



MEDUSA MINING LIMITED

ABN 60 099 377 849

and Controlled Entities

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2012

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This report should be read in conjunction with Medusa's Annual Report for the year ended 30 June 2012 and any announcements made by the Company during the interim reporting period, as it does not include all the notes of the type normally included in an annual financial report.

Appendix 4D

Half year report For the 6 months ended 31 December 2012

Name of entity

MEDUSA MINING LIMITED

ABN or equivalent company
reference

60 099 377 849

Half yearly
(tick)

√

Preliminary final
(tick)

Half year/ financial ended ("current period")

31 December 2012

Results for announcement to the market

<u>Revenues and profits:</u>		<u>US\$'000</u>		<u>US\$'000</u>
Revenues from ordinary activities	up 28%	11,455	to	52,363
Profit from ordinary activities after tax attributable to members	up 19%	4,611	to	28,598
Net profit for the period attributable to members	up 19%	4,611	to	28,598

(All comparisons to the previous period ended 31 December 2011)

Dividends:

Interim dividend

Amount per security

Franked amount per security

- current period (half year ended 31 Dec 2012)

Nil

Nil

- previous period (half year ended 31 Dec 2011)

A\$0.05

Nil

No dividend will be paid in the current period.

Net tangible assets per share:

The net tangible assets per share as at 31 Dec 2012 was US\$1.854 (31 Dec 2011: US\$ 1.536)

Change in control of entities:

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

Associates and Joint Venture entities:

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

MANAGING DIRECTOR'S ADDRESS

I am pleased to report that the “game-changer” Saga Shaft is pulling rock from 350 metres below surface at Level 8 at increasing amounts as we push development laterally along veins and across the strike of the veins to expose as many veins as possible. Our interpretations show that the cross-cuts to the south from the bottom of the Saga Shaft should intersect 11 veins which will provide multiple headings from which to start drawing development ore. The cross-cutting is co-ordinated with two advancing ore passes using Alimak rises from Level 8 to Level 6, in addition to the completed winzed ore pass from Level 5 down to Level 8. These ore passes allow ore to be fed down to Level 8 and hauled up the Saga Shaft which is much more efficient than the older inclined shafts. This development changes the whole concept of the mine and over time will enable new efficiencies to be achieved.

The Baguio Shaft was refurbished and its capacity increased in July-August 2012 and now its depth is being extended from Level 3 to Level 5 to access additional ore and to reduce double ore handling. The next step will be to extend the Agsao Shaft from Level 5 to Level 8 which will be undertaken when Level 8 is fully operational.

The planning of a new deep shaft that I mentioned in my half year report last year has been postponed until later as re-configuring the haulage through deepening the inclined shafts and the success of our exploration has reduced the immediate need for the new deep shaft.

Exploration success has seen the resources for Co-O pass 2 million ounces for the first time. We aim to increase this to and maintain approximately 2.5 million ounces. As the conversion of Inferred Resources to Indicated Resources to Reserves through underground development averages 80%, we will aim to maintain a rolling 2 million ounces (from 2.5 million ounces) or 10 years of potential mineable material, including the current reserves.

Mill construction is on schedule and as at 31 January the new leach tank, installation of the crusher and all the concrete foundations for the SAG mill were completed. The thickener upgrade and the detoxification plant are scheduled to be completed in February and the SAG mill lifted on to its foundations.

Complementary infrastructure construction completed includes a new senior staff accommodation building at the mine, a new central administration and combined accommodation building at the mill, a new geology office and combined accommodation, and a new central core farm. Planned infrastructure in progress includes new junior staff quarters at the mill, a new maintenance workshop for trucks and heavy equipment, expansion of the mine-and-mill laboratory and the construction of a new laboratory specifically for exploration samples. Planning for additional tailings storage facilities is also in progress.

The difficulties of combining expansion and production from an old mill have continued, however we are confident we will achieve our timelines for the Co-O expansion.

The Bananghilig Deposit has continued to progress well with the publication in January of the first Indicated Resource of 608,000 ounces with the balance of 472,000 ounces still in the Inferred category. An additional 14 holes are in progress to convert the Inferred ounces to additional Indicated ounces. The current Indicated Resource will undergo pit optimisation studies and reserve estimations as the basis for a feasibility study to produce 200,000 ounces per year.

Our Co-O Mill expansion is on schedule, the Saga Shaft is in operation, and the Bananghilig Project is developing its own life in accordance with our initial aims and expectations. All this would not be possible without the dedication of our own staff, contractors, consultants and construction supervisors and contractors. We continue to expand our community activities and maintain a safe working environment for the benefit of all our stakeholders.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2012 and the review report thereon:

DIRECTORS:

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

<u>Name</u>	<u>Period of Directorship</u>
Non-Executives:	
Mr Geoffrey J Davis (Chairman)	Director since February 2002
Dr Robert M Weinberg	Director since July 2006
Mr Andrew Boon San Teo	Director since February 2010
Mr Ciceron A Angeles	Director since 28 June 2011
Mr Gary Powell	Appointed 24 January 2013
Executives:	
Mr Peter Hepburn-Brown (Managing Director)	Director since September 2009
Attorney Raul C Villanueva (Executive Director)	Appointed 24 January 2013

HIGHLIGHTS FOR THE SIX MONTHS:

Financials

Description	Unit	Dec 2012	Dec 2011	Variance	(%)
Revenues	US\$	\$52.4 M	\$40.9 M	\$11.5 M	28%
EBITDA	US\$	\$35.3 M	\$28.4 M	\$6.9 M	24%
NPAT	US\$	\$28.6 M	\$24.0 M	\$4.6 M	19%
EPS (basic)	US\$	\$0.152	\$0.127	\$0.025	19%

Revenues of US\$52.4 million compared to US\$40.9 million for the corresponding period in the previous year, an increase of 28% due to marginal increase in both gold production and a higher average price received on sale of gold. Medusa is an un-hedged gold producer and received an average gold price of US\$1,676 per ounce from the sale of 43,492 ounces of gold for the half-year to December 2012 (corresponding period to December 2011: 25,446 ounces at US\$1,655 per ounce);

Earnings before interest, tax, depreciation and amortisation ("EBITDA") of US\$35.3 million, (US\$28.4 million in the prior corresponding period); an increase of 24%.

Earnings per share ("EPS") of US\$0.152 on a weighted average basis is based on NPAT of US\$28.6 million (six months to December 2011: EPS of US\$0.127 based on NPAT of US\$24.0 million); an increase of 19%.

The Company remains debt free and had total cash, cash equivalent in gold on metal account and bullion on hand of US\$15.8 million at 31 December 2012 (corresponding period to 31 December 2011: US\$80.2 million).

Dividends

The Board has temporarily suspended the payment of any dividend for the current fiscal year. In the previous half year to 31 December 2011, the Company paid an interim un-franked dividend of A\$0.05 per share.

Operations

Description	Unit	Dec 2012	Dec 2011	Variance	(%)
Production	ounces	32,580	26,780	5,800	21%
Cash costs	US\$/oz	\$300	\$261	(\$39)	(15%)
Gold price received	US\$/oz	\$1,676	\$1,655	\$21	1%

The Company produced 32,580 ounces of gold for the half-year, compared to 26,780 ounces from the previous corresponding period, at an average recovered grade of 7.82 g/t gold (six months to December 2011: 8.10 g/t gold);

Average cash cost for the half-year of US\$300 per ounce, was higher than the previous corresponding period's costs of US\$261 per ounce;

Production Guidance

The revised forecast gold production for the fiscal year to 30 June 2013 after taking into account current year to date production of 32,580 is now between 80,000 to 90,000 ounces at anticipated cash costs of US\$250 per ounce.

A breakdown of actual and forecasted production ounces in calendar years (CY2011 to CY2016) and financial years (FY2012 to FY2017) is highlighted in tables below.

CALENDER YEARS

Jan to Dec	CY 2011 (Actual)	CY 2012 (Actual)	CY 2013	CY 2014	CY 2015	CY 2016
Co-O Mill	77,127	66,395	150-160,000	200,000	200,000	200,000
Bananghilig Mill	-	-	-	-	100,000	200,000
Total	77,127	66,395	150-160,000	200,000	300,000	400,000

FINANCIAL YEARS

Jul to Jun	FY 2012 (Actual)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Co-O Mill	75,000	80-90,000	200,000	200,000	200,000	200,000
Bananghilig Mill	-	-	-	-	200,000	200,000
Total	75,000	80-90,000	200,000	200,000	400,000	400,000

OPERATIONS OVERVIEW

The locations of the Company's projects are shown on Figures 1 and 2.

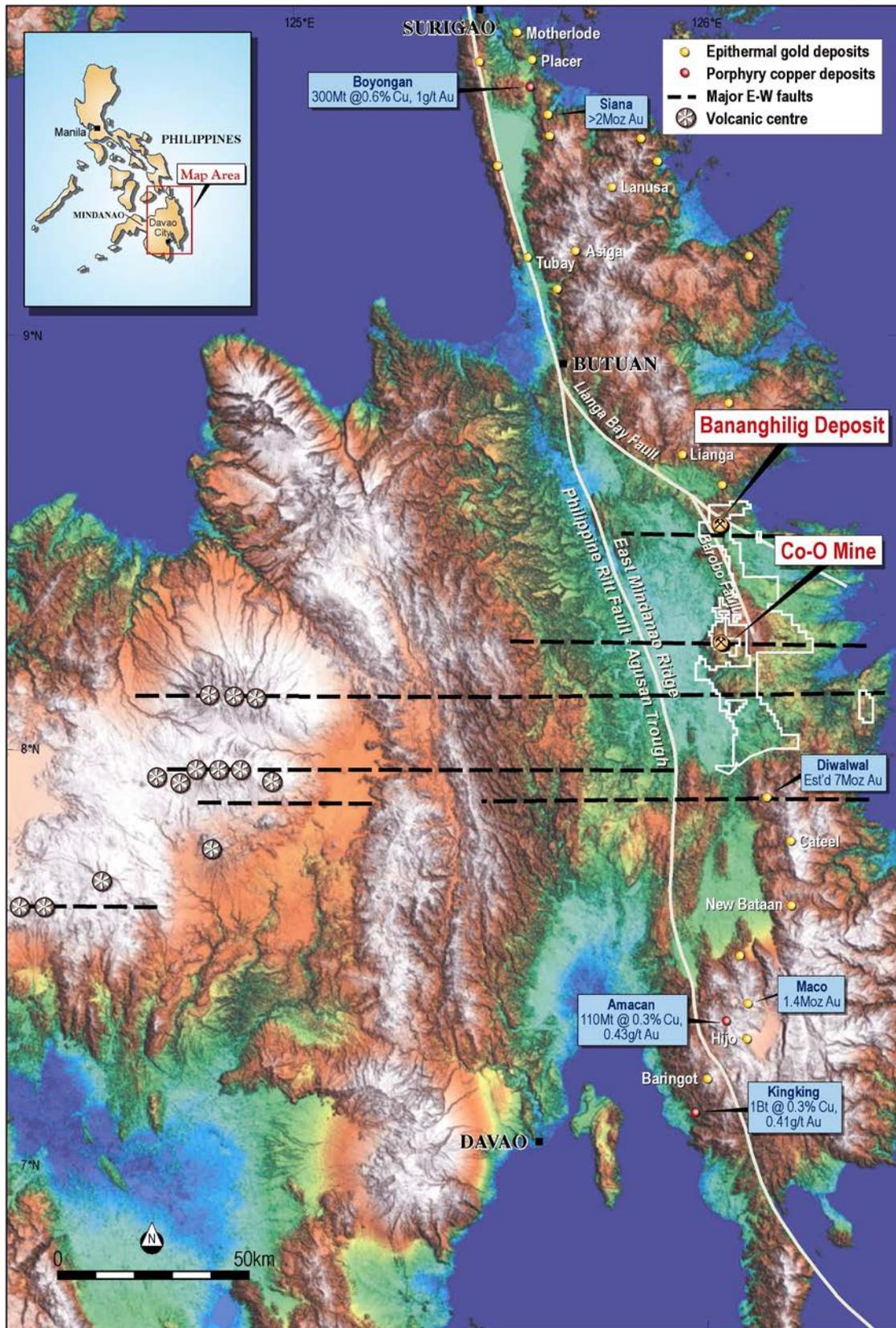


Figure 1. Location diagram

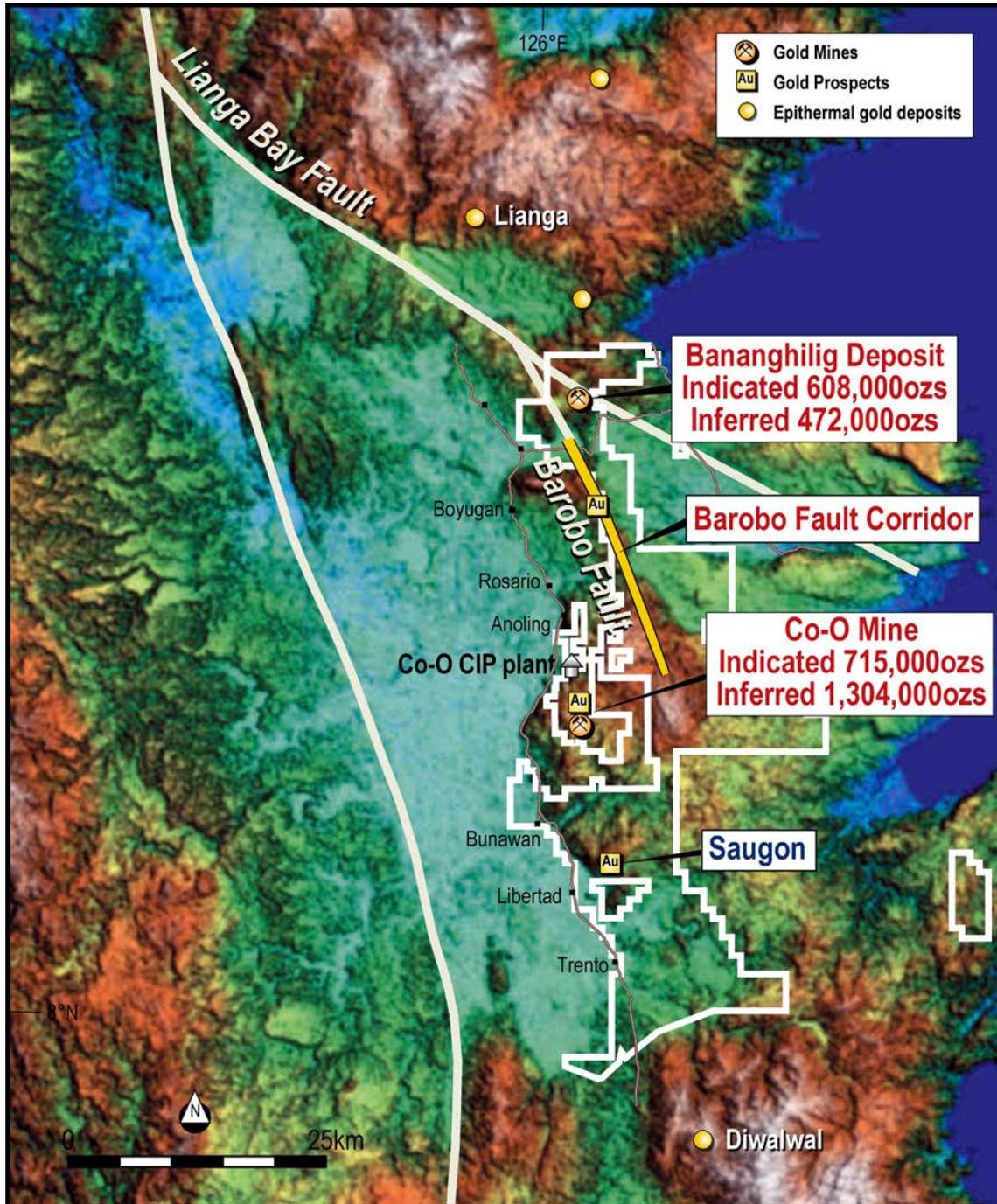
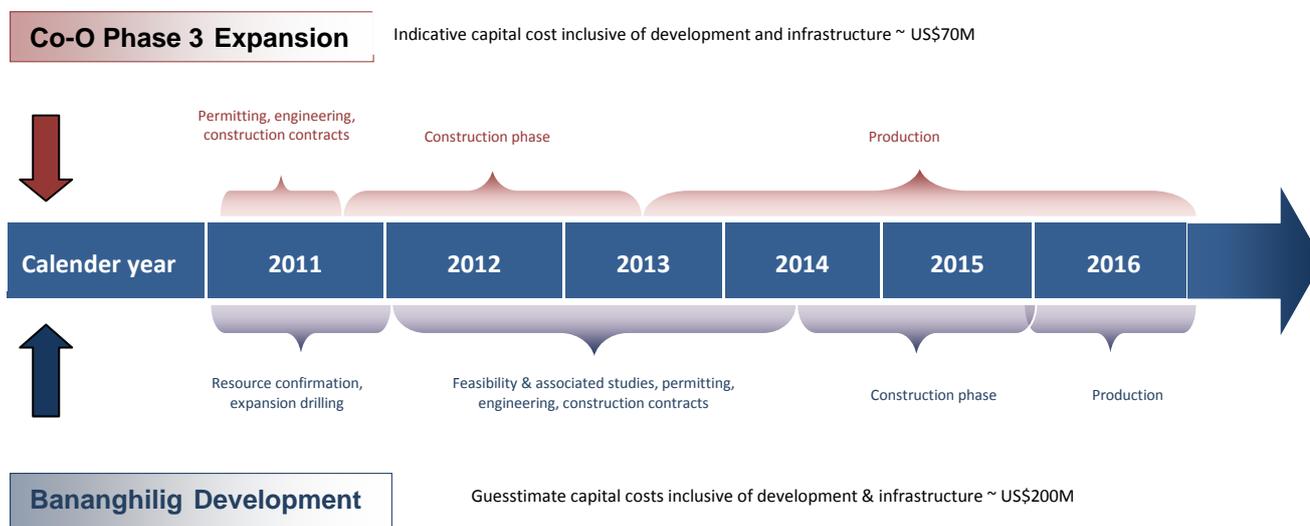


Figure 2. Regional tenement map showing mines and prospects.

EXECUTIVE ORDER ON MINING IN THE PHILIPPINES

The new legislation on mining taxes and royalties is yet to be finalised by Congress

PRELIMINARY DEVELOPMENT TIMETABLE



MINERAL RESOURCES and ORE RESERVES

Following the estimation of the Indicated Resource for the Bananghilig Deposit, Table I shows the Company's Mineral Resources and Ore Reserves:

Table I. Mineral Resources and Ore Reserves

Deposit	Category	Tonnes	Grade g/t gold	Ounces gold
RESOURCES				
Co-O Resources	Indicated	1,890,000	11.80	715,000
	Inferred	4,325,000	9.40	1,304,000
Total Co-O Resources	Indicated & Inferred	6,215,000	10.10	2,019,000
Bananghilig Resources	Indicated	11,900,000	1.59	608,000
	Inferred	9,000,000	1.62	472,000
Total Bananghilig Resources	Indicated & Inferred	20,900,000	1.60	1,080,000
TOTAL RESOURCES	Indicated & Inferred	27,115,000	3.55	3,099,000
Total Indicated Resources		13,790,000	2.99	1,323,000
Total Inferred Resources		13,325,000	4.15	1,776,000
RESERVES				
Co-O RESERVES	Probable	1,820,000	9.70	568,000

Note:

- (i) Resources include reserves
- (ii) Co-O Mine resources lower cut 3g/t gold, various upper cuts
- (iii) Bananghilig Deposit lower cut 0.8g/t gold, various upper cuts

GOLD PRODUCTION

The production statistics for the six months to 31 December 2012 with comparatives for the December 2011 half year are summarised in Table II.

Table II. Gold production statistics

Description	Unit	Half-year ended 31 Dec 2012	Half-year ended 31 Dec 2011	Variance	(%)
Tonnes mined	WMT	160,095	113,468	46,627	41%
Ore milled	DMT	143,808	110,160	33,648	30%
Recovered grade	gpt	7.82	8.10	(6.18)	(4%)
Recovery	%	90%	93%	(1%)	(3%)
Gold produced	ounces	32,580	26,780	5,800	21%
Cash costs (1)	US\$	\$300	\$261	(\$75)	(15%)
Gold sold	ounces	43,492	25,446	18,046	71%
Average gold price received	US\$	\$1,676	\$1,655	\$21	1%

Note:

(1) Net of development costs and includes royalties and local business taxes but no by-product credits.

Gold production for the six months to 31 December 2012 was 32,580 ounces of gold at an average grade of 7.82 g/t gold was marginally above last year's production of 26,780 ounces of gold at recovered grades averaging 8.10 g/t gold.

The average cash costs of US\$300 per ounce, inclusive of royalties and local business taxes is higher than the previous period's average cash costs of US\$261 per ounce.

Medusa, an un-hedged gold producer, sold 43,492 ounces of gold at an average price of US\$1,676 per ounce during the period (corresponding period last year 25,446 at average price received of US\$1,655 per ounce).

The revised production guidance for the fiscal year to 30 June 2013, following production of 32,580 ounces of gold for the half year to December 2012 is now between 80,000 to 90,000 ounces at anticipated cash costs of US\$250 per ounce.

A breakdown of actual and forecasted production ounces in calendar years (CY2011 to CY2016) and financial years (FY2012 to FY2017) is highlighted in the tables below.

CALENDER YEARS

Jan to Dec	CY 2011 (Actual)	CY 2012 (Actual)	CY 2013	CY 2014	CY 2015	CY 2016
Co-O Mill	77,127	66,395	150-160,000	200,000	200,000	200,000
Bananghilig Mill	-	-	-	-	100,000	200,000
Total	77,127	66,395	150-160,000	200,000	300,000	400,000

FINANCIAL YEARS

Jul to Jun	FY 2012 (Actual)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Co-O Mill	75,000	80-90,000	200,000	200,000	200,000	200,000
Bananghilig Mill	-	-	-	-	200,000	200,000
Total	75,000	80-90,000	200,000	200,000	400,000	400,000

Co-O MINE and MILL

Mine

Mine development and expansion achievements include

- The commissioning of the 1,500 tonne per day Saga Shaft (Photo 1) has been completed and haulage is now underway from Level 8 (350 metres below surface). The current mine combined shaft haulage capacity has now been boosted to 2,500 tonnes per day but the current mill capacity remains at approximately 1,000 tonnes per day until the new mill is completed;
- The first ore-pass from Level 6 to Level 8 has been completed by winzing, and two others are underway using Alimaks;
- The repair and upgrade of the Baguio Shaft was completed in the September quarter following a fire in July;
- Development is increasing from approximately 800 metres per month to >1,000 metres per month and will continue for the foreseeable future, resulting in a higher percentage of development ore in the mill feed to current mill.



Photo 1. Completed Saga Shaft headframe

Mill

The current mill has continued to operate normally. Production for the financial year 2013 has been revised to 80,000 to 90,000 ounces. Updated planning and scheduling for the tie-in of the new mill to the existing facilities in the June quarter indicates that the tie-in period will take longer than the original time frame estimated, before construction commenced, of 2 to 3 weeks. This will result in reduced milling time due to interruptions and has been taken into account when re-estimating production guidance for the remainder of financial year 2013.

In November 2010 the Company approved the construction of a new mill with the capacity of 200,000 ounces per year. The status of the construction activities as at 30 January 2013:

- conversion of the leaching circuit from Carbon-in-Pulp to Carbon-in-Leach to be completed in February;
- crusher installed (Photo 2);
- pipe racks for piping slurry from the SAG mill to the leaching circuit are advancing (Photo 3);
- SAG mill installation on schedule;
- de-toxification plant steel work advanced and to be completed in February;
- upgrading of thickener to be completed in February;
- installation of electrical supply systems to the mill is on schedule.



Photo 2. Installed crusher on the right and emergency feed station on the left. The SAG mill foundations are behind the 150 tonne crane which will be used to lift the SAG mill components onto the concrete foundations.



Photo 3. Pipe rack construction from SAG mill to leaching circuit on the left with the emergency feed station on the right.

Tailings Storage

Planning for tailings storage facility number 6 is in progress.

Health and Safety

Lost time accident frequency rate (LTAFR) for the six months to 31 December 2012 is 0.9 including exploration. There were no breaches of any of the project's operating regulations during the period.

Co-O RESOURCES AND RESERVES

On 6 August 2012 the Company announced the mineral resources as shown in Table III.

Table III. Mineral Resource estimation as at 30 June 2012

Category	≥ 3 g/t gold		
	tonnes	g/t gold	ounces
Indicated Resources	1,890,000	11.8	715,000
Inferred Resources	4,325,000	9.4	1,304,000
TOTAL RESOURCES	6,215,000	10.1	2,019,000

The resource estimations were undertaken by Cube Consulting Pty Ltd (2012)

Notes:

- (i) Various uppercuts have been applied on an individual vein basis; and
- (ii) Resources are inclusive of reserves.

On 24 August 2012 the Company announced the mineral reserve as shown in Table IV.

Table IV. Mineral Reserve estimation as at 30 June 2012

Category	≥ 3 g/t gold		
	tonnes	g/t gold	ounces
Probable Reserves	1,820,000	9.7	568,000

The reserve estimation was undertaken by Carras Mining Pty Ltd (2012)

Vein modelling

Cube Consulting Pty Ltd of Perth, Western Australia was contracted to undertake the resource estimations. A wireframe model of the vein system and the mine depletions were based on all available information as at 30 June 2012. A 2D longitudinal modelling approach was used and is based on an accumulation variable incorporating mineralised vein horizontal width and intercept grade. Variography was used to analyse the spatial continuity of the horizontal width and accumulation variables within the mineralised veins and to determine appropriate estimation inputs to the interpolation process. The accumulation variables were interpolated into blocks using Ordinary Kriging. High grade limits were applied to gold prior to the calculation of the accumulation variable. Mineral resources have been reported in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code) and Canadian National Instrument 43-101.

Co-O RESOURCE DRILLING

Diamond drilling has continued since the last resource model update announced on 8 August 2012 and has focused on extending the Co-O Vein system along the eastern and western sides of the resource model. Results from a total of 52 surface drill holes for 35,989 metres and 40 underground drill holes for 8,147 metres have been completed since the resource estimation.

Tables V and VI summarise the intersections ≥ 0.5 metres at ≥ 3 g/t gold from the announcement of 21 February 2013 which contains more detailed assay information and maps showing the location of these drill holes.

Table V. Surface drill hole results ≥ 0.5 g/t gold at ≥ 3.0 metres downhole for previously completed holes designated †

Hole number	East	North	End of hole (metres)	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 163†	614842	913100	800.10	-55	180	764.15	1.45	3.13*
						771.45	0.85	11.14*
EXP 170	613251	913109	501.10	-50	180	127.10	1.00	3.26*
EXP 172	614711	913081	994.60	-64	180	364.30	1.00	4.55*
						745.90	1.00	4.82*
						897.80	1.35	8.31*
						917.55	2.00	4.59*
EXP 173	614798	913152	800.00	-60	180	309.50	0.80	3.31*
						429.60	2.45	6.83*
						510.50	1.00	4.60*
						540.10	0.50	20.10*
EXP 174	614898	913255	707.10	-62	180	447.20	1.50	9.31*
						512.80	6.40	4.72*
						558.60	0.50	11.15*
EXP 175†	614545	913270	1,004.10	-63	180	222.15	1.05	4.67*
						450.60	1.20	5.29*
						593.35	1.45	21.97*
						654.45	1.65	3.34*
EXP 176	613331	913150	551.10	-61	180	184.40	1.25	4.35*
EXP 177	614756	913168	809.10	-60	180	323.55	0.95	4.78*
						395.50	1.30	4.04*
						406.50	3.70	3.27*
						416.15	1.00	6.33*
						426.05	2.55	10.85*
						431.60	2.60	5.62*
EXP 178	614733	913224	815.10	-60	180	516.35	1.50	3.59*
						454.00	1.70	30.25*
						494.55	0.50	5.23*
						506.30	1.00	10.50*
						510.60	0.60	30.07*
EXP 181	613555	913087	92.60	-50	180	531.20	4.30	4.86*
						71.40	0.60	4.03*
						79.70	1.00	3.47*

Hole number	East	North	End of hole (metres)	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 184	613451	913197	716.10	-50	180	92.80	1.20	3.68*
EXP 191	614600	913386	983.10	-55	180	929.20	2.60	6.83*
EXP 192	614552	913376	989.10	-62	180	106.40	4.00	16.26*
EXP 194	613450	913197	935.10	-60	180	582.60	0.60	4.55*
						639.60	6.00	3.55*
						824.45	1.00	13.98*
EXP 195	614695	913409	1,100.10	-57	180	153.60	2.00	3.98*
						346.55	1.25	6.37*
						349.80	2.00	3.75*
						429.60	1.00	5.70*
						586.10	1.00	5.93*
EXP 197	613560	913094	101.70	-50	180	19.00	1.70	13.21*
						99.40	1.20	3.11*
EXP 199	613561	913098	101.90	-50	180	97.95	2.75	5.69*
EXP 201	614948	913350	863.10	-51	180	530.35	0.85	7.49*
						609.95	2.15	4.01*
						677.80	1.30	10.75*
EXP 204	614901	913407	803.10	-57	180	630.25	1.00	6.80*
EXP 206	613701	913346	878.10	-51	180	847.60	2.05	3.13*
EXP 211	615098	913402	668.10	-50	180	604.05	1.40	3.98*
EXP 219	614840	913421	1,066.10	-45	180	593.15	1.20	10.96*
EXP 222	613551	913306	908.10	-50	180	131.30	3.40	19.81*
						803.65	0.60	19.60*
						805.70	4.40	4.15*

Notes:

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) Assays denoted by (*) are by Philsaga Mining Corporation's laboratory;
- (iii) Grid coordinates based on the Philippine Reference System 92.

Table VI. Underground drill hole results > 3 g/t gold and > 0.5 metres downhole for new holes and previously completed holes designated †

Hole number	East	North	End of hole (metres)	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
LEVEL 1								
L1-69W-015	613284	912929	111.20	3	214	61.40	0.20	10.08*
LEVEL 2								
L2-2E-002	614001	912884	102.90	3	169	18.90	1.20	4.46*
L2-2E-005	614002	912890	93.10	3	11	66.90	0.70	17.83*
L2-2E-006	614003	912889	110.40	3	42	16.00	0.50	178.15*
						57.60	0.50	5.47*
L2-10W-002	613919	913145	92.40	3	294	64.00	0.90	4.55*
LEVEL 5								
L5-20W-008	613919	913145	92.40	3	328	2.00	1.00	8.87*
						150.85	2.75	14.94*
L5-20W-009	613762	912854	356.80	-32	152	2.40	1.30	12.59*
						213.20	0.30	9.27*
L5-20W-010	613763	912854	353.30	-30	148	2.20	2.30	12.36*
						131.80	0.30	3.67*
						227.35	0.45	3.53*
L5-20W-011	613763	912854	326.50	-50	140	3.30	1.60	5.92*
						107.50	0.50	19.3*
						112.45	2.80	3.39*
						170.20	0.30	3.36*
						212.45	3.80	7.13*

Hole number	East	North	End of hole (metres)	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
LEVEL 5								
L5-35W-107	613608	912813	294.50	0	134	1.23	0.37	6.10*
						30.52	0.33	15.20*
						54.85	0.20	88.40*
						62.50	0.25	20.99*
L5-42E-016	614380	912691	435.10	-23	324	125.30	0.30	3.08*
						179.25	0.50	7.17*
						185.25	1.00	3.13*
L5-42E-017	614381	912691	404.80	-32	332	18.60	0.30	16.07*
						139.55	1.30	27.62*
						156.00	0.20	7.33*
						159.90	0.50	8.28*
						187.50	3.50	3.89*
						197.60	1.20	16.55*
L5-42E-018	614382	912691	378.00	-23	359	84.90	0.55	8.30*
						109.60	1.90	7.94*
						243.40	1.15	4.72*
						271.60	3.00	19.08*
L5-42E-019	614383	912691	401.60	-23	14	93.10	1.55	6.41*
						356.00	3.80	11.75*
L5-42E-020	614384	912691	376.50	-23	26	88.20	0.50	32.93*
						126.90	0.20	7.12*
						136.65	0.95	8.17*
						253.30	0.30	10.90*
L5-42E-021	614385	912690	399.40	-23	29	293.50	0.50	13.03*
						38.80	0.40	3.22*
						60.10	0.40	20.40*
						87.00	0.40	8.60*
						131.10	1.20	749.88*
						161.65	2.25	12.74*
L5-42E-022	614377	912690	404.40	-43	305	278.55	3.65	11.33*
						295.20	0.80	4.72*
						147.60	1.40	13.19*
						156.00	1.00	4.55*
L5-42E-023	614378	912690	428.00	-43	309	179.05	1.00	4.04*
						228.00	2.30	19.25*
L5-42E-024	614379	912691	425.40	-43	316	412.55	0.35	5.63*
						38.30	0.40	28.10*
						143.95	0.70	3.36*
L5-42E-025	614380	912691	379.00	-43	328	186.60	0.30	5.00*
						32.60	0.40	20.07*
						75.35	0.75	12.56*
LEVEL 6								
L6-13E-001	614187	912929	121.20	3	28	33.80	1.00	10.70*
						69.15	0.35	3.73*
						88.00	0.60	4.64*
L6-23E-033†	614207	912726	110.80	0	225	8.40	4.80	26.28*
L6-23E-034†	614213	912726	111.00	0	113	20.50	0.20	97.23*

Notes:

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) Assays denoted by (*) are by Philsaga Mining Corporation's laboratory;
- (iii) Grid co-ordinates based on the Philippine Reference System 92.

TAMBIS–BAROBO AREA

BACKGROUND

The Tambis Project, containing the Bananghilig Gold Deposit as shown on Figures 1 and 2, is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement (“MPSA”) 344-2010-XIII which covers 6,262 hectares.

The area has been known as an alluvial gold producing area since Spanish times. The first modern exploration pre-Medusa group was conducted in the 1970s followed by further work in the 1990s. The Company commenced a concerted drilling programme in July 2010 with the aim of extending the initial Inferred Resource of 650,000 ounces to provide a reserve of approximately one million ounces. This reserve would form the basis for a feasibility study which would target production of 200,000 ounces of gold per year from a new milling facility.

The Bananghilig Deposit detailed geological and mineralisation descriptions are contained in the announcement dated 12 September 2011, and additional drilling results are contained in the announcements dated 17 January 2012, 8 August 2012 and 21 November 2012. As there are a large number of intersections reported in these announcements, they have not been repeated in this half yearly report.

REGIONAL GEOLOGICAL SETTING

The Tambis regional geology, termed the Tambis intrusive-breccia complex, typifies a structurally complex intermediate-sulphidation, epithermal gold, breccia-type system, including disseminated gold overprinting the host Tertiary-age igneous package which had been emplaced into an andesitic volcanic basement. The fertile igneous suite comprises a multi-phase calc-alkaline, high level, sub-volcanic intrusive package cut by extensive bodies of phreatomagmatic diatremes and hydrothermal breccias.

Laboratory studies including fluid inclusions have indicated that the Tambis area epithermal mineralisation is only shallowly eroded with an estimated 500 to 950 metres of material stripped from the original surface.

The Tambis intrusive-breccia complex is overlain to the south and east by younger marine limestones and basal mudstones. The extent of the complex below this younger cover is yet to be determined.

To date most of the mineralisation has been identified within or around the margins of the Bananghilig Diatreme.

Exploration

Drilling commenced in July 2010 with seven surface rigs and continued through until October 2012 when infill drilling was completed for Indicated Resources estimations. An additional programme of 14 infill holes recently commenced to convert additional resources to the Indicated Resource category.

Resources

An inferred resource was published on 8 August 2012 of 1,100,000 ounces of gold at a grade of 1.63 g/t gold in 21,000,000 tonnes using a 0.8 g/t gold cut-off.

Following completion of infill drilling in October 2012 and subsequent detailed surveying of artisanal workings, a new resource was published on 29 January 2013 as shown in Table VII. Figure 3 shows the Bananghilig geology and the projection of the resources to surface, and figure 4 shows a cross-section through the deposit showing 5 metres x 5 metres x 2 metres resource blocks represented by coloured dots.

Table VII. Mineral Resource estimation as at 29 January 2013

Category	≥0.8 g/t gold		
	tonnes	g/t gold	ounces
Indicated resources	11,900,000	1.59	608,000
Inferred resources	9,000,000	1.62	472,000
TOTAL RESOURCES	20,900,000	1.60	1,080,000

The resource estimation was undertaken by Cube Consulting Pty Ltd (2013)

Notes:

- (i) A lower cut of 0.8g/t gold and various uppercuts were applied; and
- (ii) Resources are inclusive of reserves.

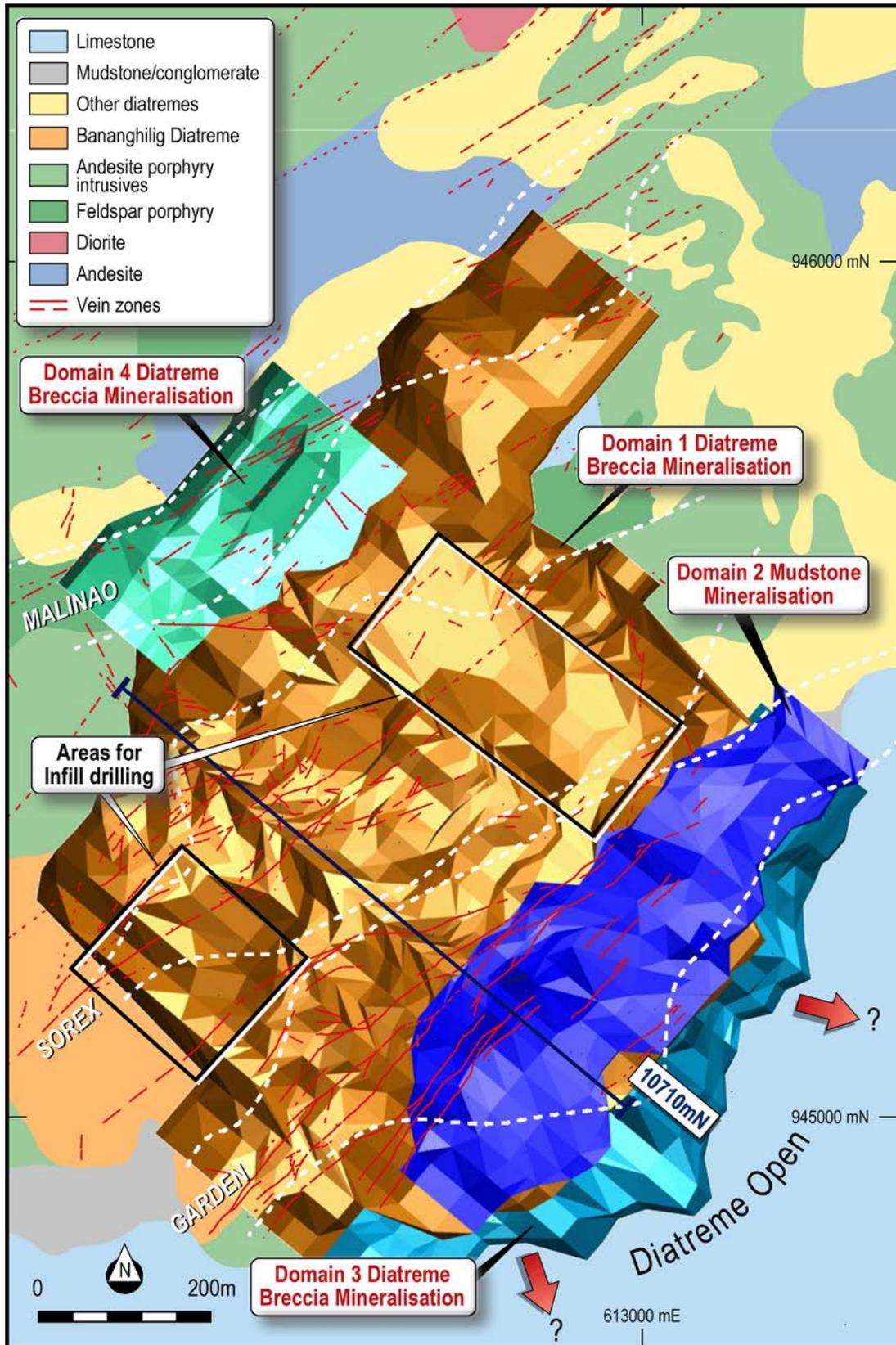


Figure 3. Bananghilig regional surface geology map showing the projection of the resource to surface and cross-section line 10710N.

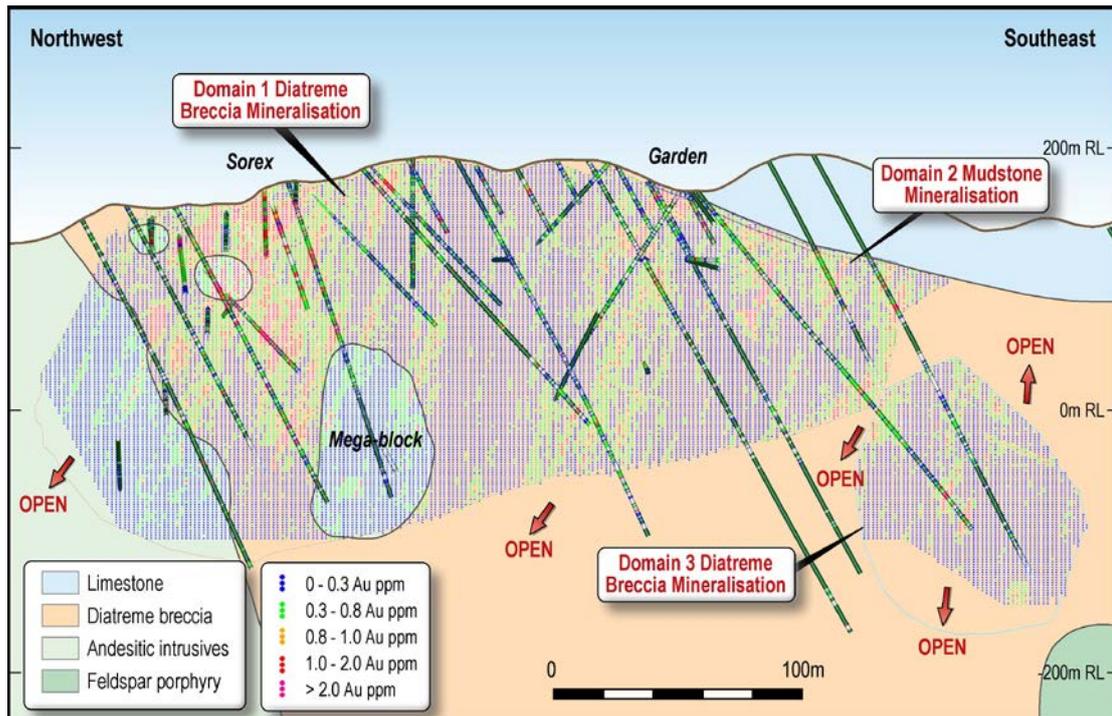


Figure 4. Bananghilig Deposit cross section through line 10710N showing the resource blocks.

USA PROJECT

The Usa prospect is predominantly contained within Mineral Production Sharing Agreement application (“APSA”) XIII-00077. The Company has a Memorandum of Agreement with Corplex Resources Inc. (“Corplex”).

The tenement is being progressed to granting.

ANOLING

The Mines Operating Agreement (“MOA”) with Alcorn Gold Resources Inc. covers Mining Production Sharing Agreement (“MPSA”) application number 039-XIII situated approximately 8 kilometres north from the millsite.

The project has been terminated due to poor economics.

SAUGON PROJECT

FIRST HIT VEIN

Background

Figure 2 shows the Saugon Project located approximately 28 kilometres by road from the Co-O Mill. Work in 2004 involved drilling at the First Hit Vein (holes SDDH 1 to 35) in conjunction with underground development via a 30 metre deep inclined winze down the quartz vein-breccia to assist in understanding the mineralisation.

The 2004 drilling indicated a well developed central zone (First Hit Vein) with two possible splays partly developed as footwall and hanging wall zones. Further details are contained in the announcements dated 20 April 2010 and 1 December 2010.

Exploration

Work has focussed on regional mapping and detailed mapping, trenching and sampling of new veins with the aim of adding to the available mineralisation in the area.

FINANCIALS

Medusa recorded a net profit after tax (“NPAT”) of US\$28.6 million and earnings before interest, tax depreciation and amortisation (“EBITDA”) of US\$35.3 million for the half year to 31 December 2012, compared to US\$24.0 million and US\$28.4 million respectively in the previous corresponding period.

The Company recorded Revenues of US\$52.4 million compared to US\$40.9 million in the previous corresponding period. Medusa is an un-hedged gold producer and received an average price of US\$1,676 per ounce from the sale of 43,492 ounces of gold for the half-year to December 2012 (previous corresponding period: 25,446 ounces at US\$1,655 per ounce).

The marginal increase in NPAT, EBITDA and Revenues is directly linked to a slight improvement in gold production (32,580 ounces compared to 26,780 ounces). The Co-O Mine has been predominantly in development mode since July 2011 to prepare for the anticipated future production increase and all development ore mined has been treated through the mill. A reduction in haulage capacity with the refurbishment of the Baguio Shaft (following a fire) and inclement weather experienced in December 2012 has impacted on mining activities and mill throughput, contributing to lower than expected gold production.

As at 31 December 2012, the Company which is debt free, had total cash, cash equivalent in gold on metal account and bullion on hand of approximately US\$15.8 million (Dec 2011: US\$80.2 million).

During the half-year:

- The Company recorded Revenue of US\$52.3 million from gold and silver sales (Dec 2011 half-year: gold and silver sales of US\$40.6 million and interest of US\$0.3 million);
- Depreciation and amortisation was higher at US\$6.7 million, compared with US\$4.5 million in the December half of 2011;
- US\$14.6 million outlay on exploration expenditure, including US\$9.8 million on the Co-O Mine (Dec 2011 half-year: US\$15.9 million, including US\$8.3 million for the Co-O Mine);
- US\$23.5 million was spent on sustaining capital at mine and mill and capital works associated with the new mill construction and infrastructure (Dec 2011 half-year: US\$9.0 million); and
- Incurred US\$15.8 million on general and accelerated mine development costs, inclusive of shaft sinking costs (Dec 2011 half-year: on general and accelerated mine development costs, inclusive of shaft sinking costs of US\$14.7 million).

CORPORATE

Dividend

The Board has temporarily suspended the payment of any dividend for the current fiscal year. In the previous half year to 31 December 2011, the Company paid an interim un-franked dividend of A\$0.05 per share.

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 Non-Executive Chairman of the Board of Medusa Mining Limited and has sufficient experience which is relevant to the style of mineralisation 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 "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. 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 compiled by Mr 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 "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. 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.

Carras Mining Pty Ltd

Information in this report relating to **Ore Reserves** is based on information compiled by Dr Spero Carras of Carras Mining Pty Ltd. Dr Carras is a Fellow of the Australasian Institute of Mining & Metallurgy and has 30 years of experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. Dr Carras consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Carras Mining is an independent Perth based resource industry consulting firm specialising in geological modelling and resource and reserve estimations.

DISCLAIMER

This report may contain certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Medusa, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements.

Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based.

You should not place undue reliance on forward-looking statements and neither Medusa nor any of its directors, employees, servants or agents assume any obligation to update such information.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 21 for the half-year ended 31 December 2012.

ROUNDING OF AMOUNTS

The Company has applied the relief available to it under Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded to the nearest \$1,000.

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



PETER HEPBURN-BROWN

Managing Director

Dated this 27th day of February 2013.



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**Auditor's Independence Declaration
To The Directors of Medusa Mining Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Medusa Mining Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of 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.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink that reads "P. Warr".

P W Warr
Partner - Audit & Assurance

Perth, 27 February 2013

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

for the half-year ended 31 December 2012

		Consolidated Group	
		31 Dec 2012	31 Dec 2011
	Note	US\$ 000	US\$ 000
Revenue	2	52,363	40,908
Cost of sales		(18,175)	(10,663)
Administration expenses		(4,665)	(4,609)
Other expenses		(925)	(1,574)
Profit before income tax expense		28,598	24,062
Income tax expense		-	(75)
Profit for the period after income tax expense		28,598	23,987
 <u>Other comprehensive income:</u>			
Exchange differences on translation of foreign operations (net of tax)		7,507	(2,323)
Total comprehensive income		36,105	21,664
 <u>Overall operations:</u>			
Basic earnings per share		0.152	0.127
Diluted earnings per share		0.152	0.127

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

		Consolidated Group	
		31 Dec 2012	30 June 2012
	Note	US\$ 000	US\$ 000
CURRENT ASSETS			
Cash & cash equivalents		8,834	12,468
Trade & other receivables		37,667	55,964
Inventories		14,375	14,643
Other current assets		152	707
Total Current Assets		61,028	83,782
NON-CURRENT ASSETS			
Property, plant & equipment		86,741	63,929
Exploration, evaluation and development expenditure		215,443	182,897
Deferred tax assets		1,632	1,632
Total Non-Current Assets		303,816	248,458
TOTAL ASSETS		364,844	332,240
CURRENT LIABILITIES			
Trade & other payables		14,054	14,876
Provisions		1,050	920
Total Current Liabilities		15,104	15,796
NON-CURRENT LIABILITIES			
Provisions		536	520
Deferred tax liability		257	257
Total Non-Current Liabilities		793	777
TOTAL LIABILITIES		15,897	16,573
NET ASSETS		348,947	315,667
EQUITY			
Issued capital	5	73,070	73,070
Reserves		32,367	23,760
Retained profits		243,510	218,837
TOTAL SHAREHOLDERS' EQUITY		348,947	315,667

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2012

	Share Capital Ordinary	Retained Profits	Other Reserves <small>(refer note 6)</small>	Foreign Currency Translation Reserve	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at 01.07.2011	71,990	189,020	1,689	13,190	275,889
Net profit after tax	-	23,987	-	-	23,987
Other comprehensive income	-	-	-	(2,323)	(2,323)
Total comprehensive income for the period	-	23,987	-	(2,323)	21,664
Shares issued during the period	789	-	-	-	789
Transfer from Option Reserve	291	-	(291)	-	-
Share options recognised during the period in accordance with AASB 2 - share based payments	-	-	1,133	-	1,133
Sub-total	73,070	213,007	2,531	10,867	299,475
Dividends paid or provided for <small>(refer note 3)</small>	-	(9,338)	-	-	(9,338)
Balance at 31.12.2011	73,070	203,669	2,531	10,867	290,137
Balance at 01.07.2012	73,070	218,837	3,740	20,020	315,667
Net profit after tax	-	28,598	-	-	28,598
Other comprehensive income	-	-	-	7,507	7,507
Total comprehensive income for the period	-	28,598	-	7,507	36,105
Shares issued during the period	-	-	-	-	-
Transfer from Option Reserve	-	-	-	-	-
Share options and performance rights recognised during the period in accordance with AASB 2 - share based payments	-	-	1,100	-	1,100
Sub-total	73,070	247,435	4,840	27,527	352,872
Dividends paid or provided for <small>(refer note 3)</small>	-	(3,925)	-	-	(3,925)
Balance at 31.12.2012	73,070	243,510	4,840	27,527	348,947

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2012

	Consolidated Group	
	31 Dec 2012	31 Dec 2011
	US\$ 000	US\$ 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	73,330	42,403
Payments to suppliers and employees	(18,504)	(14,649)
Interest received	29	285
Net cash provided by operating activities	54,855	28,039
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(24,360)	(12,824)
Payments for exploration expenditure and tenements	(5,906)	(16,725)
Payments for development activities	(18,658)	(14,493)
Net cash (used in) investing activities	(48,924)	(44,042)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	789
Payments for dividends	(3,925)	(9,338)
Net cash (used in) financing activities	(3,925)	(8,549)
Net (decrease) in cash held	2,006	(24,552)
Cash at beginning of period	12,468	62,431
Exchange rate adjustments	(5,640)	164
Cash at end of period	8,834	38,043

The accompanying condensed notes form part of these financial statements

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2012

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 2012 comprises the Company and its subsidiaries (together referred to as (the "Group") and the consolidated group's interests in associates and jointly controlled entities.

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. Though the Company's functional currency is Australian dollars the presentation currency for the Group is US dollars. The reason for using US dollars as the presentation currency is US dollars is the primary currency used in the global gold market.

The consolidated annual financial report of the consolidated group as at and for the year ended 30 June 2012 is available on the company's website.

(a) Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

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 Group as at and for the year ended 30 June 2012.

This consolidated interim financial report was approved by the Board of Directors on 26 February 2013.

(b) Significant accounting policies

The accounting policies applied by the Consolidated Group in this consolidated interim financial report are the same as those applied by the Consolidated Group in its consolidated financial report as at and for the year ended 30 June 2012.

(c) Significant events and transactions

During the six months the Company experienced an increase in Revenues which is directly linked to an increase in gold production (32,580 ounces compared to 26,780 ounces). The Co-O mine has been predominantly in development mode since July 2011 to prepare for anticipated future production increase.

The Group's objectives and policies for managing capital, credit risk and liquidity risk are described in its recent annual financial statements.

(d) Comparative figures

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

(e) Rounding of amounts

The Company has applied the relief available to it under Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded to the nearest \$1,000.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2012

Consolidated Group	
31 Dec 2012	31 Dec 2011
US\$ 000	US\$ 000

Note 2: Profit for the period

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

Revenue items:

Interest revenue	27	292
Gold and silver sales	52,327	40,603
Other	9	6

Expense items:

Depreciation	3,203	2,591
Amortisation	3,507	2,308
Employee benefits expense	2,933	4,378
Recognition of share based payments	1,100	1,132

Note 3: Dividends

Unfranked dividend of A\$0.02 a share (2011: 5 cents a share, declared on 29 August 2011 and paid on 30 September 2011) was declared on 29 August 2012 and paid on 4 October 2012.

3,925	9,338
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CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2012

Note 4: Segment Information

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

The Group segments are structured as Mine, Exploration and Other. Currently the only operational mine is the Co-O mine.

	Mining	Exploration	Other	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Segment Revenue and Result				
<u>6 months to December 2012:</u>				
Segment revenue	52,327	-	36	52,363
Segment result	32,069	(16)	(3,455)	28,598
<u>6 months to December 2011:</u>				
Segment revenue	40,603	-	305	40,908
Segment result	28,807	(10)	(4,810)	23,987
Segment Assets and Liabilities				
<u>31 December 2012:</u>				
Segment assets	355,386	4,127	3,699	363,212
Reconciliation of segment assets to group assets	add -			
Deferred tax assets				1,632
Total group assets				364,844
Segment liabilities	11,860	2	3,778	15,640
Reconciliation of segment liabilities to group liabilities	add -			
Deferred tax liabilities				257
Total group liabilities				15,897
<u>30 June 2012:</u>				
Segment assets	322,651	4,004	3,953	330,608
Reconciliation of segment assets to group assets	add -			
Deferred tax assets				1,632
Total group assets				332,240
Segment liabilities	13,273	8	3,305	16,316
Reconciliation of segment liabilities to group liabilities	add -			
Deferred tax liabilities				257
Total group liabilities				16,573

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2012

	Consolidated Group			
	31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
	(shares)	(shares)	US\$ 000	US\$ 000
Note 5: Issued Capital				
Ordinary shares on issue	188,903,911	188,903,911	73,070	73,070
Opening balance	188,903,911	188,233,911	73,070	71,990
add -				
Shares issued during the period	-	670,000	-	789
Transfer from option Reserve	-	-	-	291
	<u>188,903,911</u>	<u>188,903,911</u>	<u>73,070</u>	<u>73,070</u>
Movement in ordinary shares during the half-year:				
- Balance at beginning of the period	188,903,911	188,233,911	73,070	71,990
- Options converted to ordinary shares at A\$1.25 each	-	600,000	-	668
- *Bonus share issued on the basis of 1 for every 10 options converted	-	60,000	-	-
- Options converted to ordinary shares at A\$4.40 each	-	10,000	-	121
Transfer from option reserve	-	-	-	291
	<u>188,903,911</u>	<u>188,903,911</u>	<u>73,070</u>	<u>73,070</u>

* Bonus shares were issued in accordance with an announcement to ASX on 8 March 2010 of one ordinary share for every 10 ordinary shares held.

The A\$ issue price per share has been converted using the exchange rate applicable on the date the funds were received and rounded to four decimal places.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2012

	Consolidated Group			
	31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
	(options)	(options)	US\$ 000	US\$ 000
Note 6: Option and Performance Rights Reserve				
Option and Performance Rights Reserve	1,965,000	1,965,000	4,840	3,740
Opening balance	1,965,000	750,000	3,740	1,689
less -				
Options exercised	-	(610,000)	-	(291)
add -				
Options issued - exercisable at A\$4.40 each	-	1,825,000	-	-
Share options and performance rights recognised during the period in accordance with AASB 2 - share based payments	-	-	1,100	2,342
	1,965,000	1,965,000	4,840	3,740

Note 7: Contingent Liabilities

There have been no developments in the period since the annual report.

Note 8: Commitments

There has been no change to the commitments as disclosed in the Group's 30 June 2012 annual report.

Note 9: Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the Company's annual report for the year ended 30 June 2012.

Note 10: Events subsequent to reporting date

There has not arisen in the interval between the half-year ended 31 December 2012 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 Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group, in subsequent financial periods.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 22 to 30:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the Consolidated Group's financial position as at 31 December 2012 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.



Peter Hepburn-Brown
Managing Director

Dated this 27th day of February 2013



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Independent Auditor's Review Report To the Members of Medusa Mining Limited

We have reviewed the accompanying half-year financial report of Medusa Mining Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Medusa Mining Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a 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 half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Medusa Mining Limited consolidated entity's financial position as at 31 December 2012 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 complied with the independence requirements of the Corporations Act 2001.

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 2012 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 27 February 2013