 per share as per Placement in Jun 2006	-	5,593,334	-	3,356,000
- Issue costs	-	-	(566,200)	(574,369)
	103,672,145	59,656,676	41,427,797	16,075,833

MEDUSA MINING LIMITED

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS for the half-year ended 31 DECEMBER 2006

	Economic Entity	
	31 Dec 2006	30 Jun 2006
	A\$	A\$
Note 8: Reserves		
Option Premium Reserve	1,890,016	1,412,416
(a)		
Opening balance	1,412,416	652,891
add -		
Shares based payments	477,600	759,525
	1,890,016	1,412,416

Options to acquire ordinary shares:	31 Dec 2006	30 Jun 2006	31 Dec 2006	30 Jun 2006
	Options	Options	A\$	A\$
<u>Options issued during the half-year</u>				
- Balance at beginning of the period	26,465,398	24,068,843	1,412,416	652,891
- Options converted to shares at \$0.20 ea	(1,870,870)	(786,457)	-	-
- Share based payments	3,050,000	3,183,012	477,600	759,525
	27,644,528	26,465,398	1,890,016	1,412,416

Note 9: Contingent Liabilities

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

Note 10: Share Based Payments

On 20 December 2006, 1,250,000 options were issued to the Directors of the Company pursuant to shareholder approval obtained at the 27 November 2006 Annual General Meeting of Shareholders.

Number of options	1,000,000	250,000
Fair value at grant date (*)	A\$0.142	A\$0.058
Share price	A\$0.65	A\$0.65
Exercise price	A\$0.90	A\$1.50
Volatility factor	50%	50%
Expiry date of the options	2 October 2008	2 October 2008
Risk free interest rate (**)	5.89%	5.89%

(*) The basis of measuring fair value of the options was the Black Scholes Option Pricing Model.

(**) Based on the Commonwealth Government securities rate with a maturity date approximating that of the expiration period of the options.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS for the half-year ended 31 DECEMBER 2006

Note 11: Commitments

There has been no change to the commitments as disclosed in the entity's 30 June 2006 annual financial report.

Note 12: Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to 30 June 2006 annual financial report.

Note 13: Events subsequent to balance date

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

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 10 to 20:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the Economic Entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Geoffrey J Davis
Managing Director

Dated this 12th day of March 2006.

MEDUSA MINING LIMITED

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Medusa Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Medusa Mining Limited (the company), which comprises the condensed balance sheet as at 31 December 2006, the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration as set out on pages 10 to 21 of the consolidated entity, comprising the company and the entities it controlled at half-year's end or time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Medusa Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Medusa Mining Limited on 12 March 2007, would be in the same terms if provided to the directors as at the date of this auditor's review report.

MEDUSA MINING LIMITED

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Medusa Mining Limited is not in accordance with the *Corporations Act 2001* including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BENTLEYS MRI PERTH PARTNERSHIP



J W VIBERT
Partner
Perth WA

Dated 12th day of March 2007