



MEDUSA

MEDUSA MINING LIMITED

ABN 60 099 377 849
Consolidated Entity

**ASX APPENDIX 4E AND
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2021**

Appendix 4E

Preliminary final report Period ending 30 June 2021

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")

30 June 2021

Results for announcement to the market

| <u>Revenues and profits:</u> | | <u>US\$'000</u> | | <u>US\$'000</u> |
|--|---|-----------------|------------------------------------|-----------------|
| Revenues from ordinary activities | up 21% | 147,828 | to | 179,037 |
| Profit/(Loss) from ordinary activities after tax attributable to members | up 59% | 29,691 | to | 47,256 |
| Net profit/(loss) for the period attributable to members | up 59% | 29,691 | to | 47,256 |
| (All comparisons to the previous period ended 30 June 2020) | | | | |
| <u>Dividends:</u> | <u>Amount per security</u> | | <u>Franked amount per security</u> | |
| Interim dividend | A\$0.05 | | N/A | |
| Final dividend | Nil | | N/A | |
| Total dividend paid for the year | A\$0.05 | | N/A | |
| <u>Net tangible assets per share:</u> | The net tangible assets per share as at 30 June 2021 was US\$0.828 (30 June 2020: US\$0.613) | | | |
| <u>Change in control of entities:</u> | There has been no change in control, either gained or loss during the current period. | | | |
| <u>Associates and Joint Venture entities:</u> | The Consolidated Group did not have a holding in any associates or joint venture entities during the current period. | | | |
| <u>Un-audited Financial Statements:</u> | This report is based on accounts which are audited. | | | |
| <u>Other information:</u> | Except for matters noted above, all disclosure requirements pursuant to ASX Listing Rule 4.3A are contained within the Company's consolidated financial statements for the year ended 30 June 2021 which accompany this report. | | | |

DIRECTORS' REPORT

for the year ended 30 June 2021

1. DIRECTORS

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

| Name of Director | Period of Directorship |
|--|---|
| Non-Executive Directors: | |
| Mr Jeffery McGlinn (Chairperson) | since 16 February 2021 (appointed Chairperson on 19 March 2021) |
| Mr Roy Philip Daniel | since 25 November 2015 |
| Mr Simom Mottram | since 11 June 2020 |
| Executive Directors: | |
| Mr Andrew Boon San Teo (Managing Director) | since 15 February 2010 (appointed Managing Director on 19 March 2021) |
| Mr Raul Conde Villanueva | since 24 January 2013 (retired 28 October 2020) |

Each of the Directors, unless otherwise stated above, has been in office since the start of the financial year to the date of this report.

2. DIRECTORS' INFORMATION

Mr Jeffery McGlinn

Independent Non-Executive Chairperson

Mr McGlinn was appointed Non Executive Director on 16 February 2021 and a Chairperson on 19 March 2021.

Mr McGlinn is an entrepreneur and has over four decades of experience in the mining and mining services sectors. He has established trusted relationships with governments, major industry leaders and entrepreneurs in Australia and internationally.

Mr McGlinn was the founding Managing Director and Chief Executive Officer of ASX listed NRW Holdings Limited (NWH), one of Australia's leading mining service providers. He was instrumental in establishing NRW in 1994 and played a major role in the Company's growth and development over 16 years until his resignation.

Prior to NRW, Mr McGlinn was the Managing Director of Conclad and Trustek Australia, which provided innovative construction technology throughout Australia and South East Asia for both commercial and domestic applications.

Mr McGlinn currently manages a number of privately held business interests across the globe in the fields of construction, mining, marketing, manufacturing, industrial lighting and horse breeding. Caballus Mining, 100% owned by Jeff was recently chosen by the Panguna Tangku'urang as their preferred partner for the future reopening of the famed Panguna Copper Mine in Bougainville.

Medusa is Mr McGlinn's only current ASX listed directorship.

Mr McGlinn is a member of the Audit and Remuneration Committees.

Mr Andrew Boon San Teo

B.Com, UWA, (CPA)

Managing Director

Mr Teo was appointed Non Executive Director on 15 February 2010 and Chairperson on 22 November 2013. On 19 March 2021, Mr Teo relinquished the role of Chairperson following his appointment as Managing Director.

Mr Teo is an accountant with over 40 years of extensive and diversified experience in accounting, treasury, corporate, legal and business administration across several industries, including the mining industry. He was, until his retirement in March 2018, Chief Financial Officer/Executive Director of BGC (Australia) Pty Ltd., one of Australia's largest privately-owned companies. Mr Teo worked in BGC in excess of 35 years and remains a Non-Executive Director of BGC.

On 9 June 2020 Mr Teo was appointed a Non-Executive Director of Myanmar Metals Limited. During the past three years, Mr Teo has not served as a Director of any other ASX listed entities.

Mr Teo is Chairperson of the Nomination Committee and also a member of the Remuneration and Safety, Health & Environment Committees.

DIRECTORS' REPORT

for the year ended 30 June 2021

2. DIRECTORS' INFORMATION (continued)

Mr Roy Philip Daniel

B.Com, UWA

Independent Non-Executive Director

Mr Roy Daniel was appointed Non-Executive Director on 25 November 2015. Mr Daniel's previous association with the Company was as the Chief Financial Officer from December 2004 until his retirement from office in June 2013. He was also an executive member of the Board from April 2006 until June 2011.

Mr Daniel has been associated with the resource and mining industry for 40 years and has held various senior management and accounting positions at corporate level with overseas and Australian companies. His association with the Company since its formative years has proven invaluable, and his financial business acumen and corporate experience has complemented and strengthened the Board.

During the past three years, Mr Daniel has not served as a Director of any other ASX listed entities..

Mr Daniel is Chairperson of both the Audit and Remuneration Committees and also serves as a member on the Nomination and Safety, Health & Environment Committee.

Simon Jon Mottram

B.Sc (Applied Geology). F.AusIMM

Independent Non-Executive Director

Mr Mottram was appointed Non Executive Director on 11 June 2020.

Mr Mottram is a geologist with over 25 years' experience predominantly in base and precious metals. Mr Mottram was instrumental in taking Avanco Resources Limited, an Australian listed copper company, through discovery to production, and subsequently being acquired by OZ Minerals Limited. Mr Mottram has held both executive and senior management roles with several successful mining companies both in Australia and abroad, has seen a number of discoveries advanced through to commercial mine development, and has been central to several significant exploration successes.

Mr Mottram is a graduate of Melbourne RMIT University and a Fellow of the AusIMM.

Mr Mottram is currently a director of ASX listed companies Odin Metals Ltd, and Fin Resources Ltd. During the past three years Mr Mottram was a Director of Avanco Resources Limited.

Mr Mottram is a member of the Audit, Nomination and Safety Health and Environment Committees.

Attorney Raul Conde Villanueva

LL.B., Attorney and Counselor-at-Law

Executive Director (retired 28 October 2020)

Attorney Raul Villanueva was appointed an Executive Director of Medusa on 24 January 2013 following his appointment as President of the Company's Philippines operating company, Philsaga Mining Corporation ("Philsaga") in December 2012. Attorney Villanueva retired as an Executive Director on 28 October 2020.

Attorney Villanueva who has Bachelor degrees in Economics, Military Science & Tactics, and Law has been a member of the Integrated Bar of the Philippines and an Attorney and Counselor-at-Law since 1994. He brings a focused approach to improving the operating systems and professionalism of the Company, based on his education and several years of experience in law as well as managing companies and will further align the objectives of the Medusa Group of Companies.

During the past three years, Attorney Villanueva has not served as a Director of any other ASX listed entities.

Attorney Villanueva continues as Chairperson of the Safety, Health and Environment Committee and retired as a member of the Nomination Committee on 28 October 2020

3. COMPANY SECRETARY

Mr Peter Stanley Alphonso

B.Com, UWA, (CPA)

Mr Peter Alphonso was appointed Company Secretary on 11 December 2007 and as Chief Financial Officer on 01 July 2013. Mr Alphonso retired as Chief Financial Officer on 7 September 2020.

Mr Alphonso has over 40 years of experience with the auditing, engineering and communications industries, with the majority of his experience centred on the gold and nickel sectors of the mining industry. Mr Alphonso's experience has included appointments with Coopers and Lybrand, Western Mining Corporation, Great Central Mines and Ti-west Joint Venture.

As Company Secretary Mr Peter Alphonso is responsible for the corporate secretarial functions of the Company.

DIRECTORS' REPORT

for the year ended 30 June 2021

4. MEETINGS OF DIRECTORS

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

| Name of Director | Board Meetings | | Audit Committee | | Remuneration Committee | | SHE Committee | | Nomination Committee | |
|--------------------------------|-----------------------|----------|-----------------------|----------|------------------------|----------|-----------------------|----------|-----------------------|----------|
| | Number ⁽¹⁾ | Attended | Number ⁽¹⁾ | Attended | Number ⁽¹⁾ | Attended | Number ⁽¹⁾ | Attended | Number ⁽¹⁾ | Attended |
| Jeffery McGlenn ⁽²⁾ | 4 | 4 | - | - | 2 | 2 | - | - | - | - |
| Andrew Teo ⁽³⁾ | 8 | 8 | 2 | 2 | 4 | 4 | 2 | 2 | 2 | 2 |
| Roy Daniel | 8 | 8 | 2 | 2 | 4 | 4 | 2 | 2 | 2 | 2 |
| Raul Villanueva ⁽⁴⁾ | 2 | 2 | - | - | - | - | 2 | 2 | - | - |
| Simon Mottram | 8 | 8 | 2 | 2 | - | - | 2 | 2 | 2 | 2 |

Notes:

- (1) Number of meetings held during the time the Director held office during the year;
- (2) Mr Jeffery McGlenn was appointed a Non Executive Director on 16 February 2021, and is a member of the Audit and Remuneration Committees.
- (3) Mr Andrew Teo stepped down as a member of the Audit Committee upon his appointment as Managing Director on 19 March 2021.
- (4) Mr Raul Villanueva retired from the Board and Nomination Committee on 28 October 2020. Mr Villanueva remains a member of the SHE Committee.

5. PRINCIPAL ACTIVITIES

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

6. OPERATING RESULTS

The net consolidated profit for the financial year attributable to members of Medusa Mining Limited after provision of income tax was US\$47.3 million [2020: Consolidated profit of US\$29.7 million].

Key financial results:

| Description | Unit | 30 June 2021 | 30 June 2020 | Variance | (%) |
|-------------|------|--------------|--------------|----------|-----|
| Revenues | US\$ | \$179.0M | \$147.8M | \$31.2M | 21% |
| EBITDA | US\$ | \$97.7M | \$61.6M | \$36.1M | 59% |
| NPAT | US\$ | \$47.3M | \$29.7M | \$17.6M | 59% |
| EPS (basic) | US\$ | \$0.23 | \$0.14 | \$0.09 | 64% |

Medusa recorded earnings before interest, tax depreciation and amortisation ("EBITDA") of US\$97.7 million for the year to 30 June 2021. EBITDA for the previous year was US\$61.6 million.

Revenues increased by approximately 21% from US\$147.8 million in the previous year to US\$179.0 million.

Medusa is an un-hedged gold producer and received an average price of US\$1,856 per ounce from the sale of 94,619 ounces of gold for the year (previous year: 95,142 ounces at US\$1,581 per ounce).

At year end, the Company had total cash and cash equivalent in gold on metal account of US\$72.2 million (2020: US\$47.1 million).

During the year,

- depreciation of fixed assets and amortisation of capitalised mine development, right of use asset and mine exploration was US\$34.6 million (2020: US\$27.3 million);
- US\$11.0 million was expended on capital works associated with the Tigerway Decline Project, infrastructure, mine expansion and sustaining capital at the mine and mill (2020: US\$6.5million);
- exploration expenditure, inclusive of underground diamond drilling was US\$5.8 million (2020: US\$5.6million);
- capitalised mine development costs totalled US\$24.3 million for the year (2020: US\$23.7 million); and
- corporate overheads of US\$6.0 million (2020: US\$7.1 million).

DIRECTORS' REPORT

for the year ended 30 June 2021

6. REVIEW OF OPERATIONS

| Description | Unit | 30 June 2021 | 30 June 2020 | Variance | (%) |
|-----------------------------|---------|--------------|--------------|----------|-------|
| Ore mined | WMT | 517,739 | 572,666 | (54,927) | (10%) |
| Ore milled | DMT | 463,948 | 513,945 | (49,997) | (10%) |
| Gold head grade | g/t | 6.48 | 5.99 | 0.49 | 8% |
| Gold recovery | % | 95.73 | 95.30 | 0.43 | 0% |
| Gold produced | ounces | 95,193 | 95,057 | 136 | 0% |
| Cash costs ⁽¹⁾ | US\$/oz | \$738 | \$684 | (\$54) | (8%) |
| All-in-Sustaining Cost | US\$/oz | \$1,231 | \$1,132 | (\$99) | (9%) |
| Gold sold | ounces | 94,619 | 95,142 | (523) | (1%) |
| Average gold price received | US\$/oz | \$1,856 | \$1,581 | \$275 | 17% |
| Cash & cash equivalent | US\$M | \$72.2 | \$47.1 | \$25.1 | 53% |

Note

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

The Company produced 95,193 ounces of gold for the year, compared to 95,057 ounces from the previous corresponding period, at an average recovered grade of 6.48 g/t gold (2020: 5.99 g/t gold).

Average cash costs was US\$738 per ounce, inclusive of royalties and local business taxes, which was higher than the previous year's average cash costs of US\$684 per ounce, and All-in-Sustaining-Costs ("AISC") for the year was US\$1,231 per ounce of gold (2020: US\$1,132 per ounce).

During the year the Company continued to improve on its Anti-Covid protocols which included mandatory face masks/shields. The introduction of Rapid Antibody Testing as well as enhancement to Rapid Antigen Testing for better identification of possible infected cases incorporates isolation and quarantine for those infected. The high standard of protocols has resulted in local governments of host municipalities granting the operations authority to continue operating with minimal restrictions. To date the impact of the effects of Covid-19 has not been significant.

The Company has undertaken the usual assessments of impairment of its assets and the going concern assumptions as the basis for preparing the financial report as at 30 June 2021, and no issues have been identified.

A full review and summary information concerning the Group's operations and exploration activities for the financial year and the results of those operations will be available in the Review of Operations section of the Annual Report.

7. DIVIDENDS

On 31 March 2021 the Company paid an interim dividend of A\$0.05 per ordinary share.

8. SIGNIFICANT CHANGE IN STATE OF AFFAIRS

- Chief Executive Officer ("CEO") Mr David McGowan, ceased employment on 20 July 2020. Non-Executive Chairman Mr Andrew Teo assumed the role of Interim CEO;
- On 7 September 2020, Mr Patrick Warr was appointed Chief Financial Officer following the retirement of Mr Peter Alphonso, who continued with the Company in the role of Company Secretary;
- At the Company's Annual General Meeting on 28 October 2020, Mr Raul Villanueva retired from the Board of Directors. Mr Villanueva continued in an executive capacity as President of Medusa's affiliated operating entitled in the Philippines, a role he has held since December 2012;
- On 16 February 2021, Mr Jeffery McGlenn was appointed a Non-Executive Director;
- On 19 March 2021, Mr Andrew Teo relinquished his role of Non-Executive Chairman to become Managing Director of the Company. Mr Jeffery McGlenn was subsequently appointed Non-Executive Chairman;
- On 25 February 2021, the Board declared an unfranked interim dividend of A\$0.05 per fully paid ordinary share, which was paid to shareholders on 31 March 2021;
- On 26 March 2021, The Philippine Government enacted "The Republic Act No 11534", known as the Corporate Recovery and Tax Incentives for Enterprises ("CREATE" Law) retroactive to 1 July 2020. Included in the provisions of this law, was a reduction in the rate of corporate tax from 30% to 25%;

DIRECTORS' REPORT

for the year ended 30 June 2021

8. SIGNIFICANT CHANGE IN STATE OF AFFAIRS *(continued)*

- On 24 June 2021 at a General Meeting shareholders voted in favour of issuing 2 million and 1.5 million Performance Rights to Andrew Teo and Raul Villanueva respectively, as well as the adoption of the Company's Performance Rights Plan. The shareholders voted against adopting a new Constitution.

In the opinion of the Directors, there were no other significant changes in the state of the affairs of the Group that occurred during the financial year.

9. EVENTS SUBSEQUENT TO BALANCE DATE

- The Company announced to the ASX on 23 August 2021 that it had withdrawn from the tenement covering the Bananghilig Gold Deposit.
- The Company announced to the ASX on 24 August 2021, production guidance for FY22 of between 90,000 ounces to 95,000 ounces at All-In-Sustaining-Costs ("AISC") of between US\$1,250 to US\$1,300 per ounce. The marginal increase in AISC allows for a general increase in the cost of labour and raw materials

The above-mentioned AISC does not include any expenditure relating to the construction of the Tigerway Decline ("Tigerway") and the Company expects to incur US\$15 million on Tigerway for the forthcoming year. The total cost for Tigerway as reported is estimated to be US\$54 Million (*Refer ASX announcement 16 April 2021*).

Except for the above, subsequent to Balance Date, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and/or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

10. FUTURE DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

The Group continues its focus on organic growth within its landholdings in the Philippines and source mineral properties within the Asia Pacific region with a view to developing properties capable of economic production.

11. DIRECTORS' INTEREST

The relevant interest of each Director in the share capital of the Company at the date of this report is as follows:

| Name of Director | No. of fully paid ordinary shares | No. of options over ordinary shares | No. of performance rights over ordinary shares |
|--------------------------------|-----------------------------------|-------------------------------------|--|
| Jeffery McGlinn ⁽¹⁾ | - | - | - |
| Andrew Teo | 170,000 | - | 2,000,000 |
| Roy Daniel | 1,000,000 | - | - |
| Raul Villanueva ⁽²⁾ | 50,000 | - | - |
| Simon Mottram | 100,000 | - | - |

Note:

(1) Mr Jeffery McGlinn was appointed a Director on 16 February 2021.

(2) Mr Raul Villanueva retired as a Director on 28 October 2020.

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited)

The Directors present the FY2021 Remuneration Report for Medusa Mining Ltd ("the Company") which sets out the remuneration information for the Directors and other key management personnel ("KMP") for the year ended 30 June 2021.

The information provided in this remuneration report has been prepared in accordance with the requirements of the *Corporations Act 2001* and its regulations.

Introduction

This report outlines the Company's approach to remuneration for its executives.

The Board recognises that the success of the business depends on the quality and engagement of its people. To ensure the Company continues to succeed and grow, it must attract, motivate and retain skilled Directors, Executives and employees. The Board delegates responsibility in relation to remuneration to the Remuneration Committee to ensure that people and performance are a priority.

(a) Details of Key Management Personnel

There were no loans to Key Management Personnel during the year and there were no transactions or balances with Key Management Personnel other than those disclosed in this Report.

Directors:

Non-Executive -

Jeffery McGlinn ⁽¹⁾ (Chairperson);

Roy Daniel;

Simon Mottram.

Executive -

Andrew Teo ⁽²⁾ (Managing Director).

Executive Officers:

Raul Villanueva (President of Philsaga Mining Corporation);

Peter Alphonso ⁽³⁾ (Company Secretary);

Patrick Warr ⁽⁴⁾ (Chief Financial Officer);

James Llorca (General Manager, Geology & Resources).

Notes:

- (1) Mr McGlinn was appointed a Non-Executive Director 16 February 2021 and assumed the role of Chairperson on 19 March 2021;
- (2) Mr Teo relinquished his Chairperson's and interim CEO (21 Jul 2020 to 18 Mar 2021) roles to become Managing Director on 19 March 2021;
- (3) Mr Alphonso retired as CFO on 7 September 2020; and
- (4) Mr Warr was appointed CFO on 7 September 2020.

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(b) Key Management Personnel remuneration (Company and consolidated)

The following tables provides the details of the remuneration of all Directors and Executive Officers of the Group and the nature and amount of the elements of their remuneration (in US\$'s) for the year ended 30 June 2021 and the previous financial year.

| Name | Year | Short term benefits | | | | | Post-employment benefits | Long-term benefits | | | Termination benefits | TOTAL | Proportion of remuneration performance related |
|--------------------------------|-------------|---------------------|-----------------|---------------------------|--------------------------|----------------------|--------------------------|--------------------|--------------------------|------------------------|----------------------|------------------|--|
| | | Salary/ fees | Directors' fees | STI - Cash ⁽¹⁾ | STI - PRs ⁽¹⁾ | Other ⁽²⁾ | Super | LSL ⁽³⁾ | LTI - PRs ⁽⁴⁾ | Options ⁽⁵⁾ | | | |
| Directors: | | | | | | | | | | | | | |
| Non-Executive | | | | | | | | | | | | | |
| Jeffery McGlinn ⁽⁶⁾ | 2021 | - | 27,293 | - | - | - | - | - | - | - | - | 27,293 | - |
| | 2020 | - | - | - | - | - | - | - | - | - | - | - | - |
| Roy Daniel | 2021 | 30,056 | 60,326 | - | - | - | - | - | - | - | - | 90,382 | - |
| | 2020 | 25,612 | 50,766 | - | - | - | - | - | - | - | - | 76,378 | - |
| Simon Mottram ⁽⁷⁾ | 2021 | - | 60,326 | - | - | - | - | - | - | - | - | 60,326 | - |
| | 2020 | - | 3,747 | - | - | - | - | - | - | - | - | 3,747 | - |
| Executive | | | | | | | | | | | | | |
| Andrew Teo ⁽⁸⁾ | 2021 | 262,500 | 89,712 | - | - | - | - | - | 96,124 | - | - | 448,336 | 21.4% |
| | 2020 | - | 98,152 | - | - | - | - | - | - | - | - | 98,152 | - |
| Executive Officers: | | | | | | | | | | | | | |
| Raul Villanueva | 2021 | 440,000 | - | - | - | - | - | - | 125,988 | - | - | 565,988 | 22.3% |
| | 2020 | 432,092 | - | - | - | - | - | - | - | - | - | 432,092 | - |
| Peter Alphonso ⁽⁹⁾ | 2021 | 50,617 | - | 17,282 | 28,214 | - | 3,415 | - | 32,659 | 2,156 | - | 134,343 | - |
| | 2020 | 260,832 | - | 13,728 | 11,599 | 6,358 | 17,160 | 8,367 | 8,909 | 5,797 | - | 332,750 | 10.3% |
| Patrick Warr ⁽¹⁰⁾ | 2021 | 174,123 | - | - | - | 14,187 | 15,370 | - | 23,085 | - | - | 226,765 | 10.2% |
| | 2020 | - | - | - | - | - | - | - | - | - | - | - | - |
| James Llorca | 2021 | 260,360 | - | 15,028 | 24,925 | 20,230 | 18,785 | - | 32,659 | 6,535 | - | 378,522 | 19.2% |
| | 2020 | 230,668 | - | 13,728 | 10,218 | 7,781 | 17,160 | - | 8,909 | 17,566 | - | 306,030 | 10.7% |
| David McGowan ⁽¹¹⁾ | 2021 | 37,043 | - | - | - | - | 2,311 | - | - | - | - | 39,354 | - |
| | 2020 | 308,880 | - | 20,592 | - | 22,749 | 17,160 | - | - | (9,709) | - | 359,672 | 5.7% |
| Total | 2021 | 1,254,699 | 237,657 | 32,310 | 53,139 | 34,417 | 39,881 | - | 310,515 | 8,691 | - | 1,971,308 | - |
| | 2020 | 1,258,084 | 152,665 | 48,048 | 21,817 | 36,888 | 51,480 | 8,367 | 17,818 | 13,654 | - | 1,608,821 | - |

Notes:

- (1) Short Term Incentive Plan ("STI") detailed in note 13 (e)(iv);
- (2) Comprises Annual Leave accrued during the year but not paid;
- (3) Comprises Long Service Leave accrued during the year but not paid;
- (4) KMP Performance Rights granted under the Long-Term Incentive Plan are expensed over the performance period. Refer LTI Plan detailed in note 13 (e)(i);
- (5) Comprises value of options granted and expensed in the period. Refer note 13 (i);
- (6) Mr McGlinn was appointed a Non-Executive Director on 16 February 2021 and assumed the role of Chairperson on 19 March 2021;
- (7) Mr Mottram was appointed a Non-Executive Director on 11 June 2020;
- (8) Mr Teo was Chairperson until his appointment as Managing Director on 19 March 2021. Mr Teo also assumed the role of Interim Chief Executive Officer ("CEO") from 21 July 2020 to 18 March 2021;
- (9) Mr Alphonso retired as the Company's Chief Financial Officer ("CFO") on 7 September 2020;
- (10) Mr Warr was appointed CFO on 7 September 2020; and
- (11) Mr McGowan ceased employment as CEO on 20 July 2020. Pursuant to his incentive plans, the Performance Rights granted were forfeited as vesting conditions were not met.

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(c) Executive Remuneration Governance

The information contained within this section provides an overview of executive remuneration governance at Medusa Mining.

(i) Remuneration Philosophy

The main objective is the retention of a high-quality Board and executive team, to maximise value of the shareholders' investment. Remuneration levels are therefore competitively set to attract, retain and motivate appropriately qualified and experienced Directors and Executives.

In determining the level and make up of remuneration levels for Executives of the Group, the remuneration policy has been structured to increase goal congruence between shareholders and Executives and includes the payment of bonuses based on achievement of specific goals related to the performance of the Group and also the issue of incentive options or equity based instruments to encourage alignment of personal and shareholder interests.

(ii) Remuneration Committee

The Remuneration Committee is a sub-committee of the Board, which operates in accordance with the Remuneration Committee Charter and the requirements of the Corporations Act 2001 and its regulations. The Remuneration Committee is responsible for making recommendations to the Board on:

- The Company's remuneration policy and structure;
- Executive remuneration policy for Key Management Personnel ("KMP");
- Remuneration levels of the Managing Director (if applicable) and KMP;
- Operation of incentive plans and key performance hurdles for KMP;
- Equity based remuneration plans for KMP; and
- Non-Executive Director ("NED") remuneration.

The Remuneration Committee's objective is to ensure remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. The Remuneration Committee periodically obtains independent remuneration information to ensure NED fees and executive remuneration packages are appropriate and in line with the market.

In FY2019, the Remuneration Committee appointed BDO Reward WA Pty Ltd as its external remuneration advisor to assist with the review of the overall executive remuneration framework resulting in some changes to the Company's approach to executive pay in FY2020.

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(d) Non-Executive Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre.

Non-Executive Directors' fees are paid within the aggregate amount approved by shareholders from time to time. Total remuneration for all Non-Executive Directors, last approved by shareholders on 18 November 2009, is not to exceed A\$400,000 per annum. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually.

The Board considers the amount of Director fees being paid by comparable international resource companies with similar responsibilities, and the experience of each Non-Executive Director when undertaking the review process.

Directors' fees cover all main Board activities and membership of Board Committees. No retirement benefits are provided for any Non-Executive Directors' retirement or termination and Non-Executive Directors do not receive performance related compensation remuneration.

Director fees paid to Non-Executive Directors are as follows:

- Jeffery McGlenn (Chairperson): A\$100,000 per annum;
- Roy Daniel: A\$80,000 per annum; and
- Simon Mottram: A\$80,000 per annum.

(e) Executive Remuneration

Below is a summary of the key elements the executive remuneration approach and the at-risk remuneration structure.

(i) Fixed and Total Remuneration Approach

Total Fixed Remuneration ('TFR') acts as a base level reward for a competent level of performance. It includes cash, compulsory superannuation contributions and any non-monetary benefits. TFR will be targeted at the market median (50th percentile) with flexibility based on:

- the size and complexity of the role;
- the criticality of the role to successful execution of the business strategy;
- role accountabilities;
- skills and experience of the individual; and
- market pay levels for comparable roles.

The Total Remuneration Package (being TFR, STI and LTI) is positioned at the median of the market (50th percentile), with the opportunity to earn a total remuneration up to the upper quartile (75th percentile) in the event that both the individual and the business exceed performance targets.

When determining the relevant market for each role, the Company will consider companies which are similar in size, complexity of operations, sector and risk profile from which it sources talent, and to whom it could potentially lose talent.

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(i) Executive Remuneration Framework

The total remuneration package will consist of the following elements of pay.

| Remuneration Elements | Purpose | Category | Definition of Pay Category |
|----------------------------------|--|--------------------------|---|
| Total Fixed Remuneration ("TFR") | Pay for meeting role requirements | Fixed pay | Pay linked to the present value or market rate of the role. |
| Short Term Incentive ("STI") | Incentive for the achievement of annual objectives | Short term incentive pay | Pay for delivering the annual operational plan for the Company. Short Term Incentive pay is linked to the achievement of short term 'line-of-sight' performance goals. It reflects 'pay for short term performance'. |
| Long Term Incentive ("LTI") | Incentive for achievement of sustained business long term strategies (non-market measures) | Long term incentive pay | Pay for delivering long-term business sustainability for the Company. Long Term Incentive pay is linked to the achievement of long term 'line-of-sight' performance goals. It reflects 'pay for long term performance'. |
| | Reward for executive performance over the long term (market measures) | Long term reward pay | Pay for creating value for shareholders. Reward pay is linked to shareholder returns. It reflects 'pay for results'. |

(ii) KMP Remuneration at Risk in FY21

The relative portions of target remuneration that are linked to performance and those that are fixed are as follows:

| Name | Fixed Remuneration | At Risk: Short Term Incentives (STI) | At Risk: Options/Performance Rights (LTI) |
|----------------------------|--------------------|--------------------------------------|---|
| Directors: | | | |
| <u>Non-Executive -</u> | | | |
| Jeffery McGlinn | 100% | - | - |
| Roy Daniel | 100% | - | - |
| Simon Mottram | 100% | - | - |
| <u>Executive -</u> | | | |
| Andrew Teo | 41% | 17% | 42% |
| Executive Officers: | | | |
| Raul Villanueva | 44% | 12% | 44% |
| Patrick Warr | 61% | 23% | 16% |
| James Llorca | 61% | 24% | 15% |

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(iii) Clawback and other Provisions of Incentive Plans

The Company has a clawback provision that allows the Board, at its absolute discretion, to reduce or clawback unvested and vested entitlements in certain circumstances, including in the case of fraud, dishonesty, gross misconduct and breach of obligations to the Group.

Where a participant to a plan ceases employment for a specified reason, including death or disablement or redundancy, the Board may, at its absolute discretion, determine that unvested Performance Rights shall vest.

In a Change of Control Event, the Board may, at its absolute discretion, determine that unvested Performance Rights shall vest to a participant to the Plan.

(iv) Short Term Incentive Plan Outline

An outline of the key elements of the Short-Term Incentive Plan as it relates to the Company's KMP is provided below.

| | |
|-------------------------|--|
| Purpose | Motivate and reward employees for contributing to the delivery of annual business performance. |
| STI opportunity | The STI opportunity offered to each Executive as a percentage of TFR will depend on Company and individual performance but can range from zero to a maximum of 40% for Executives. STI payments will be awarded 40% cash and 60% zero exercise price options (ZEPO's) on above threshold performance against a range of Company and individual performance objectives. |
| Performance targets | The payment of a short-term incentive to Executives is an at-risk component of the individuals total remuneration given that a set of performance targets must be met prior to payment. These targets are based on metrics that are measurable, transparent and achievable, designed to motivate and incentivise the recipient to achieve high performance aligned with Company objectives and near-term shareholder value creation. |
| Performance assessment | The Company employs a system of continuous performance feedback to drive performance throughout the year, however, a final performance assessment occurs annually following the completion of the financial year for each Executive. Executives are assessed on their contribution to the achievement of Company performance objectives and individual performance objectives. |
| Measurement period | The STI will be an annual plan that operates from 01 July to 30 June each year. |
| STI deferral component | The equity component of the STI will vest on the twelve (12) month anniversary date of the STI award date. Vesting of the equity component of the STI granted to Executive KMP is based on a continuous service condition being met and is designed to act as a driver of retention and medium-term value creation. |
| Cessation of employment | In the event that the Executive's employment with the Company terminates prior to vesting of all ZEPO's, outstanding unvested ZEPO's will be reviewed by the Board and may or may not vest depending on the circumstances of the Executive's cessation of employment. |
| Board discretion | The payments of all STI's are subject to Board approval. The Board has the discretion to adjust remuneration outcomes higher or lower to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI payment. |

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

As part of the annual business planning process the Board determines the key performance indicators to reflect targets for the key performance objectives of the business for the following year. At the end of the year, the Board makes a rigorous assessment, taking into account quantitative and qualitative measures. For FY21 these include:

| Key Result Area | Annual Measure and Rationale for Inclusion |
|--|---|
| Individual performance | <p><u>Measures</u> Each Executive KMP agrees an individual scorecard of performance objectives at the start of the year against which their performance is assessed. A maximum of 4 key individual performance objectives will be set based on the specific responsibilities of each role annually.</p> <p><u>Rationale</u> Designed to specifically focus individual Executives on key performance elements that align to the Company's strategic plan and profitability drivers that are within the Executives control.</p> <p><u>Results</u> Partially achieved.</p> |
| Company financial performance | <p><u>Measures</u> Key financial measure meeting targeted All In Sustaining Cost</p> <p><u>Rationale</u> Reflects the alignment of business strategy to create sustainable value for shareholders.</p> <p><u>Results</u> Not achieved.</p> |
| Company safety and environmental performance | <p><u>Measures</u> KPI for Total Injury Frequency Rate over 12 months</p> <p><u>Rationale</u> Highlights performance on metrics to effectively manage the risks inherent in the Company's operations and to ensuring activities do not have an adverse impact on the environment.</p> <p><u>Results</u> Not achieved.</p> |
| Company operational performance | <p><u>Measures</u> Key physical measure meeting targeted Gold Production</p> <p><u>Rationale</u> Delivering strong production performance is a key enabler to funding the achievement of the Company's strategic plan and ensures management delivers on core initiatives relating to Company strategy and operating model.</p> <p><u>Results</u> Not achieved.</p> |
| Growth of Company future opportunities | <p><u>Measures</u> Meeting mining inventory targets as determined by the Board of Directors.</p> <p><u>Rationale</u> Demonstrates the Company's performance in achieving the organic growth of current assets.</p> <p><u>Results</u> Not achieved.</p> |

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

The STI award comprises amounts up to a cash component of 40% and a Performance Right component of 60%. Each Performance Right awarded incorporates a vesting condition that requires each KMP to remain an employee of the Company for a period of twelve months from date of grant, being 30 November 2020 in FY20. Each Performance Right is a right to acquire one share in the Company for nil consideration. The fair value of the Short Term Performance Rights which has been recognised at grant date and based on the share price of the Company is \$0.54 per right in accordance with AASB 2 share based payments.

The STI award is determined following a review of the FY20 results and typically occurs in the second quarter of the subsequent financial year. No amount is provided for or included in the financial report and remuneration report until such a review has taken place.

Based on the assessment, the STI awarded for the 2020 financial year which were paid, and Performance Rights ("PRs") granted in FY21, are detailed in the following table:

| Name | Position | Total Opportunity STI US\$ | Achieved STI (Cash) US\$ | Opportunity STI (Performance Rights) US\$ | Vesting Outcome STI (Performance Rights) |
|----------------|-------------------------|----------------------------|--------------------------|---|--|
| Peter Alphonso | Chief Financial Officer | 124,000 | 17,282 | 23,760 | Note 27 |
| James Llorca | GM, Geology & Resources | 110,000 | 15,028 | 21,060 | Note 27 |

Notes:

- (1) The remaining vesting condition is subject to continuous employment for 12 months from date of grant to 30 November 2021.

In FY20, based on the assessment, the STI awarded for the 2019 financial year which were paid, and Performance Rights ("PRs") granted are detailed in the following table:

| Name | Position | Total Opportunity STI US\$ | Achieved STI (Cash) US\$ | Opportunity STI (Performance Rights) US\$ | Vesting Outcome STI (Performance Rights) |
|----------------|-------------------------|----------------------------|--------------------------|---|--|
| David McGowan | Chief Executive Officer | 140,000 | 20,592 | 36,043 | Note 27 |
| Peter Alphonso | Chief Financial Officer | 112,000 | 13,728 | 25,658 | 25,658 |
| James Llorca | GM, Geology & Resources | 98,000 | 13,728 | 22,603 | 22,603 |

Notes:

- (1) Mr McGowan ceased employment on 20 July 2020 and is not entitled to Performance Rights as the 12 months vesting condition will not be met.
- (2) The remaining vesting condition was subject to continuous employment for 12 months from date of grant to 17 January 2021, which has been met.

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(i) Long-term Incentive Plan Outline

An outline of the key elements of the Long-Term Incentive ('LTI') Plan as it relates to the Company's KMP is provided below.

| | |
|-------------------------|--|
| Purpose | Focus Executive attention on driving sustainable long-term growth and align the interests of Executives with those of shareholders. |
| LTI opportunity | The LTI opportunity is determined by the Executives role within the business and is awarded by the offer of a number of performance rights or zero exercise price options ('ZEPO's') based on a percentage of TFR. |
| Performance hurdles | In FY2020 and going forward, the Company will use a combination of non-market and market equally weighted performance hurdles utilising the following measures: <ol style="list-style-type: none"> 1. Non-market measures to be determined by the Board of Directors (50% weighting) 2. Market Measures (50% weighting): <ol style="list-style-type: none"> (a) Relative Total Shareholder Return ('TSR'); and (b) Absolute Total Shareholder Return |
| Vesting | Vesting of the performance rights ZEPO's granted to Executive KMP is based on a continuous service condition and performance conditions as detailed below |
| Service conditions | The LTI award is subject to a service condition. This condition is met if the KMP's employment with the Company is continuous for three years commencing on or around the grant date and is aimed at the retention of KMP's. |
| Performance conditions | <p><u>Financial and Strategic measures</u></p> <p>The Board will determine financial and strategic measures that align with the Company's long-term objectives.</p> <p><u>Relative TSR</u></p> <p>The TSR scorecard for the three-year measurement period is determined based on a percentile ranking of the Company's TSR results relative to the TSR of each of the companies in the peer group over the same three-year measurement period.</p> <p>The Board considers relative TSR an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is linked to the comparative return received by shareholders from holding shares in a Company in the peer group for the same period.</p> <p><u>Absolute TSR</u></p> <p>The increase in the Company's absolute TSR will be measured over a three-year period.</p> <p>The Board considers absolute TSR an appropriate performance hurdle because it ensures KMP performance is rewarded when a year-on-year improvement in shareholder value is achieved.</p> |
| Vesting schedule | The number of ZEPO's vested after 3 years is subject to achievement of performance conditions as shown above. |
| Measurement period | Testing occurs three years from 01 July of the relevant financial year. |
| Cessation of employment | In the event that the KMP's employment with the Company terminates prior to the vesting of all rights/options, outstanding unvested rights/options will be reviewed by the Board and may or may not vest depending on the circumstances of the cessation of employment. |
| | In the case of changes of control incentives will be awarded at the absolute discretion of the Board. |
| Peer group | The Company's TSR performance for rights/options to be issued will be assessed against a peer group comprised of members of the ASX 300 Metals and Mining Index. |

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(i) Long-term Incentive Plan Outline (continued)

On 24 June 2021 the shareholders of the Company approved the issue of 2 million Long Term Performance Rights and 1.5 million Long Term Performance Rights to Messrs A Teo and R Villanueva respectively. Under the terms of the issue, these Executives will be required to remain in employment of the Company for a three-year vesting period, until 19 March 2024 and 1 January 2024 and expiry of 19 March 2025 and 1 January 2025 respectively.

Each Performance Right is a right to acquire one share in the Company for nil consideration.

The value at grant date of Performance Rights granted as part of remuneration is calculated in accordance with AASB2 Share Based Payments. The value for a Performance Right granted has been calculated as \$0.59 each.

The terms and conditions of the long-term performance rights include the following:

| Long Term Incentive Measures | Weighting relative to Total PR issued | Targets | | Score mechanism |
|---|---------------------------------------|---|--|---|
| | | Range of growth/change | Percentage allocation of weighting | |
| Financial measure: Earnings per share growth | 20% | <ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3 year period |
| Company growth: Increase in ore reserves | 10% | <ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | Based on JORC compliant reports 2020 and 2023. |
| Long-term Infrastructure target: Tigerway decline development | 20% | <ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline developed. | Zero Pro rata 0% to 100% 100% | Percentage of weighting is based on achievement of programmed Tigerway Decline Project development. 1st year - 10% 2nd year - 15% 3rd year - remaining 75% |
| Relative total shareholder returns: Measure of Company return compared to peer group. | 10% | <ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile | Zero 50% Pro rata 50% to 100% 100% | Measured against Peer Group based on 30 day VWAP at grant date and three year anniversary date. |
| Absolute total shareholder return: Measure of Company return | 10% | <ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% | Zero Pro rata 50% to 100% 100% | Measure by comparing 30 day VWAP at grant date and three year anniversary date. |
| Safety: Total Injury frequency rate. | 30% | <ul style="list-style-type: none"> Negative 20% improvement 20%-40% improvement Greater than 40% improvement | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | Measured by comparison of rates for lost time and non-lost time injuries over the vesting period. |

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(i) Long-term Incentive Plan Outline (continued)

On 4 June 2021, the Company issued 350,000 Long Term Performance Rights to its CFO, Mr P Warr. Under the terms of the issue, Mr Warr would be required to remain in employment of the Company for a three-year vesting period, until 1 January 2024, and expire on 1 January 2025.

Each Performance Right is a right to acquire one share in the Company for nil consideration.

The value at grant date of Performance Rights granted as part of remuneration is calculated in accordance with AASB2 Share Based Payments. The value for a Performance Right granted has been calculated as \$0.57 each.

The terms and conditions of the long-term performance rights include the following:

| Long Term Incentive Measures | Weighting relative to Total PR issued | Targets | | Score mechanism |
|---|---------------------------------------|---|--|---|
| | | Range of growth/change | Percentage allocation of weighting | |
| Financial measure: Earnings per share growth | 20% | <ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3 year period |
| Company growth: Increase in ore reserves | 20% | <ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | Based on JORC compliant reports 2020 and 2023 |
| Long-term Infrastructure target: Tigerway decline development | 10% | <ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline | Zero Pro rata 0% to 100% 100% | Based on the decline metres developed at relative measurement periods. |
| Relative total shareholder returns: Measure of Company return compared to peer group. | 20% | <ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile | Zero 50% Pro rata 50% to 100% 100% | Measured against Peer Group based on 30 day VWAP at the relative measure points at 30 June 2020 and 30 June 2023 |
| Absolute total shareholder return: Measure of Company return | 20% | <ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% | Zero Pro rata 50% to 100% 100% | Measure by comparing 30 day VWAP at 30 June 2020 to 30 day VWAP at 30 June 2023 |
| Safety: Total Injury frequency rate | 10% | <ul style="list-style-type: none"> Negative 20% improvement 20%-40% improvement Greater than 40% improvement. | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | Measured by comparison of rates for lost time and non-lost time injuries over the vesting period. |

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(e) Executive Remuneration (continued)

(i) Long-term Incentive Plan Outline (continued)

On 13 March 2020, the Company issued Long Term Performance Rights of 1,400,000 to its KMP Executive Officers, excluding Directors of the Company. Under the terms of the issue, KMP's would be required to remain in employment of the Company for a three-year vesting period, until 13 March 2023.

Each Performance Right is a right to acquire one share in the Company for nil consideration.

The value at grant date of Performance Rights granted as part of remuneration is calculated in accordance with AASB2 Share Based Payments. The value for a Performance Right granted has been calculated as \$0.26 each.

The terms and conditions of the Long-term performance rights include the following:

| Long Term Incentive Measures | Weighting relative to Total PR issued | Targets | | Score mechanism |
|---|---------------------------------------|---|--|---|
| | | Range of growth/change | Percentage allocation of weighting | |
| Financial measure: Earnings per share growth | 17% | <ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3 year period |
| Company growth: Increase in ore reserves | 16% | <ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | Based on JORC compliant reports 2019 and 2022 |
| Long-term Infrastructure target: Decline development | 17% | <ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline | Zero Pro rata 0% to 100% 100% | Based on the decline metres developed at end of June 2022, based on plan to access level 14. 70% = 3,450 metres of decline, 85% = 4,190 metres. |
| Relative total shareholder returns: Measure of Company return compared to peer group. | 25% | <ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile | Zero 50% Pro rata 50% to 100% 100% | Measured against Peer Group based on 30 day VWAP at the relative measure points at 30 June 2019 and 30 June 2022 |
| Absolute total shareholder return: Measure of Company return | 25% | <ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% | Zero Pro rata 50% to 100% 100% | Measure by comparing 30 day VWAP at 30 June 2019 to 30 day VWAP at 30 June 2022 |

The following companies have been identified by the Company to comprise the Peer Group. The Remuneration Committee may recommend to the Board to either include or exclude gold mining organisations available on this list to reflect changes in the industry:

| Company | ASX Code |
|----------------------------|----------|
| Austral Gold Limited | AGD |
| Dacian Gold Limited | DCN |
| Emerald Resources Limited | EMR |
| Kingrose Mining Limited | KRM |
| Oceana Gold Limited | OGC |
| Pantoro Limited | PNR |
| Persues Mining Limited | PRU |
| Ramelius Resources Limited | RMS |
| Red 5 Limited | RED |
| Resolute Mining Limited | RSG |
| Troy Resources Limited | TRY |

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(f) Company Performance

The Company aims to align executive remuneration to strategic and business objectives and the creation of shareholder wealth. The following table illustrates the Company performance indicators over the last five years as required by the Corporations Act:

| Metric | Unit | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|------|--------|--------|--------|----------|----------|
| Net Profit/(Loss) after tax (\$'000) | US\$ | 47,256 | 29,691 | 36,489 | (55,554) | (56,676) |
| Basic earnings per share (cents) | US\$ | 22.7 | 14.3 | 17.6 | (26.7) | (27.3) |
| Dividends paid per share (cents) | A\$ | 5.0 | - | - | - | - |
| Share price at year end 30 June (cents) | A\$ | 84.0 | 69 | 57 | 50 | 28 |

(g) Remuneration options

No options or other equity-based instruments or rights over any of them, were granted by the Company or any entity controlled by the Company as remuneration during or since the end of the financial year.

(h) Shares issued on exercise of options granted as remuneration

During the financial year, no fully paid ordinary shares were issued on the exercise of options previously granted as remuneration to Directors and Executives.

(i) Option holdings

Financial year 2020/2021:

| Name | Balance 01/07/20 | Options granted as remuneration | Options exercised | Options not exercised and lapsed/forfeited | Balance held 30/06/21 | Vested & exercisable 30/06/21 ⁽¹⁾ | Total not exercisable 30/06/21 ⁽²⁾ |
|-------------------------------|------------------|---------------------------------|-------------------|--|-----------------------|--|---|
| Executive Officers: | | | | | | | |
| James Llorca | 500,000 | - | - | - | 500,000 | 500,000 | - |
| David McGowan ⁽³⁾ | 500,000 | - | - | (200,000) | 300,000 | 300,000 | - |
| Peter Alphonso ⁽⁴⁾ | 165,000 | - | - | - | 165,000 | 165,000 | - |

Notes:

- (1) Options vested and exercisable are all the options vested at the reporting date;
- (2) Options that are not exercisable have not vested at the reporting date;
- (3) Mr David McGowan, CEO ceased employment on 20 July 2020; and
- (4) Mr Alphonso retired as CFO on 7 September 2020.

The above mentioned options were issued to the Key Management Personnel on 8 January 2018 with an expiry date of 8 January 2022 on the following terms:

| Tranche | Exercise price | Valuation per option | Terms of issue |
|---------|----------------|----------------------|--|
| A | A\$1.00 | A\$0.275 | Under the terms of the issue, the employees would be required to remain in the employment of the Company at 8 January 2019 to achieve 30% vesting of options, at 8 January 2020 to achieve 30% vesting of options with full vesting if they remain an employee of the Company a year later on 8 January 2021. At reporting date, all options remain unexercised. |
| B | A\$1.25 | A\$0.255 | |
| C | A\$1.50 | A\$0.239 | |
| D | A\$1.75 | A\$0.225 | |

The options hold no voting or dividend rights. When exercisable, each option is convertible into one ordinary share of the Company.

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(j) Share Holdings

The movement during the year in the number of ordinary shares in Medusa Mining Limited held directly, indirectly or beneficially, by each Director and key management personnel, including their personally related entities are as follows:

Financial year 2020/2021:

| Name | Balance 1/07/20 | Shares held at appointment | Compensation shares | Shares purchased | Options exercised | Shares sold | Balance 30/06/21 |
|-------------------------------|-----------------|----------------------------|---------------------|------------------|-------------------|-------------|------------------|
| Directors: | | | | | | | |
| <i>Non-Executive -</i> | | | | | | | |
| Roy Daniel | 815,875 | - | - | 184,125 | - | - | 1,000,000 |
| Simon Mottram | - | - | - | 100,000 | - | - | 100,000 |
| <i>Executive -</i> | | | | | | | |
| Andrew Teo | 120,000 | - | - | 50,000 | - | - | 170,000 |
| Executive Officers: | | | | | | | |
| Raul Villanueva | 50,000 | - | - | - | - | - | 50,000 |
| Peter Alphonso ⁽¹⁾ | 127,500 | - | 42,000 | - | - | - | 169,500 |

Notes:

(1) Mr Alphonso retired as CFO on 7 September 2020.

Financial year 2019/20:

| Name | Balance 1/07/19 | Shares held at appointment | Compensation shares | Shares purchased | Options exercised | Shares sold | Balance 30/06/20 |
|----------------------------|-----------------|----------------------------|---------------------|------------------|-------------------|-------------|------------------|
| Directors: | | | | | | | |
| <i>Non-Executive -</i> | | | | | | | |
| Andrew Teo | 120,000 | - | - | - | - | - | 120,000 |
| Roy Daniel | 815,875 | - | - | - | - | - | 815,875 |
| <i>Executive -</i> | | | | | | | |
| Raul Villanueva | 50,000 | - | - | - | - | - | 50,000 |
| Executive Officers: | | | | | | | |
| Peter Alphonso | 127,500 | - | - | - | - | - | 127,500 |

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(k) Performance Rights

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

Financial year 2020/2021:

| Name | Year Granted | Balance 01/07/20 | Rights granted as remuneration ⁽⁴⁾ | Rights Vested | Rights Forfeited | Balance held 30/06/21 (unvested) | Max value yet to vest ⁽¹⁾ |
|-------------------------------|--------------|------------------|---|---------------|------------------|----------------------------------|--------------------------------------|
| Executive Directors: | | | | | | | |
| Andrew Teo | 2021 | - | 2,000,000 | - | - | 2,000,000 | 1,032,587 |
| Executive Officers: | | | | | | | |
| Raul Villanueva | 2021 | - | 1,500,000 | - | - | 1,500,000 | 783,223 |
| Peter Alphonso ⁽²⁾ | 2021 | - | 44,000 | - | - | 44,000 | 10,981 |
| | 2020 | 42,000 | - | (42,000) | - | - | - |
| | 2020 | 350,000 | - | - | - | 350,000 | 55,576 |
| James Llorca | 2021 | - | 39,000 | - | - | 39,000 | 9,733 |
| | 2020 | 37,000 | - | (37,000) | - | - | - |
| | 2020 | 350,000 | - | - | - | 350,000 | 55,576 |
| Patrick Warr | 2021 | - | 350,000 | - | - | 350,000 | 166,229 |
| David McGowan ⁽³⁾ | 2020 | 59,000 | - | - | (59,000) | - | - |
| | 2020 | 700,000 | - | - | (700,000) | - | - |

Notes:

- (1) The maximum value of deferred performance rights yet to vest has been determined as the amount of the grant date fair value of the Performance Rights that is yet to be expensed. The value at grant date is calculated in accordance with AASB2 Share Based Payments.
- (2) Mr Alphonso ceased as a KMP on 7 September 2020.
- (3) Mr McGowan ceased employment on 20 July 2020. Pursuant to his incentive plans, the Performance Rights granted are forfeited as vesting conditions were not met.
- (4) The Terms and conditions relating to the Long Term Performance Rights are outlined in Note 13 (f)(i) of the Remuneration Report.
- (5) Fair values at grant date are determined using a Monte Carlo Simulation pricing model. Further information is set out in Note 27 to the financial statements.

Financial year 2019/2020:

| Name | Balance 01/07/19 | Rights granted as remuneration | Rights Vested | Rights Forfeited | Balance held 30/06/20 (unvested) | Max value yet to vest ⁽¹⁾ |
|------------------------------------|------------------|--------------------------------|---------------|------------------|----------------------------------|--------------------------------------|
| Executive Officers: | | | | | | |
| David McGowan - STI ⁽²⁾ | - | 59,000 | - | - | 59,000 | - |
| David McGowan - LTI ⁽²⁾ | - | 700,000 | - | - | 700,000 | - |
| Peter Alphonso - STI | - | 42,000 | - | - | 42,000 | 25,658 |
| Peter Alphonso - LTI | - | 350,000 | - | - | 350,000 | 89,501 |
| James Llorca - STI | - | 37,000 | - | - | 37,000 | 22,603 |
| James Llorca - LTI | - | 350,000 | - | - | 350,000 | 89,501 |

Notes:

- (1) The maximum value of deferred performance rights yet to vest has been determined as the amount of the grant date fair value of the Performance Rights that is yet to be expensed. The value at grant date is calculated in accordance with AASB2 Share Based Payments.
- (2) Subsequent to 30 June 2020, Mr McGowan ceased employment on 20 July 2020. Pursuant to his incentive plans, the Performance Rights granted are forfeited as vesting conditions will not be met
- (3) The Terms and conditions relating to the Long Term Performance Rights are outlined in Note 13 (f)(i) of the Remuneration Report.
- (4) Fair values at grant date are determined using a Monte Carlo Simulation pricing model. Further information is set out in Note 27 to the financial statements.

(l) Statutory Remuneration Disclosures

(i) Executive Contracts

Remuneration and other terms of employment for the Executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the Boards discretion. Other major provisions of the agreements relating to remuneration are set out below.

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(I) Statutory Remuneration Disclosures (continued)

(i) Executive Contracts (continued)

Andrew Teo (Managing Director - appointed on 19 March 2021)

| | |
|---------------|--|
| Contract: | Employment contract between the Company and Andrew Teo ("Employee"). |
| Term: | Commencement date of 19 March 2021 for a three-year term. |
| Services: | The Employee is employed as Managing Director ("MD") of the Company and is responsible for all operational aspects within the Group. |
| Remuneration: | <p><u>Fixed remuneration:</u> A\$500,000 per annum (inclusive of a superannuation), subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short term incentive ("STI"):</u> The Employee may be entitled to participate in the STI Plan as detailed in this report.</p> <p><u>Variable remuneration - Long term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's share option and performance rights plans, or as approved by shareholders, as detailed in this report.</p> |
| Termination: | <p><u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee 6 month's written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice. The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of obligations and does not remedy that default in addition to other standard default situations.</p> <p><u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 6 months' written notice.</p> <p><u>Termination by reason of Material Diminution:</u> A "Material Diminution" is a change in the Employee's status as Managing Director of the Company, including a material change in his authority in respect of the business of the Company or a change in his reporting relationship with the Board. If a Material Diminution occurs, within 3 months of this occurring, the Employee may give the Company 2 weeks' written notice of termination of this agreement. Subject to the Corporations Act, the Company must make a payment to the Employee in lieu of a notice period equal to 12 months.</p> |

James Llorca (General Manager, Geology & Resources)

| | |
|---------------|--|
| Contract: | Employment contract between the Company and James Llorca ("Employee"). |
| Term: | Commencement date of 10 October 2016 until employment is terminated. |
| Services: | The Employee is employed as General Manager, Geology & Resources and is responsible all matters pertaining to geology in the Company. |
| Remuneration: | <p><u>Fixed remuneration:</u> A\$375,000 per annum (inclusive of a superannuation), subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short term incentive ("STI"):</u> The Employee may be entitled to participate in the STI Plan as detailed in this report.</p> <p><u>Variable remuneration - Long term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's share option and performance rights plans as detailed in this report.</p> |
| Termination: | <p><u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee 3 month's written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice. The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of obligations and does not remedy that default in addition to other standard default situations.</p> <p><u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.</p> |

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(I) Statutory Remuneration Disclosures (continued)

(i) Executive Contracts (continued)

Patrick Warr (Chief Financial Officer - appointed on 7 September 2020)

| | |
|---------------|---|
| Contract: | Employment contract between the Company and Patrick Warr ("Employee"). |
| Term: | No set term and the agreement will continue until employment terminates. |
| Role: | The Employee as Chief Financial Officer is responsible for the day-to-day management of all financial functions of the Group. |
| Remuneration: | <p><u>Fixed remuneration:</u> A\$325,000 per annum (inclusive of superannuation), subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short term incentive ("STI"):</u> The Employee may be entitled to participate in the STI Plan as detailed in this report.</p> <p><u>Variable remuneration - Long term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's share option and performance rights plans, as detailed in this report.</p> |
| Termination: | <p><u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee 3 month's written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice. The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of obligations and does not remedy that default in addition to other standard default situations.</p> <p><u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.</p> <p><u>Termination by reason of Material Diminution:</u> A "Material Diminution" is a change in the Employee's status as Chief Financial Officer of the Company, including a material change in his authority in respect of the business of the Company or a change in his reporting relationship with the Board. If a Material Diminution occurs, within 3 months of this occurring, the Employee may give the Company 2 weeks' written notice of termination of this agreement. Subject to the Corporations Act, the Company must make a payment to the Employee in lieu of a notice period equal to 6 months.</p> |

David McGowan (Chief Executive Officer - ceased employment on 20 July 2020)

| | |
|---------------|---|
| Contract: | Employment contract between the Company and David McGowan ("Employee"). |
| Term: | Commencement date of 01 February 2017 until employment is terminated. |
| Services: | The Employee is employed as Chief Executive Officer ("CEO") of the Company and is responsible for all operational aspects within the Company |
| Remuneration: | <p><u>Fixed remuneration:</u> A\$500,000 per annum (inclusive of a superannuation), subject to annual review by the Board. During the review, the Board will consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short term incentive("STI"):</u> The Employee may be entitled to participate in the STI Plan as detailed in this report.</p> <p><u>Variable remuneration - Long term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's share option and performance rights plans as detailed in this report.</p> |
| Termination: | <p><u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason by giving the Employee 3 month's written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice. The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of obligations and does not remedy that default in addition to other standard default situations.</p> <p><u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.</p> |

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(I) Statutory Remuneration Disclosures (continued)

(i) Executive Contracts (continued)

Peter Alphonso (Company Secretary/Chief Financial Officer - retired as CFO on 7 September 2020).

| | |
|---------------|--|
| Contract: | Employment contract between the Company and Peter Alphonso ("Employee"). |
| Term: | No set term and the agreement will continue until employment is terminated. |
| Role: | The Employee as Company Secretary/Chief Financial Officer was responsible for the day-to-day management of all financial, administrative and corporate functions of the Company. |
| Remuneration: | <p><u>Fixed remuneration:</u> A\$412,000 per annum (inclusive of superannuation), subject to annual review by the Board. During the review, the Board to consider the progress of the Company and comparable industry standards.</p> <p><u>Variable remuneration - Short term incentive ("STI"):</u> The Employee may be entitled to participate in the STI Plan as detailed in this report.</p> <p><u>Variable remuneration - Long term incentive:</u> The Company may grant the employee share options or performance rights in accordance with Medusa's share option and performance rights plan as detailed in this report.</p> |
| Termination: | <p><u>Termination by the Company:</u> The Employer may terminate the Employee's employment for any reason (other than as set out below in relation to a "Material Diminution" or default by the Employee) by giving the Employee 3 month's written notice or payment in lieu of notice, or a combination of notice and payment in lieu of notice.</p> <p>The Company may immediately terminate the agreement in certain circumstances, including if the Employee is in default of obligations and does not remedy that default in addition to other standard default situations.</p> <p><u>Termination by the Employee:</u> The Employee may terminate the agreement at any time by giving the Company 3 months' written notice.</p> <p><u>Termination by reason of Material Diminution:</u> A "Material Diminution" is a change in the Employee's status as Company Secretary/Chief Financial Officer of the Company, including a material change in his authority in respect of the business of the Company or a change in his reporting relationship with the Board.</p> <p>If a Material Diminution occurs, within 3 months of this occurring, the Employee may give the Company 2 weeks' written notice of termination of this agreement. Subject to the Corporations Act, the Company must make a payment to the Employee in lieu of a notice period equal to 12 months.</p> |

Raul Villanueva (Executive Officer of Medusa Mining Limited and President of Philsaga Mining Corporation)

On 10 December 2012, Philsaga Mining Corporation ("PMC"), the Group's operating affiliate in the Philippines executed an employment contract with Raul Villanueva.

Under the terms of the contract, PMC primarily engaged Mr Villanueva to the position of President of PMC. His role as President, involves managing the business affairs of PMC, implementing administrative and operational policies, attending to industrial relation matters and any other mining activities and associated complimentary services.

Mr Villanueva receives an annual salary of \$440,000 which is subject to annual reviews by the Board. During the review, the Board will consider the progress of the Company and comparable industry standards. The Company may invite Mr Villanueva to participate in its short term and long-term incentive plans.

PMC will additionally reimburse Mr Villanueva for all reasonable expenses incurred in the performance of his services including entertainment, accommodation, meals, telephone and travelling.

Apart from the Key Management Personnel related transactions with the Company or its controlled and affiliated entities disclosed in this note, no Key Management Personnel has entered into a material contract with the Company since the end of the financial year and there were no material contracts involving Management Personnel's' interests subsisting at year end.

DIRECTORS' REPORT

for the year ended 30 June 2021

13. REMUNERATION REPORT (Audited) (continued)

(l) Statutory Remuneration Disclosures (continued)

(ii) Board policy in relation to limiting exposure to risk in securities.

Under the Company's Securities Trading Policy, Directors and Executives are prohibited from dealing in financial products issued or created over or in respect of Medusa securities (e.g. hedges or derivatives) which have the effect of reducing or eliminating the risk associated with any equity incentives that Medusa may offer from time to time (for example, a person may be granted an equity incentive award that vests at a time in the future subject to achieving certain performance goals; certain financial institutions offer products which act as an insurance policy if the performance goals are not met, thereby reducing the "at-risk" element of the person's incentive arrangements).

(m) Related Parties

| | |
|----------------------|---|
| Related parties: | Jeffery McGlenn, Andrew Teo, Roy Daniel, Simon Mottram, Raul Villanueva, David McGowan, Peter Alphonso, Patrick Warr and James Llorca. |
| Type of transaction: | Director and Officers Protection Deed ("Deed") |
| Transaction details: | <p>The Deed entered into by the Company with each of the Directors of the Company, indemnifies the Directors to the extent permitted by law, against any liability, which he may incur whilst carrying out his duties as a Director of the Company and against any costs and expenses incurred in defending legal proceedings brought against him as a Director.</p> <p>The Deed requires the Company to maintain in force Directors' and Officers' Liability Insurance, with an agreed cover level, for the duration of the Directors' term of office and a period of 7 years thereafter.</p> <p>The Deed also provides for the Directors to have access to the Company's documents (including Board papers) for a period of 7 years after he ceases to be a Director, subject to certain confidentiality and other requirements being observed.</p> |

(n) Voting of Shareholders at Last Years Annual General Meeting

At the Annual General Meeting of shareholders held on 20 October 2020, a majority of 99.18% voted in favour of adopting the Remuneration Report.

End of Remuneration Report

DIRECTORS' REPORT

for the year ended 30 June 2021

(o) Un-issued shares under options/rights

At the date of this report, details of un-issued ordinary shares of the Company under option/rights are as follows:

| Options Expiry date | Exercise price | No. of options | No. of shares issued if options exercised |
|---------------------------------------|----------------|------------------|--|
| Employee options | | | |
| 8 January 2022 | A\$1.00 | 366,250 | 366,250 |
| 8 January 2022 | A\$1.25 | 366,250 | 366,250 |
| 8 January 2022 | A\$1.50 | 366,250 | 366,250 |
| 8 January 2022 | A\$1.75 | 366,250 | 366,250 |
| Total employee options | | 1,465,000 | 1,465,000 |
| Performance Rights (PRs) vesting date | Exercise price | No. of PRs | No. of shares issued if PRs criteria met and exercised |
| Performance Rights | | | |
| 13 March 2023 | N/A | 4,040,000 | 4,040,000 |
| 30 November 2021 | N/A | 83,000 | 83,000 |
| 1 January 2024 | N/A | 350,000 | 350,000 |
| 1 January 2024 | N/A | 1,500,000 | 1,500,000 |
| 19 March 2024 | N/A | 2,000,000 | 2,000,000 |
| Total performance rights | N/A | 7,973,000 | 7,973,000 |
| GRAND TOTAL | | 9,438,000 | 9,438,000 |

(p) Shares issued on exercise of options/rights

During the financial year 79,000 Performance Rights were exercised.

Since the end of the financial year no options or Performance Rights were exercised.

14. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the following current Directors and Officers of the Company, Messrs Teo, Daniel, Villanueva, Mottram, McGowan, Alphonso and Llorca and the following former Directors and Officers Messrs Davis, Weinberg, Angeles, Hepburn-Brown, Timler, Powell and Gregory against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a wilful breach of duty or improper use of information to gain a personal advantage.

No amount has been paid under any of these indemnities during the financial year under review.

Insurance premiums

During the year, the Company paid an insurance premium for Directors' and Officers' Liability Insurance policy, which cover all Directors, Company Secretaries and other Officers of the Company and its related entities. Details of the nature of the liabilities covered and the amount of premium paid in respect of the Directors' and Officers' Liability Insurance policies are not disclosed, as such disclosure is prohibited under the terms of the policy.

15. INDEMNIFICATION OF AUDITORS

Medusa Mining Limited ("Medusa") has agreed to indemnify its auditors, BDO Audit (WA) Pty Limited ("BDO") to the extent permitted by law, against any claim by a third party arising from MML's breach of their agreement. MML will meet the full amount of any such liabilities including a reasonable amount of legal costs.

During the financial year, the Company has not paid any premium in respect to any insurance for BDO or a body corporate related to BDO and there were no officers of the Company who were former partners or directors of BDO, whilst BDO conducted audits of the Group.

DIRECTORS' REPORT

for the year ended 30 June 2021

16. ENVIRONMENTAL REGULATIONS

The Group's operations are subject to a number of environmental regulations in relation to its exploration, mining and processing activities in the Philippines and Australia. Details of these regulations are set out in the Review of Operations, under the section titled Environmental Management and Monitoring in the Final Annual Report.

The Directors are not aware of any significant breaches of environmental regulations during the financial year.

17. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

18. NON-AUDIT SERVICES

During the year, affiliated entities of BDO Audit (WA) Pty Limited ("BDO"), the Company's auditors, performed certain other services in addition to their statutory duties.

The Board has considered and is satisfied that the provision of non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the Corporations Act for the following reasons:

- a) all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor;
- b) the nature of the non-audit services provided do not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board;
- c) The services of the affiliated entities of the BDO Group have not involved reviewing or auditing BDO's own work or acting in a managerial or decision-making capacity within the Group; and
- d) There is no reason to question the veracity of BDO's Independence Declaration.

The following fees were paid affiliated entities of BDO (Audit) Pty Ltd for non-audit services provided during the year ended 30 June 2021:

| Item description | Unit | 2021 | 2020 |
|-------------------------|------|--------|--------|
| Taxation | US\$ | 24,648 | 29,363 |
| Remuneration consulting | US\$ | - | 3,129 |
| IFRS Advisory | US\$ | - | 10,950 |
| Total | US\$ | 24,648 | 43,442 |

19. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2021 has been received and can be found on page 80 of this Report.

20. ROUNDING OFF AMOUNTS

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191 and accordingly, amounts in the Financial Report and Directors' Report have been rounded to the nearest \$1,000 or in certain cases, to the nearest dollar to reflect where rounding in '000 is not permitted.

Signed in accordance with a resolution of the Board of Directors



Andrew Teo
Managing Director

Dated at Perth this 26th day of August 2021

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

| | Note | Consolidated | |
|--|------|-----------------|---------------------------------|
| | | 2021 US\$000 | 2020 US\$000 Restated (*) |
| Revenue | 2 | 179,037 | 147,828 |
| Cost of sales | | (105,116) | (91,278) |
| Gross Profit | | 73,921 | 56,550 |
| Other income | 2 | 107 | 209 |
| Exploration & Evaluation expenses | | (1,412) | (1,583) |
| Administration expenses | | (7,667) | (9,691) |
| Other expenses | 3 | (2,514) | (12,438) |
| Profit before income tax expense | | 62,435 | 33,047 |
| Income tax expense | 4 | (15,179) | (3,356) |
| Profit for the year after income tax expense | | 47,256 | 29,691 |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Movement in other reserves (net of tax) | | (83) | (1,269) |
| Exchange differences on translation of foreign operations (net of tax) | | 653 | 405 |
| Total comprehensive profit/(loss) attributable to the owners | | 47,826 | 28,827 |
| Basic profit per share | 5 | 0.227 | 0.143 |
| Diluted profit per share | 5 | 0.221 | 0.141 |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

(*) Restated - refer Note 28 for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

| | Note | Consolidated | |
|---------------------------------------|-------|-----------------|---------------------------------|
| | | 2021 US\$000 | 2020 US\$000 Restated (*) |
| CURRENT ASSETS | | | |
| Cash & cash equivalents | 6 (a) | 51,074 | 38,852 |
| Trade & other receivables | 7 | 25,412 | 9,682 |
| Inventories | 8 | 16,697 | 15,479 |
| Other current assets | | 657 | 732 |
| Total Current Assets | | 93,840 | 64,745 |
| NON-CURRENT ASSETS | | | |
| Trade & other receivables | 7 | 20,869 | 19,307 |
| Property, plant & equipment | 9 | 17,675 | 15,070 |
| Intangible assets | | 525 | 445 |
| Mine Rehabilitation | | 1,036 | 1,425 |
| Development expenditure | 10 | 62,248 | 58,797 |
| Deferred tax assets | 4 (b) | 18,921 | 23,080 |
| Right-of-use assets | 11 | 1,415 | 1,899 |
| Total Non-current Assets | | 122,689 | 120,023 |
| TOTAL ASSETS | | 216,529 | 184,768 |
| CURRENT LIABILITIES | | | |
| Trade & other payables | 13 | 14,212 | 16,011 |
| Borrowings | 15 | 1,503 | 5,457 |
| Provisions | 14 | 245 | 466 |
| Lease Liabilities | 11 | 579 | 532 |
| Total Current Liabilities | | 16,539 | 22,466 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 15 | 200 | 296 |
| Deferred tax liability | 4 (b) | 806 | 257 |
| Provisions | 14 | 4,999 | 7,590 |
| Lease Liabilities | 11 | 914 | 1,432 |
| Total Non-current Liabilities | | 6,919 | 9,575 |
| TOTAL LIABILITIES | | 23,458 | 32,041 |
| NET ASSETS | | 193,071 | 152,727 |
| EQUITY | | | |
| Issued capital | 16 | 102,902 | 102,902 |
| Reserves | 17 | 7,438 | 6,157 |
| Retained profits/(accumulated losses) | 18 | 82,731 | 43,668 |
| TOTAL EQUITY | | 193,071 | 152,727 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

(*) Restated - refer Note 28 for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

| | Share capital ordinary | Retained profits/ Accumulated losses | Share based payment reserves | Other reserves US\$000 | Foreign currency translation reserve US\$000 | Total US\$000 |
|---|------------------------------|---|---------------------------------------|------------------------------|--|------------------|
| Note | US\$000 | US\$000 | US\$000 | US\$000 | US\$000 | US\$000 |
| CONSOLIDATED | | | | | | |
| Balance at 30 June 2019 | 102,902 | 14,061 | 202 | 310 | 6,267 | 123,742 |
| Net profit/(loss) after tax | - | 29,691 | - | - | - | 29,691 |
| Other comprehensive profit/(loss) | - | - | - | (1,269) | 405 | (864) |
| Total comprehensive profit/(loss) for the year | - | 29,691 | - | (1,269) | 405 | 28,827 |
| <i>Transactions with owners, in their capacity as owners, and other transfers</i> | | | | | | |
| Share options expensed | 27 | - | 158 | - | - | 158 |
| Transfer from option reserve | - | (84) | 84 | - | - | - |
| Balance at 30 June 2020 *(Restated) | 102,902 | 43,668 | 444 | (959) | 6,672 | 152,727 |
| Balance at 01 July 2020 | 102,902 | 43,668 | 444 | (959) | 6,672 | 152,727 |
| Net profit/(loss) after tax | - | 47,256 | - | - | - | 47,256 |
| Other comprehensive profit/(loss) | - | - | - | (83) | 653 | 570 |
| Total comprehensive profit/(loss) for the year | - | 47,256 | - | (83) | 653 | 47,826 |
| <i>Transactions with owners, in their capacity as owners, and other transfers</i> | | | | | | |
| Share options expensed | 27 | - | 534 | - | - | 534 |
| Transfer from option reserve | - | (177) | 177 | - | - | - |
| Dividend paid | - | (8,016) | - | - | - | (8,016) |
| Balance at 30 June 2021 | 102,902 | 82,731 | 1,155 | (1,042) | 7,325 | 193,071 |

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

(*) Restated - refer Note 28 for further details.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

| | Note | Consolidated | |
|--|------|-----------------|-----------------|
| | | 2021 US\$000 | 2020 US\$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 164,660 | 147,829 |
| Payments to suppliers & employees | | (85,531) | (84,456) |
| Payments for exploration & evaluation activities | | (1,412) | (1,583) |
| Other income | | 73 | 79 |
| Interest received | | 34 | 130 |
| Income tax paid | | (13,388) | (5,230) |
| Net cash provided by operating activities | 6(b) | 64,436 | 56,769 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | 9 | (10,795) | (6,624) |
| Payment for development activities | 10 | (28,640) | (27,723) |
| Net cash provided by/(used in) investing activities | | (39,435) | (34,347) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment for lease liabilities | 11 | (579) | (532) |
| Payments for dividends | | (8,016) | - |
| (Payment of)/receipt from bank loans | | (4,049) | (1,076) |
| Net cash (used in)/provided by financing activities | | (12,644) | (1,608) |
| Net increase/(decrease) in cash held | | 12,357 | 20,814 |
| Cash and cash equivalent at the beginning of the year | | 38,852 | 18,109 |
| Exchange rate adjustment | | (135) | (71) |
| Cash and cash equivalent at the end of the year | 6(a) | 51,074 | 38,852 |

The above Consolidated Statement of Cash Flows should be used in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

BASIS OF PREPARATION

Medusa Mining Limited (“Medusa” or the “Company”) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

A description of the nature of operations and principal activities of Medusa and its subsidiaries (collectively, the “Group”) is included in the Directors Report, which is not part of these financial statements.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 25 August 2021.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the Corporations ACT 2001, Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and complies with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”);
- has been prepared on historical costs basis except for assets and liabilities and share based payments which are required to be measured at fair value. The basis of measurement is discussed further in the individual notes;
- is presented in US dollars with all values rounded to the nearest thousand dollars (\$'000), unless otherwise stated, in accordance with ASIC instrument 2016/191;
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of Medusa and effective for reporting periods beginning on or after 1 July 2020. There has been no new accounting standards or policies adopted this financial year.

(a) Principles of Consolidation

The Group’s financial statements consolidate those of the Parent Company and all of its subsidiaries as at 30 June 2021. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary’s profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

A list of controlled entities during the year ended 30 June 2021 is presented in note 25.

(b) Covid-19

Judgement has been exercised in considering the impacts of that the Coronavirus (Covid-19) pandemic has had, or may have, on the Group based on known information. This consideration includes the annual assessment of impairment of assets and the continued assumption of the going concern basis for the preparation of the financial statements. Based on information available at the time of signing this financial report, there is no known significant impact on the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Covid-19 pandemic.

(c) Key Estimates and Judgments

In the process of applying the Group’s accounting policies, management has made a number of judgments and applied estimates of future events. Judgement and estimates which are material to the financial report are found in the following notes:

- Note 4. Income Tax
- Note 7. Trade & Other Receivables
- Note 10. Development Expenditure
- Note 11. Leases
- Note 12. Impairment of Non-Current Assets
- Note 14. Provisions
- Note 27. Share Based Payments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR

This section of the notes includes segment information and provides further information on key line items relevant to the financial performance of the Group. It includes relevant accounting policies, key judgments and estimates relevant to understanding these items.

1. SEGMENT INFORMATION

(i) Identification of Reportable Segments

The Group has identified its reportable operating segments based on the internal management 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 Mining, Exploration and Other. Currently the only operational mine is the Co-O mine. Other incorporates the Parent Entity's activities

(ii) Segment Result, Segment Assets and Segment Liabilities

The measurement of segment results is in line with the basis of information presented to management for internal management reporting purposes;

Segment Result is based on the net of revenues and expenditure corresponding to the specific segment;

Segment Revenues represent gold and silver sales at spot prices;

Segments Assets are allocated to segments based on their nature and physical location;

Segment Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment Liabilities include trade and other payables; and

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- income tax expense;
- gain on disposal of assets;
- deferred tax assets and liabilities;
- interest revenue; and
- intercompany receivables and payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

1. SEGMENT INFORMATION (continued)

(ii) Segment Result, Segment Assets and Segment Liabilities (continued)

| 12 months to June 2021: | Mining | Exploration | Other | Total |
|---|---------|-------------|----------|---------|
| | US\$000 | US\$000 | US\$000 | US\$000 |
| Segment Revenue | 179,037 | - | - | 179,037 |
| Reconciliation of segment revenue to group revenue | | | | |
| <i>add:</i> | | | | |
| Interest revenue | - | - | 34 | 34 |
| Other income | - | - | 73 | 73 |
| Group revenue | | | | 179,144 |
| Segment Result | | | | |
| Reconciliation of segment result to group result: | 16,624 | (1,412) | (20,251) | (5,039) |
| <i>add back:</i> | | | | |
| Forex realised | - | - | 409 | 409 |
| Forex unrealised | - | - | 166 | 166 |
| Interest revenue | - | - | 34 | 34 |
| Depreciation | 8,330 | - | 5 | 8,335 |
| Amortisation | 26,109 | - | 125 | 26,234 |
| Bad debts write off | 28 | - | - | 28 |
| Other write off | 593 | - | - | 593 |
| Share based expense | - | - | 534 | 534 |
| Retirement expense | 758 | - | - | 758 |
| Income tax expense | 15,179 | - | - | 15,179 |
| Asset write off | 11 | - | 14 | 25 |
| Group profit/(loss) | | | | 47,256 |
| Segment Assets | | | | |
| Reconciliation of segment asset to group assets: | 194,478 | 72 | 3,058 | 197,608 |
| <i>plus:</i> Deferred tax assets | 18,921 | - | - | 18,921 |
| Total group assets | - | - | - | 216,529 |
| Segment Liabilities | | | | |
| Reconciliation of segment liabilities to group liabilities: | 22,014 | 17 | 621 | 22,652 |
| <i>plus:</i> Deferred tax liabilities | 806 | - | - | 806 |
| Total group liabilities | | | | 23,458 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

1. SEGMENT INFORMATION (continued)

(ii) Segment Result, Segment Assets and Segment Liabilities (continued)

| 12 months to June 2020 Restated (*): | Mining | Exploration | Other | Total |
|---|---------|-------------|---------|----------|
| | US\$000 | US\$000 | US\$000 | US\$000 |
| Segment Revenue | 147,829 | - | - | 147,829 |
| Reconciliation of segment revenue to group revenue | | | | |
| <i>add:</i> | | | | |
| Interest revenue | - | - | 130 | 130 |
| Forex realised | - | - | 79 | 79 |
| Group revenue | | | | 148,038 |
| Segment Result | | | | |
| Reconciliation of segment revenue to group result: | (5,156) | (1,583) | (6,914) | (13,653) |
| <i>add back:</i> | | | | |
| Forex realised | - | - | 79 | 79 |
| Interest revenue | - | - | 130 | 130 |
| Depreciation | 7,177 | - | 9 | 7,186 |
| Amortisation | 20,156 | - | - | 20,156 |
| Bad debts write off | 16 | - | 143 | 159 |
| VAT write off | 11,546 | - | - | 11,546 |
| Share based expense | - | - | 158 | 158 |
| Retirement expense | 573 | - | - | 573 |
| Income tax expense | 3,356 | - | - | 3,356 |
| Asset write off | 1 | - | - | 1 |
| Group profit /(loss) | | | | 29,691 |
| Segment Assets | | | | |
| Reconciliation of segment asset to group assets: | 148,749 | 50 | 12,889 | 161,688 |
| <i>plus:</i> Deferred tax assets | 23,080 | - | - | 23,080 |
| Total group assets | | | | 184,768 |
| Segment Liabilities | | | | |
| Reconciliation of segment liabilities to group liabilities: | 30,766 | 36 | 982 | 31,784 |
| <i>plus:</i> Deferred tax liabilities | 257 | - | - | 257 |
| Total group liabilities | | | | 32,041 |

| Revenue & non-current assets by geographical region: | Australia | Philippines | Hong Kong | Total |
|--|-----------|-------------|-----------|---------|
| | US\$000 | US\$000 | US\$000 | US\$000 |

12 months to June 2021:

| | | | | |
|--------------------|-----|---------|---------|---------|
| Segment Revenue | - | - | 178,462 | 178,462 |
| Non-Current Assets | 271 | 101,549 | - | 101,820 |

12 months to June 2020:

| | | | | |
|--------------------|-----|---------|---------|---------|
| Segment Revenue | - | - | 147,829 | 147,829 |
| Non-Current Assets | 404 | 106,005 | - | 106,409 |

All gold and silver sales have been produced from the Co-O Mine in the Philippines and are recognised in the mining segment as there has been no active trading of gold in the current year. Sales revenues in the mining segment represent sales of refined product from the Co-O Mine.

In accordance with AASB 8 Operating segments disclosure requirements Non-Current Assets shown in geographical information include tangible and intangible assets but exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

The Group sells its gold on the spot market. Selection of a customer is at the Group's discretion and there is no commitment to exclusive sales to any particular customer. During the financial year ended 30 June 2021, all of the Group's revenues were derived from sales to a single customer (2020:100%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

| | Consolidated | |
|------------------------------------|--------------|---------|
| | 2021 | 2020 |
| Note | US\$000 | US\$000 |
| 2. REVENUE AND OTHER INCOME | | |
| <u>Operating activities:</u> | | |
| Gold and silver sales | 179,037 | 147,829 |
| <u>Non-operating activities:</u> | | |
| Interest income | 34 | 130 |
| Other income | 73 | - |
| Foreign exchange | - | 79 |
| Total revenue and other income | 179,144 | 148,038 |

(a) Recognition and Measurement

Sale of refined gold & silver

Revenue is recognised when control of the goods has passed to the buyer based upon agreed delivery terms.

The Company's metal sales represent sales of refined gold and silver, when control passes to the customer which is when legal title to the refined metal transfers to the customer. The sales price is based on prevailing market metal prices.

Judgement is required to determine when transfer of control occurs relating to the sale of the goods to customers. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of payment, and whether the significant risks and rewards and legal title have transferred to the customer.

3. EXPENSES

Profit/(loss) before income tax expense/(income) has been determined after charging/(crediting) the following items:

Depreciation & amortisation:

| | | |
|--|--------|--------|
| - Depreciation expense | 8,335 | 7,186 |
| - Amortisation expense | 25,361 | 19,316 |
| - Mine rehabilitation and right of use assets amortisation | 873 | 839 |
| Total depreciation & amortisation | 34,569 | 27,341 |

| | | |
|---|--------|--------|
| Employee benefits expense | 19,483 | 18,015 |
| Interest expense & unwinding of discount on provisions ⁽ⁱ⁾ | 661 | 1,209 |

Other expenses:

| | | |
|--|-------|--------|
| - VAT impairment/write off ⁽ⁱⁱ⁾ | 593 | 11,546 |
| - Forex realised | 409 | - |
| - Forex unrealised | 166 | - |
| - Defined benefit plans | 758 | 574 |
| - Assets impaired | 25 | 1 |
| - Share-based payment expense | 534 | 158 |
| - Bad debts write off | 29 | 159 |
| Total other expenses | 2,514 | 12,438 |

Notes:

(i) Disclose for rehabilitation and lease expense; and interest on loans;

(ii) Included in the FY20 amount of US\$11.5 million is an amount of approximately \$9.5 million relating to VAT Receivables (refer Note 7) reported in a Philippine controlled entity which has been de-recognised as an asset as the timing of utilising this amount could not be determined at balance date. Under existing Philippine tax law, this amount continues to be available to offset future VAT liabilities indefinitely, dependent on future VAT transactions. The remaining balance mainly comprises a provision for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

3. EXPENSES (continued)

(a) Recognition and Measurement

(i) Depreciation

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

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

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

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

| Class of fixed asset | Depreciation method | Depreciation rate (%) |
|---|---------------------|-----------------------|
| Plant and equipment (excluding Co-O Mine) | Straight line | 20.0% to 33% |
| Office furniture and fittings | Straight line | 7.5% to 20% |
| Building | Straight line | 5.0% to 20% |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

Capital works in progress is included in Property, Plant and Equipment. Depreciation of the asset is applied when construction is completed and the asset is ready for use.

(ii) Amortisation

The Group uses the unit-of-production basis when amortising life-of-mine specific assets which results in an amortisation charge proportionate to the depletion of the anticipated remaining life-of-mine production. Each item's economic life, which is assessed annually, has due regard for both its physical life limitations and to present assessments of the available reserve of the mine property at which it is located. Refer Note 10 for further detail.

(iii) Exploration and Evaluation Expenses

Exploration and Evaluation expenditure incurred by or on behalf of the Group is reported separately for each area of interest. Such expenditure comprises direct costs and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

The Group expenses all costs incurred in respect of the acquisition of exploration and evaluation activities and ongoing exploration activities in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

| | Consolidated | |
|---|-----------------|--------------------------------|
| | 2021 US\$000 | 2020 US\$000 Restated(*) |
| 4. INCOME TAX | | |
| (a) Income Tax Expense | | |
| (i) The components of tax expense comprise: | | |
| Current tax | 10,680 | 7,999 |
| Deferred tax | 4,638 | (4,627) |
| Prior year adjustment | (139) | (16) |
| | 15,179 | 3,356 |
| (ii) The prima facie tax on profit before income tax is reconciled to the income tax as follows: | | |
| Operating (loss)/profit before income tax | 62,435 | 33,047 |
| Prima facie tax expense/(credit) at 30% (2020: 30%) on operating profit | 18,731 | 9,914 |
| <i>less - tax effect of:</i> | | |
| difference of effective foreign income tax rates | (3,111) | (100) |
| Interest income | 80 | 360 |
| amortisation and depreciation adjustment | (7,400) | (2,822) |
| VAT write off | 227 | (3,334) |
| share based payments expense | 160 | 48 |
| Impact of change in tax rate in Philippines | 6,602 | - |
| foreign exchange | 42 | 145 |
| expiry of tax credits | 484 | - |
| other | (128) | (360) |
| deferred tax assets not brought to account | (508) | (495) |
| Income tax expense/(benefit) | 15,179 | 3,356 |
| Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 4(c) occur: | | |
| - Temporary differences | 17,306 | 17,306 |
| - Australian tax losses | 2,406 | 2,747 |
| Total | 19,712 | 20,053 |
| The benefit of tax losses will only be obtained if: | | |
| - the Group derives future assessable income of a nature & of an amount sufficient to enable the benefit to be realised; | | |
| - the Group continues to comply with the conditions for deductibility imposed by the law; and | | |
| - no changes in tax legislation adversely affect the Group in realising the benefit. | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

4. INCOME TAX (continued)

(b) Deferred Tax

| | Opening balance US\$000 | Forex on translation US\$000 | Credit/(charged) to income US\$000 | Closing balance US\$000 |
|---|-------------------------------|------------------------------------|--|-------------------------------|
| Consolidated Group | | | | |
| <u>30 June 2021</u> | | | | |
| Deferred tax liability | | | | |
| Mining and exploration timing differences | 257 | 549 | - | 806 |
| Total deferred tax liability | 257 | 549 | - | 806 |
| Deferred tax assets | | | | |
| Carried forward tax losses | 1,010 | - | (483) | 527 |
| Mining and exploration timing differences | 22,070 | 665 | (4,341) | 18,394 |
| Total deferred tax asset | 23,080 | 665 | (4,824) | 18,921 |
| <u>30 June 2020</u> | | | | |
| Deferred tax liability | | | | |
| Capitalised exploration & evaluation expenditures | - | - | - | - |
| Mining and exploration timing differences | 778 | (521) | - | 257 |
| Total deferred tax liability | 778 | (521) | - | 257 |
| Deferred tax assets | | | | |
| Carried forward tax losses | 1,826 | - | (816) | 1,010 |
| Mining and exploration timing differences | 16,601 | 341 | 5,128 | 22,070 |
| Total deferred tax asset | 18,427 | 341 | 4,312 | 23,080 |

(c) Recognition and Measurement

The income tax expense/(credit) for the year comprises current income tax expense (credit) and deferred tax expense/(credit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantively enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/ (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

PERFORMANCE FOR THE YEAR (continued)

4. INCOME TAX (continued)

(c) Recognition and Measurement (continued)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

The deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Key Estimates and Judgments

Significant judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future forecast taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the relevant tax legislation associated with their recoupment.

The Group has recognised a deferred tax asset of US\$19 million at 30 June 2021. The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

5. EARNINGS PER SHARE

(a) Earnings/(Loss) per Share

| | Consolidated | |
|---|--------------|-------------------------|
| | 2021 | 2020 |
| | US\$000 | US\$000 Restated (*) |
| Profit/(Loss) used to calculate basic and diluted EPS | 47,256 | 29,691 |
| Weighted average number of ordinary shares used in the calculation of the basic earnings per share. | 207,873,301 | 207,794,301 |
| Weighted average unlisted options & performance rights outstanding | 6,019,496 | 3,067,178 |
| Weighted average of ordinary shares diluted as at 30 June 2021 | 213,892,797 | 210,861,479 |

(*) Restated - refer Note 28 for further details.

(b) Recognition and Measurement

Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members of the Company for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after-tax effect of financing costs associated with potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with potential ordinary shares, by the weighted average number of ordinary shares and potential ordinary shares adjusted for any bonus issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES

This section of the notes shows cash generation, the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the Capital Structure, Financial Instruments and Risk Section.

6. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash:

For the purposes of the Statement of Cash Flows, cash includes cash on hand and short-term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | Consolidated | |
|--|-----------------|-----------------|
| | 2021 US\$000 | 2020 US\$000 |
| Cash at bank | 51,036 | 38,814 |
| Cash on hand | 38 | 38 |
| Total cash assets | 51,074 | 38,852 |
| (b) Reconciliation of profit /(loss) after income tax to net cash provided by operating activities: | | |
| Profit/(Loss) after income tax | 47,256 | 29,691 |
| add/(less) - | | |
| Non-cash items: | | |
| - Depreciation/amortisation | 33,696 | 26,502 |
| Mine rehabilitation amortisation | 873 | 839 |
| - Retirement Benefit | 758 | 574 |
| - Gain on asset disposal | 25 | 1 |
| - Recognition of share-based expenses | 534 | 158 |
| - VAT write off | 593 | 11,546 |
| - Foreign exchange (gain) / loss | 575 | (78) |
| - Bad debts written off | - | 159 |
| Total non-cash items | 84,310 | 69,392 |
| Changes in assets & liabilities | | |
| - (increase)/decrease in trade & other receivables | (17,292) | (6,309) |
| - (increase)/decrease in VAT provisions for write off | 315 | (1,132) |
| - (increase)/decrease in prepayments | 74 | 58 |
| - (increase)/decrease in inventories | (1,219) | (2,740) |
| - (decrease)/increase in trade & other payables | (2,080) | 1,632 |
| - (increase)/decrease in deferred taxes assets | 4,159 | (4,653) |
| - increase/(decrease) in deferred taxes liabilities | (549) | 521 |
| - movement in retirement benefit liability | (3,282) | - |
| Total changes in assets and liabilities | (19,874) | (12,623) |
| Net cash provided by operating activities | 64,436 | 56,769 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

6. CASH AND CASH EQUIVALENTS (continued)

(c) Restricted Funds

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

- (i) a rehabilitation fund of US\$5,378,887 (2020: US\$5,192,428) to be used at the end of life of mine for environmental rehabilitation.
- (ii) an employee retirement fund of nil (2020: US\$1,439,587) established to meet employee entitlements on retirement. This is now held by a Trustee Company of the retirement fund. Refer to Note 14.

The Group has a provident fund of nil (2020: US\$707,250) that is intended to be used as payment to employees upon retirement, which is unrestricted as to withdrawal.

Total restricted funds amount to US\$5,378,887.

(d) Recognition and Measurement

For the purpose of the Statement of Cash Flows, cash and cash equivalents include:

- cash on hand and at call deposits with bank or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 30 days to maturity.

These amounts are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|-------------------------------|--------------|---------|
| | 2021 | 2020 |
| | US\$000 | US\$000 |
| Current | | |
| GST/VAT receivables | 10,349 | 8,525 |
| Trade / Other receivables | 15,063 | 1,157 |
| Total current receivables | 25,412 | 9,682 |
| Non-Current | | |
| GST/VAT receivables | 20,869 | 19,307 |
| Total non-current receivables | 20,869 | 19,307 |

(a) Recognition and Measurement

Trade and other receivables are initially measured at the transaction price and subsequently measured at amortised cost less an allowance for uncollectable amounts. Uncollectable amounts are determined using the expected loss impairment model. Collectability and impairment of trade receivables is assessed on a regular basis.

In the current year, the expected credit loss on trade receivables is considered insignificant as trade receivables represents refined gold and silver awaiting settlement which is generally expected to settle within two days.

(b) Key Estimates and Judgments

The Group has GST/VAT of \$31 million that comprises tax credit certificates ("TCC") and VAT claimable for cash and offsets. The current asset portion of VAT \$10 million comprises amounts that are estimated to be utilised within the current period. The non-current amount of VAT receivable of \$21 million represents the estimated amount utilised in future periods against tax liabilities.

Management judgment has been used to determine a provision for Philippine VAT Receivables not recoverable in future and is based on historical and estimated amounts in future.

In FY20 an amount of approximately \$9.5m relating to VAT Receivables (refer Note 3) reported in a Philippine controlled entity has been de-recognised as an asset as the timing of utilising this amount could not be determined at balance date. Under existing Philippine tax law, this amount continues to be available to offset future VAT liabilities indefinitely, dependent on future VAT transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

| | Consolidated | |
|--|---------------------|---------------|
| | 2021 | 2020 |
| | US\$000 | US\$000 |
| 8. INVENTORIES | | |
| Consumables - net realisable value | 7,096 | 6,924 |
| Ore stockpile - at cost | 1,740 | 2,735 |
| Gold Inventory - at cost | 7,861 | 5,820 |
| Total inventories | <u>16,697</u> | <u>15,479</u> |
| (a) Recognition and Measurement | | |
| Inventories consisting of ore in stockpiles, metal-in process and finished metal are valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct costs and an appropriate portion of fixed and variable production overhead expenditure, including depreciation and amortisation, incurred in converting materials into finished goods. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. | | |
| Consumables are valued at the lower of cost and net realisable value. Any allowance for obsolescence is determined by reference to stock items identified. | | |
| 9. PROPERTY, PLANT & EQUIPMENT | | |
| Plant & equipment: | | |
| At cost | 204,342 | 200,318 |
| less - provision for impairment | (132,064) | (132,064) |
| less - accumulated depreciation | (66,331) | (58,068) |
| Total plant & equipment at net book value | <u>5,947</u> | <u>10,186</u> |
| Capital works in progress: | | |
| At cost | 11,570 | 4,815 |
| Total capital works in progress at net book value | <u>11,570</u> | <u>4,815</u> |
| Furniture & fittings: | | |
| At cost | 1,350 | 1,189 |
| less - provision for impairment | (254) | (254) |
| less - accumulated depreciation | (938) | (866) |
| Total furniture & fittings at net book value | <u>158</u> | <u>69</u> |
| Total carrying amount at end of year | <u>17,675</u> | <u>15,070</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

| | Consolidated | |
|---|-----------------|-----------------|
| | 2021 US\$000 | 2020 US\$000 |
| 9. PROPERTY, PLANT & EQUIPMENT (continued) | | |
| <i>Reconciliations:</i> | | |
| Plant & equipment: | | |
| Carrying amount at beginning of year | 10,186 | 12,849 |
| <i>plus</i> - additions | 2,826 | 4,371 |
| <i>plus</i> - net transfer from capital works in progress | 1,225 | - |
| <i>less</i> - forex differences on translation | (2) | 94 |
| <i>less</i> - disposal | (25) | (1) |
| <i>less</i> - depreciation | (8,263) | (7,127) |
| Carrying amount at end of year | 5,947 | 10,186 |
| Capital works in progress: | | |
| Carrying amount at beginning of year | 4,815 | 2,812 |
| <i>plus</i> - additions | 7,991 | 2,003 |
| <i>less</i> - net transfer to plant and equipment | (1,236) | - |
| Carrying amount at end of year | 11,570 | 4,815 |
| Furniture & fittings: | | |
| Carrying amount at beginning of year | 69 | 82 |
| <i>plus</i> - additions | 149 | 46 |
| <i>plus</i> - net transfer from capital works in progress | 12 | - |
| <i>less</i> - depreciation | (72) | (59) |
| Carrying amount at end of year | 158 | 69 |
| Total carrying amount at end of year | 17,675 | 15,070 |

(a) Recognition and Measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

10. DEVELOPMENT EXPENDITURE

| | Consolidated | |
|---|-----------------|---------------------------------|
| | 2021 US\$000 | 2020 US\$000 Restated (*) |
| At cost - Co-O | 467,123 | 439,143 |
| <i>less</i> - provisions for impairment | (246,260) | (246,260) |
| <i>less</i> - accumulated amortisation | (160,763) | (135,575) |
| Net Co-O development expenditure | 60,100 | 57,308 |
| Royal Crowne Vein Development expenditure: | | |
| At cost | 2,148 | 1,489 |
| Net Royal Crowne Vein Development expenditure | 2,148 | 1,489 |
| Total carrying amount at end of year | 62,248 | 58,797 |
| <u>Reconciliation:</u> | | |
| Carrying amount at beginning of year | 57,308 | 49,387 |
| <i>plus</i> - costs incurred | 27,980 | 27,040 |
| <i>less</i> - amortisation expense | (25,188) | (19,119) |
| Carrying amount at end of year | 60,100 | 57,308 |
| Royal Crowne Vein Development expenditure: | | |
| Carrying amount at beginning of year | 1,489 | 806 |
| <i>plus</i> - costs incurred | 659 | 683 |
| Carrying amount at end of year | 2,148 | 1,489 |
| Total carrying amount at end of year | 62,248 | 58,797 |

(*) Restated - refer Note 28 for further details.

(a) Recognition and Measurement

Development expenditure represents the accumulated land and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production. All horizontal development drives which include permanent rail and associated infrastructure, are capitalised.

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource at an average rate of 28.99% (2020:26.38%). The unit-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. Where the life of the assets is shorter than the mine life their costs are amortised based on the useful life of the assets.

The estimated recoverable reserves and life of the mine and the remaining useful life of each class of asset is reassessed at least annually. Where there is a change in the reserves/resources amortisation rates are correspondingly adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

10. DEVELOPMENT EXPENDITURE (continued)

(a) Key Estimates and Judgments

(i) Key estimates - Development expenditure

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates in determining the viability of a project.

Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the impairment charge is included in profit or loss.

(ii) Key estimates - Recoverability of long-lived assets

Certain assumptions are required to be made in order to assess the recoverability of capitalised development expenditure.

Key assumptions include the future price of gold, future cash flows, an estimated discount rate and estimates of ore reserves. In addition, cash flows are projected over the life of mine, which is based on proved and probable ore reserves.

Estimates of ore reserves in themselves are dependent on various assumptions, in addition to those described below, including cut-off grades. Changes in these estimates could materially impact on ore reserves and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

The Group has used the Reserve Statement released on 13th April 2021, taking into account ore utilised throughout the period and replenished to estimate the recoverable amount of long-lived assets.

(iii) Key estimates - Determination of ore reserves and remaining mine life

The Group uses the concept of life-of-mine as an accounting value to determine the amortisation of Development Assets in production.

In determining life-of-mine, The Group prepares ore resource and resource estimates in accordance with JORC Code 2012, guidelines prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geo Scientists and Minerals Council of Australia.

The estimate of these resources and reserves, by their very nature, require judgments, estimates and assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

11. LEASES

Nature of leasing activities

The Group leases certain items of plant and equipment, whereby these leases comprise a mixture of fixed and variable payments.

The Group also leases a property and the lease contracts provide for payments to increase each year by a fixed percentage.

| | Consolidated | | |
|----------------------------|-----------------------------|------------------------------|------------------|
| | Land & buildings US\$000 | Plant & equipment US\$000 | Total US\$000 |
| Right-of-use assets | | | |
| 1 July 2019 | 359 | 2,011 | 2,370 |
| Amortisation | (73) | (398) | (471) |
| At 30 June 2020 | 286 | 1,613 | 1,899 |
| 1 July 2020 | 286 | 1,613 | 1,899 |
| Amortisation | (81) | (403) | (484) |
| As at 30 June 2021 | 205 | 1,210 | 1,415 |

Right-of-use-assets are included in the Consolidated Statement of Financial Position as Leased Assets.

| | Consolidated | |
|--------------------------|-----------------|-----------------|
| | 2021 US\$000 | 2020 US\$000 |
| Lease Liabilities | | |
| 1 July | | |
| Current | 579 | 532 |
| Non-Current | 914 | 1,432 |
| As at 30 June | 1,493 | 1,964 |

The following amounts have been included as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the period:

| | Consolidated | |
|---|-----------------|-----------------|
| | 2021 US\$000 | 2020 US\$000 |
| Interest expense (included in Interest expense) | 108 | 126 |
| Expenses relating to short term leases (included in Other expenses) | - | - |
| Expenses relating to low value assets that are not short-term leases (included in other expenses) | - | - |
| As at 30 June | 108 | 126 |

The Group's total cash outflow for leases in the year ended 30 June 2021 was \$578,881 (2020: \$531,912).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

11. LEASES (continued)

(a) Recognition and Measurement

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(b) Key Estimates and Judgments

Leases - determining the lease term.

The Group has in place a number of leases of property and equipment with terms that can be renewed or extended, or, where no formal extension or renewal option exist, there is a practice of renewing or extending the lease.

In determining the lease term, management is required to determine

- Whether there is an actual or implied extension or renewal option. An implied extension or renewal option will exist if both the lessee and lessor would incur a more than insignificant penalty if the lease were not extended or renewed; and
- Whether the Group is reasonably certain to exercise any actual or implied extension options, taking into account all facts and circumstances relating to the lease.

Estimates:

Leases - determining the incremental borrowing rate.

Where the interest rate implicit in a lease is not known, the Group is required to determine the incremental borrowing rate, being the rate of interest the Group would have to pay to borrow a similar amount, over a similar term, with similar security to obtain an asset of similar value in a similar economic environment.

As this information may not be readily available, the Group is required to estimate its incremental borrowing rate using such information as is available and making adjustments to reflect the particular circumstances of each lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

12. IMPAIRMENT OF NON-CURRENT ASSETS

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

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

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

When indicators of impairment exist, a formal estimate of the recoverable amount is made. External and internal indicators of impairment as at 30 June 2021 included:

- market value of the Company is lower than net assets of the Group; and
- increased expected future costs of production.

Due to the indicators above, the Group assessed the recoverable amounts of its major Cash-Generating-Unit ("CGU"), relating to the Co-O mining operations.

(a) Impairment testing

(i) Methodology

Impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount being the value in use of the CGU has been estimated using the discounted cashflows method based on the Group's recoverable minerals.

Value in use is estimated based on discounted cash flows using market-based commodity price, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements. When Life of Mine ("LOM") plans fully utilise the existing mineral resource and the Group have demonstrated an ability to replenish resources, an estimated replenishment rate has been applied to unmined resources.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group planning and budgeting process, mill capacity levels and mining plans for the following year. The 2021 budget and mine plan were developed in the context of the current gold price environment.

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

(ii) Key Assumptions

The table below summarises the key assumptions used in the 30 June 2021 carrying value assessments. Comparison to the prior period has been provided.

| Assumptions | Unit | 2021 (2022 - 2026) | 2020 (2021 - 2024) |
|----------------------------|------------|-----------------------|-----------------------|
| Average gold price | US\$/ounce | 1,660 | 1,643 |
| Average AISC | US\$/ounce | 1,095 | 1,203 |
| Pre-Tax discount rate (%) | % | 11.7 | 14.0 |
| Probable reserves | ounces | 331,300 | 332,000 |
| Production range per annum | ounces | 67,000 - 95,000 | 77,000 - 98,000 |

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

Estimated potential future impacts of Covid-19 have been considered within forecast financial information and the key assumptions table above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

12. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

(a) Impairment testing (continued)

(ii) Key Assumptions (continued)

Commodity prices

Commodity prices are estimated with reference to external market forecasts and reviewed at least annually. The price applied has taken into account observable market data.

Discount rate

The future cash flows of the CGU are discounted by the estimated real after tax weighted average cost of capital ("WACC"), pursuant to the Capital Asset Pricing Model. The nominal pre-tax WACC has been derived from comparable company analysis, in addition to the WACC rate of the group's Co-O mining operations being the primary CGU.

Production activity and operating and capital costs

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

Resources and reserves

Resource and Reserve ounces were based on the Group's JORC 2012 compliant Annual Resource and Reserve Update Statement announced to the Australian Securities Exchange on 13th April 2021.

(iii) Impacts

Due to the recoverable amount of the Group's Co-O mining operations CGU being greater than the estimated carrying amount, no impairment charge was required for the year ending 2021 (2020: nil).

| Description | Note | 2021 | | | 2020 | | |
|-------------------|------|--------------------------|------------------------|---------------------|--------------------------|------------------------|---------------------|
| | | Carrying amt (\$'000) | Impairment (\$'000) | Balance (\$'000) | Carrying amt (\$'000) | Impairment (\$'000) | Balance (\$'000) |
| Development | 10 | 62,248 | - | 62,248 | 63,001 | - | 63,001 |
| Plant & equipment | 9 | 17,675 | - | 17,675 | 15,070 | - | 15,070 |
| Inventories | 8 | 7,096 | - | 7,096 | 6,924 | - | 6,924 |
| Total | | 87,019 | - | 87,019 | 84,995 | - | 84,995 |

(b) Sensitivity Analysis

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

The changes to estimated key assumptions would have the following approximate impact on the recoverable amount of the CGU. The impact was concluded as not material and accordingly no impairment was required at 30 June 2021.

| Assumption changes | 2021 | 2020 |
|--|---------------------------------------|---------------------------------------|
| | Effect on recoverable amt (\$'000) | Effect on recoverable amt (\$'000) |
| US \$200 per ounce increase/decrease in gold price | +/- 62,020 | +/- 54,121 |
| 2% increase/decrease in the discount rate | +/- 8,432 | +/- 5,081 |
| 5% increase in operating costs | (27,518) | (21,366) |

In addition to the above, the level of production activity is also a key assumption in the determination of recoverable amount. Should the Group recognise decreases/increases in processing capacity, changes in recoverable amount estimates may arise. Due to the number of factors that could impact production activity, assessment to sensitivity has not been determined for these factors. The sensitivities above assume specific assumption moves are in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

| | Consolidated | |
|---------------------------------------|-----------------|-----------------|
| | 2021 US\$000 | 2020 US\$000 |
| 13. TRADE & OTHER PAYABLES | | |
| Trade creditors | 7,412 | 8,509 |
| Accruals | 2,960 | 2,683 |
| Income tax payable | 1,291 | 4,168 |
| Withholding tax | 2,369 | 497 |
| Other creditors | 180 | 154 |
| Total creditors | 14,212 | 16,011 |

(a) Recognition and Measurement

Trade and other payables are initially measured at the value of the invoice received from the supplier and subsequently measured at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of these purchase of the goods and services. The amounts are unsecured and generally paid within 30 days of recognition.

14. PROVISIONS

Current provisions:

| | | |
|--------------------------|-----|-----|
| Employee benefits | 245 | 466 |
| Total current provisions | 245 | 466 |

Non-current provisions:

| | | |
|------------------------------|-------|-------|
| Retirement benefit | 1,082 | 3,904 |
| Mine rehabilitation | 3,917 | 3,686 |
| Total non-current provisions | 4,999 | 7,590 |

Retirement benefit

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

| | | |
|----------------------------|-----|-----|
| Current service cost | 623 | 441 |
| Net interest on obligation | 123 | 133 |
| Total | 746 | 574 |

The amount included in the statements of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

| | | |
|---|-------|-------|
| Present value of defined benefit obligation | 1,082 | 3,904 |
| Total | 1,082 | 3,904 |

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

| | | |
|-----------------------------|---------|-------|
| Opening balance | 3,904 | 2,459 |
| Current service cost | 623 | 441 |
| Net interest costs | 123 | 133 |
| Benefits/contributions paid | (380) | (941) |
| Actuarial gain/(loss) | 401 | 1,812 |
| Plan assets | (3,589) | - |
| Closing balance | 1,082 | 3,904 |

The Company has Plan Assets held by trustees for employee retirement fund amounting to US\$3,589,617 (2020: US\$ Nil). Previous years Plan Assets held as restricted cash within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

| | Consolidated | |
|--|--------------|---------|
| | 2021 | 2020 |
| | US\$000 | US\$000 |
| 14. PROVISIONS (continued) | | |
| (a) Recognition and Measurement (continued) | | |
| <u>Mine rehabilitation</u> | | |
| Carrying amount at beginning of the year | 3,686 | 3,479 |
| (less)/plus - in provision | 231 | 207 |
| Carrying amount at end of year | 3,917 | 3,686 |

(i) Employee benefits

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

Other employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the Group to several employee superannuation funds and are charged as expenses when incurred.

(ii) Retirement Benefit Fund

In respect of defined benefit plans, the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted every two years, with valuations performed on an annual basis. Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligations adjusted for any unrecognised actuarial gains and losses and unrecognised past service costs less the fair value of the plan's assets. Any asset recognised is limited to unrecognised actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan.

Actuarial gains and losses are amortised over the expected average remaining working lives of the participating employees in the plan. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in the profit or loss when the Group demonstrates commitment to the curtailment or settlement. Past service costs are recognised when incurred to the extent that benefits are vested and are otherwise amortised on a straight-line basis over the vesting period.

The Group has a funded non-contributory retirement plan for employees in the Philippines. The cost of providing benefits is determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The retirement benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets.

The funding policy is to contribute an amount based on the actuarial valuation report which is carried out at regular intervals.

(iii) Rehabilitation Costs

Rehabilitation costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the rehabilitation of the site.

These estimates of the rehabilitation obligation are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. Any changes in the estimates are adjusted on a progressive basis. In determining the rehabilitation obligations, the entity has assumed no significant changes will occur in the relevant Federal, State or foreign legislation in relation to rehabilitation of such minerals projects in the future. At the reporting date, the group does not consider it has any significant unsatisfied obligations in respect to rehabilitation costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OPERATING ASSETS & LIABILITIES (continued)

14. PROVISIONS (continued)

(b) Key Estimates and Judgments

Key estimates - Rehabilitation Provision

The determination of the provision requires significant judgement in terms of the best estimate of the future costs of performing the work required, the timing of the cash flows and the appropriate discount rate.

In relation to estimating the costs of performing the work required, significant judgement and estimates are required in relation to estimating the extent of rehabilitation activities, including area to be rehabilitated, technological changes, regulatory changes, timing of cash flows and appropriate discount rates.

When these estimates change or become known in the future, such differences will impact the mine rehabilitation provision on the period in which they change or become known.

A change in any, or a combination of, the key estimates used to determine the provision could have a material impact on the carrying value of the provision.

Key estimates - Retirement Benefit Obligation

The Retirement Benefit in Non-Current Liabilities relates to the Philippine employees' defined benefit plan.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Actuarial Advisers, Inc. The present value of the defined benefit obligation and the related current service cost and past service cost was measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

- Discount rate applied - 4.66% (2020: 3.54%)
- Expected rate of salary increase - 6.00% (2020: 3.00%)

Assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to year-end by reference to high quality Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on management's historical experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK

This section provides further information about the Group's contributed equity, financial liabilities, related finance costs and its exposures to various risks. It explains how these risks affect the Group's financial position and performance and what the Group does to manage the risk.

| | Consolidated | |
|---|-----------------|-----------------|
| | 2021 US\$000 | 2020 US\$000 |
| 15. BORROWINGS | | |
| Current borrowings: | | |
| Secured liability - interest bearing loan | 205 | 142 |
| Unsecured liability - interest bearing loan | 1,298 | 5,315 |
| Total current borrowings | 1,503 | 5,457 |
| Non-current borrowings: | | |
| Secured liability - interest bearing loan | 200 | 296 |
| Total non-current borrowings | 200 | 296 |
| Total Borrowings | 1,703 | 5,753 |

Secured Borrowing are bank loans secured by transportation equipment of the Group. Interest rates on the loans range between 4.32% to 7.75% (2020: 5.84% to 7.89%).

(a) Recognition and Measurement

All borrowings are initially recognised at fair value less transaction costs. Borrowings are subsequently carried at amortised cost using the effective interest rate. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of borrowings using the effective rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

| | Consolidated | |
|---|-----------------|-----------------|
| | 2021 US\$000 | 2020 US\$000 |
| 16. ISSUED CAPITAL | | |
| 207,873,301 ordinary shares (30 June 2020: 207,794,301) | 102,902 | 102,902 |
| Total issued capital | 102,902 | 102,902 |
| Ordinary shares | | |
| Balance at beginning of year | 102,902 | 102,902 |
| <u>Ordinary shares issued during the year:</u> | | |
| Ordinary shares issued - new issues | - | - |
| Balance at end of year | 102,902 | 102,902 |

Ordinary shares

Ordinary shares are classified as equity and transaction costs directly attributable to the issue of shares recognised as a deduction from equity, net of any related income tax effects.

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

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

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

Capital Management

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

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

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

| | Consolidated | |
|--|-----------------|---------------------------------|
| | 2021 US\$000 | 2020 US\$000 Restated (*) |
| <u>Capital for the reporting period under review is summarised as follows:</u> | | |
| Total equity | 193,071 | 152,727 |
| Cash and cash equivalents | (51,074) | (38,852) |
| Total | 141,997 | 113,875 |
| Total equity | 193,071 | 152,727 |
| Borrowings | 1,703 | 5,753 |
| Overall financing | 194,774 | 158,480 |
| Capital-to-overall financing ratio | 73% | 72% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

| | Consolidated | |
|--------------------------------------|-----------------|-----------------|
| | 2021 US\$000 | 2020 US\$000 |
| 17. RESERVES | | |
| Share based payment reserve | 1,155 | 444 |
| Other reserve | (1,042) | (959) |
| Foreign currency translation reserve | 7,325 | 6,672 |
| Total Reserves | 7,438 | 6,157 |

(a) Share based payment reserve

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

Options:

Unlisted options over ordinary shares at 30 June 2021;

- 3,200,000 options expiring 16 December 2018 and exercisable at A\$1.00 each. During the years 2016, 2017, 2018 and 2019, 459,500, 225,500, nil and 2,515,000 options respectively were forfeited resulting in nil options remaining at reporting date. Refer to note 27 (i).

All options had expired at reporting date (2020: Nil).

- 1,000,000 options expiring 9 February 2019 and exercisable at A\$1.00 each. During the years 2016, 2017, 2018 and 2019, nil, 350,000, nil and 650,000 options respectively were forfeited resulting in nil options remaining at reporting date. Refer to note 27 (ii).

All options had expired at reporting date (2020: Nil).

- 1,200,000 options expiring 24 November 2020 and are exercisable at various prices as disclosed in note 27 (iii).

- 840,000 options were forfeited at 30 June 2019 and 360,000 options vested at 30 June 2020 – 360,000 options expired at 30 June 2021 (2020: 360,000).

All options had expired at reporting date (2020: 360,000).

- 1,465,000 options expiring 8 Jan 2022 and are exercisable at various prices as disclosed in note 27 (v). 999,000 options were vested at reporting date (2020: 999,000)

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

Performance Rights:

Under the Performance Rights plan for long term incentives, which was approved by shareholders on January 2015, eligible employees are granted performance rights (each being an entitlement to an ordinary fully paid share), subject to the satisfaction of vesting conditions and on the terms and conditions as determined by the Board.

Under the short term incentive plan for executives, agreed annually with the Board, a predetermined amount of the award is settled in Performance Rights. Eligible employees are granted performance rights (each being an entitlement to an ordinary fully paid share), subject to the satisfaction of vesting conditions and on the terms and conditions as determined by the Board.

Performance Rights issued under these plans carry no voting or dividend rights and are issued for no consideration. Refer Note 27.

(b) Foreign Currency Translation Reserve

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

(c) Other Reserves

Remeasurement gains and losses arising from changes in actuarial assumptions relating to the retirement benefits are recognised in the period in which they occur, directly in other comprehensive income. They are included in Other Reserves in the Statement of Changes in Equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

| | Consolidated | |
|--|-----------------|---------------------------------|
| | 2021 US\$000 | 2020 US\$000 Restated (*) |
| 18. RETAINED PROFITS AND ACCUMULATED LOSSES | | |
| Retained profit/(loss) at start of year | 43,668 | 14,061 |
| Change on estimate | - | (5,694) |
| Net profit/(loss) attributable to members of Company | 47,256 | 35,385 |
| Transfer from share option reserve | (177) | (84) |
| Dividend paid | (8,016) | - |
| Retained profits/(accumulated losses) at the end of year | 82,731 | 43,668 |
| 19. DIVIDENDS PAID AND PROPOSED | | |
| Interim dividend for the year ended 30 June 2021 of 5 cents per fully paid share | 8,016 | - |
| Total dividend paid during the financial year | 8,016 | - |

(a) Recognition and Measurement

Provision is made for the amount of any declared dividend, being appropriately authorised and no longer at the discretion of Company, on or before the end of the reporting period but not distributed at the end of the reporting period. A provision for dividend is not recognised as a liability unless the dividends are declared on or before the reporting date.

20. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

The Group does not speculate in the trading of derivative instruments.

(i) Treasury risk management

Senior executives of the Group regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Group's overall risk management strategy is outlined in the Corporate Governance Statement in the Director's Report.

(ii) Financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

(iii) Interest rate risk

Interest rate risk is managed by investing cash with major financial institutions in both cash on deposit and term deposit accounts. Interest rates on major deposits that are re-invested, are at a fixed rate on a monthly basis.

(iv) Price risk

The Group sells its gold produced at spot rate and no forward contracts or hedging is utilised. Whilst the Group is cognizant of its exposure to fluctuations in the gold price, the current policy of the Board is not to hedge primarily because the Group produces gold in the current economic environment at a very low cash cost. The Board's risk management policy acknowledges that as market factors are dynamic in nature all risk positions are monitored to ensure that the Group's activities are consistent with the approach and strategy approved by the Board. The Board therefore regularly reviews the spot price of gold to consider whether it should adopt any measures to mitigate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial Risk Management Policies (continued)

(v) Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

(vi) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss to the Company. Credit risk arises from the financial assets of the Company, which comprise trade and other receivables and deposits with banks and financial institutions.

The Company manages its credit risk on trade receivables and financial instruments by predominantly dealing with counterparties with an investment grade credit rating. Customers who wish to trade on unsecured credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis. As a result, the Company's exposure to bad debts is not significant. Medusa's maximum credit risk is limited to the carrying amount of its financial assets.

At 30 June 2021 the Company had a provision for credit loss of nil (2020: nil). Subsequent to 30 June 2021, 100% (2020: 100%) of the trade receivables balance of nil (2020: nil) has been received. Credit risk from balance with banks is managed by placing funds with reputable financial institutions with strong investment grade credit ratings.

(vii) Foreign currency risk

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

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

(b) Financial instrument composition and maturity analysis

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

| Consolidated Group | Weighted avg | | Floating interest rate | | Within 1 Year | | Within 1 to 5 Years | | Non-Interest Bearing | | Total | |
|--|--------------------|------|------------------------|--------|---------------|-------|---------------------|-------|----------------------|--------|--------|--------|
| | Effective interest | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | (%) | | (US\$000) | | | | | | | | | |
| Financial Assets: | | | | | | | | | | | | |
| Cash & cash equivalent | 0.45 | 0.15 | 9,366 | 23,475 | - | - | - | - | 41,708 | 15,377 | 51,074 | 38,852 |
| Loans and receivables | - | - | - | - | - | - | - | - | 15,063 | - | 15,063 | - |
| | | | 9,366 | 23,475 | - | - | - | - | 56,771 | 15,377 | 66,137 | 38,852 |
| Financial Liabilities: | | | | | | | | | | | | |
| <i>Financial liabilities at amortised cost</i> | | | | | | | | | | | | |
| Bank Loan - Current | 4.32 | 5.84 | - | - | 1,503 | 5,457 | - | - | - | - | 1,503 | 5,457 |
| Bank Loan - Non-current | 7.75 | 7.89 | - | - | - | - | 200 | 296 | - | - | 200 | 296 |
| Lease Liabilities - Current | 6.03 | 6.03 | - | - | 579 | 532 | - | - | - | - | 579 | 532 |
| Lease Liabilities - Non-Current | 6.03 | 6.03 | - | - | - | - | 914 | 1,432 | - | - | 914 | 1,432 |
| Trade & sundry payables | - | - | - | - | - | - | - | - | 14,212 | 16,011 | 14,212 | 16,011 |
| | | | - | - | 2,082 | 5,989 | 1,114 | 1,728 | 14,212 | 16,011 | 17,408 | 23,728 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial instrument composition and maturity analysis (continued)

(i) Financial instrument composition and maturity analysis (continued)

| | Consolidated | |
|--|--------------|---------|
| | 2021 | 2020 |
| | US\$000 | US\$000 |
| <u>Trade and sundry payables are expected to be paid as follows:</u> | | |
| Less than 6 months | 14,212 | 16,011 |

As at 30 June 2021 and 2020, all receivables were neither past due nor impaired

(ii) Net fair values

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

(iii) Sensitivity analysis

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

(iv) Interest Rate Sensitivity Analysis

At 30 June 2021, the effect on profit or equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | Consolidated | |
|--|--------------|---------|
| | 2021 | 2020 |
| | US\$000 | US\$000 |
| <u>Change in profit/(loss) before income tax/equity:</u> | | |
| - increase in interest rate by 100 basis points | 113 | 253 |
| - decrease in interest rate by 100 basis points | (113) | (253) |

(v) Foreign currency risk sensitivity analysis

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the consolidated entity's functional currency.

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from the United States dollar. No programs for hedging foreign exchange risk were implemented by the consolidated entity in the 2020 and 2021 financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial instrument composition and maturity analysis (continued)

(v) Foreign currency risk sensitivity analysis (continued)

The following table shows the foreign currency risk on the financial assets and liabilities of the Groups operations denominated in currencies other than the functional currency of the operations.

| Consolidated | Net Financial Assets/(Liabilities) in US\$000 | | | |
|-------------------------------------|---|-----|--------|------------|
| | A\$ | PHP | US\$ | TOTAL US\$ |
| 2021 | | | | |
| Functional currency of Group Entity | | | | |
| Australian Dollar | - | - | 2,542 | 2,542 |
| US Dollar | - | 733 | - | 733 |
| Philippine Peso | - | - | 36,887 | 36,887 |
| Total | - | 733 | 39,429 | 40,162 |
| 2020 | | | | |
| Functional currency of Group Entity | | | | |
| Australian Dollar | - | - | 12,233 | 12,233 |
| US Dollar | - | 459 | - | 459 |
| Philippine Peso | - | - | 13,047 | 13,047 |
| Total | - | 459 | 25,280 | 25,739 |

| | Consolidated | |
|--|-----------------|-----------------|
| | 2021 US\$000 | 2020 US\$000 |
| <u>Change in profit/(loss) before income tax/equity:</u> | | |
| - strengthening of A\$ to US\$ by 5% | (121) | (582) |
| - strengthening of Philippine Peso to US\$ by 5% | (1,843) | (652) |
| Total | (1,964) | (1,234) |
| - weakening of A\$ to US\$ by 5% | 121 | 582 |
| - weakening of Philippine Peso to by 5% | 1,843 | 652 |
| Total | 1,964 | 1,234 |

(vi) Price risk sensitivity analysis

The policy of the Company is to sell gold at spot price and has not entered in hedging contracts. The Company's revenues were exposed to fluctuations in the price of gold. If the average selling price of gold of US\$1,853 (2020: US\$1,569) for the financial year had increased/decreased by 10% the change in the profit before income tax for the consolidated group would have been an increase/decrease of US\$17,701 million (2020: US\$14,807 million). The above interest rate, foreign exchange rate and price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with accounting standards and other regulatory pronouncements but are not considered critical in understanding the financial performance or position of the Group.

| | Consolidated | |
|---|--------------|---------|
| | 2021 | 2020 |
| | US\$ | US\$ |
| 21. AUDITORS' REMUNERATION | | |
| <i>Remuneration received or due and receivable by the Company's Auditors, BDO Audit (WA) Pty Limited for:</i> | | |
| • auditing or reviewing the financial reports | 147,643 | 140,843 |
| • other services provided by related entities of auditor: | | |
| Taxation | 24,648 | 29,363 |
| Remuneration consulting | - | 3,129 |
| IFRS Advisory | - | 10,950 |
| Total remuneration of the Company's auditors | 172,291 | 184,285 |
| <i>Remuneration of other auditors of the Company's Philippines and Hong Kong subsidiaries for:</i> | | |
| • auditing or reviewing the financial reports | 83,194 | 80,065 |
| • other services provided by related practice of auditor - taxation & compliance | 7,473 | 3,400 |
| Total remuneration of other auditors of the Company's Philippines subsidiaries | 90,667 | 83,465 |
| 22. COMMITMENTS | | |
| (a) Exploration commitments: | | |
| The Group has certain obligations to perform minimum exploration work to maintain rights of tenure to its exploration tenements. These obligations may vary from time to time in accordance with tenements held and are expected to be fulfilled in the normal course of operations of the Group so as to avoid forfeiture of any tenement. | | |
| These obligations are not provided in the financial report and are payable: | | |
| - no later than 1 year | 206 | 195 |
| - 1 year or later and no later than 5 years | 1,264 | 1,113 |
| Total exploration commitments | 1,470 | 1,308 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

22. COMMITMENTS (continued)

| | Consolidated | |
|--|--------------|---------|
| | 2021 | 2020 |
| | US\$000 | US\$000 |
| (b) Other contractual commitments: | | |
| (i) On 26 March 2008, Philsaga was granted Mineral Production Sharing Agreement ("MPSA") number 262-2008-XIII over the Co-O mine. Under the terms of the Agreement Philsaga is committed to mine related expenditure in the Philippines as follows: | | |
| These obligations are not provided in the financial report and are payable: | | |
| - no later than 1 year | 61 | 853 |
| - 1 year or later and no later than 5 years | 243 | 214 |
| Total other contractual commitments | 304 | 1,067 |
| (ii) On 24 November 2009 Philsaga was granted Mineral Production Sharing Agreement ("MPSA") number 299-2009-XIII over the Co-O mine. Under the terms of the Agreement Philsaga is committed to mine related expenditure in the Philippines as follows: | | |
| These obligations are not provided in the financial report and are payable: | | |
| - no later than 1 year | 105 | 68 |
| - 1 year or later and no later than 5 years | 253 | 236 |
| Total other contractual commitments | 358 | 304 |
| (iii) As announced on the ASX on 16 April 2021, the Co-O gold mine decline project Tigerway was approved. The Company's associated operating entity in the Philippines has committed to spend approximately US\$54 million on the decline project over 36 months, of which approximately US\$6 million has been spent in FY21. | | |

23. CONTINGENT LIABILITIES

- (i) The parent entity on behalf of its subsidiary Komo Diti Traders Limited has provided a performance guarantee to its customer Heraeus Limited amounting to no more than US\$15,000,000 for any deficiency in the subsidiary's obligations and liabilities under the Refining & Transportation Agreement with Heraeus Limited.
- (ii) The parent entity has a bank guarantee of AUD\$83,630 with the Commonwealth Bank of Australia for its head office premises. In the event that it is unable to fulfil its rental obligation with the landlord, the bank shall release the funds for settlement.
- (iii) The Company's operating affiliate in the Philippines, Mindanao Mineral Processing and Refining Corporation ("MMPRC") is contesting an alleged deficiency of payment of corporate income tax and certain indirect taxes by the Bureau of Internal Revenue Philippines (BIR).

In May 2021, the Court of Tax Appeals ("CTA") in the Philippines issued a Notice of Decision cancelling and set aside the entire amount of the alleged deficiency of corporate income tax and upheld the assessment of the alleged deficiency of payment of indirect taxes.

In June 2021, MMPRC has filed a motion to the CTA to appeal the decision to uphold the assessment of the alleged deficiency of payment of indirect taxes. Likewise, BIR has filed a motion to the CTA to appeal its decision in relation to corporate tax matter. As of this date, there is no resolution with regards to the appeal matters.

Management, in consultation with its legal counsel, believe the appeal will favour the position of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

24. RELATED PARTIES

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

Key Management Personnel related parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors:

Non-Executive -

Jeffery McGlinn (appointed Non Executive Director 16 February 2021 and Chairperson on 19 March 2021);

Roy Daniel; and

Simon Mottram.

Executive -

Andrew Teo (appointed Managing Director on 19 March 2021)

Executive Officers:

David McGowan (Chief Executive Officer - ceased employment on 20 July 2020);

Raul Villanueva;

Patrick Warr (appointed Chief Financial Officer on 7 September 2020);

Peter Alphonso (Chief Financial Officer retired 7 September 2020); and

James Llorca (General Manager, Geology & Resources).

Details of Key Management Personnel's remuneration, shareholdings and option/performance rights holdings are set out in the Remuneration Report section of the Directors' Report.

| | Consolidated | |
|---|--------------|---------|
| | 2021 | 2020 |
| | US\$000 | US\$000 |
| <u>Key management personnel compensation:</u> | | |
| Short term employee benefits | 1,559 | 1,495 |
| Post-employment benefits | 40 | 52 |
| Long-term benefits | - | 8 |
| Equity-settled share-based payments | 372 | 53 |
| Total | 1,971 | 1,608 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

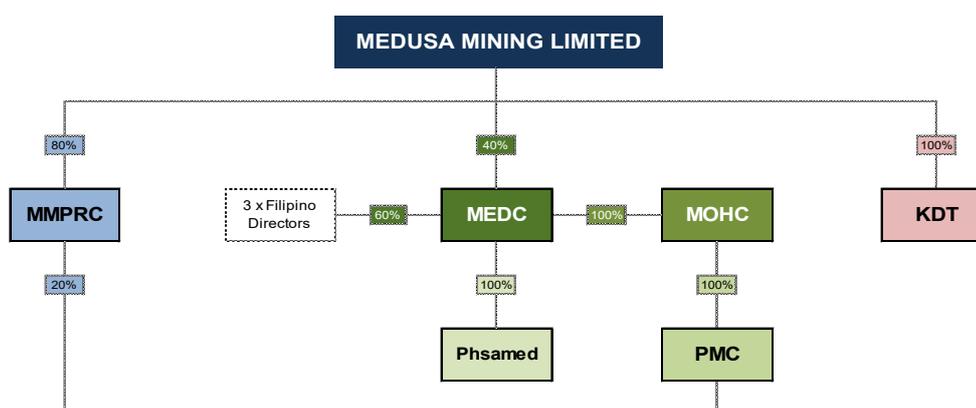
OTHER INFORMATION (continued)

25. INVESTMENT IN SUBSIDIARIES

The following companies are controlled entities of Medusa Mining Limited as at 30 June 2021:

| Controlled Entities | Date of incorporation | Country of incorporation | % interest held | |
|--|-----------------------|--------------------------|-----------------|------|
| | | | 2021 | 2020 |
| Medusa Exploration & Development Corporation | 29 May 2003 | Philippines | 40% | 40% |
| Phsamed Mining Corporation | 23 Apr 2003 | Philippines | 40% | 40% |
| Medusa Overseas Holding Corporation | 08 May 2003 | Philippines | 40% | 40% |
| Philsaga Mining Corporation | 17 May 2001 | Philippines | 40% | 40% |
| Mindanao Mineral Processing and Refining Corporation | 03 Nov 2005 | Philippines | 100% | 100% |
| Komo Diti Traders Limited | 23 Jan 2017 | Hong Kong | 100% | 100% |

ORGANISATION CHART



Philippines entities:

- Mindanao Mineral Processing & Refining Corporation ("MMPRC") - Processing Company
- Medusa Overseas Holding Corporation ("MOHC") - Holding Company
- Medusa Exploration & Development Corporation ("MEDC") - Company providing geological services
- Phsamed Mining Corporation ("Phsamed") - Mining and Exploration Company
- Philsaga Mining Corporation ("PMC") - Mining and Exploration Company

Hong Kong entity:

- Komo Diti Traders Limited ("KDTL") - Trading Company

Medusa Mining Limited ("Medusa") holds 40% of the issued shares of Medusa Exploration and Development Corporation ("MEDC"). As Medusa has various agreements in place and pursuant to local statutory provisions, Medusa has effective sole rights to the economic returns of MEDC and its subsidiary companies. In such circumstances, the assets and liabilities of MEDC and its subsidiaries have been attributed 100% to the Consolidated Entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

26. PARENT COMPANY INFORMATION

| | 2021 US\$000 | 2020 US\$000 |
|-----------------------------------|-----------------|-----------------|
| Parent Entity: | | |
| Current Assets | 2,788 | 12,485 |
| Total Assets | 20,816 | 27,792 |
| Current Liabilities | 392 | 678 |
| Total Liabilities | 621 | 982 |
| Net Assets | 20,195 | 26,810 |
| Issued capital | 102,902 | 102,902 |
| Option premium reserve | 1,155 | 444 |
| Foreign exchange reserve | 11,894 | 11,894 |
| Accumulated losses | (45,471) | (46,161) |
| Dividends paid | (50,285) | (42,269) |
| Total Equity | 20,195 | 26,810 |
| Profit/(Loss) for the year | 867 | (1,539) |
| Total Comprehensive Profit/(Loss) | 867 | (1,539) |

On adoption of AASB 9 Financial Instruments in FY20 the financial impact of applying the expected loss impairment model to loans provided to subsidiaries was nil.

27. SHARE BASED PAYMENTS

The following share-based payment arrangements existed during 30 June 2021:

- (i) On 16 December 2014, 3,200,000 options were issued to Australian and Philippine based employees. The options, which hold no voting or dividend rights have an expiry date of 16 December 2018 and are exercisable at A\$1.00 per option.
- Under the terms of the Issue the employees would be required to remain in the employment of the Company at 16 December 2015 to achieve 30% vesting of the options, at 16 December 2016 to achieve 30% vesting of the options, with full vesting if they remain employees of the Company a year later on 16 December 2017.
- At reporting date, all options had expired.
- (ii) On 9 February 2015, 1,000,000 options were issued to Australian and Philippine based employees. The options which hold no voting or dividend rights have an expiry date of 09 February 2019 and are exercisable at A\$1.00 per option.
- Under the terms of the Issue the employees would be required to remain in the employment of the Company at 9 February 2016 to achieve 30% vesting of the options, at 9 February 2017 to achieve 30% vesting of the options, with full vesting if they remain employees of the Company a year later on 9 February 2018.
- At reporting date, all options had expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE BASED PAYMENTS (continued)

- (iii) On 24 November 2016, 1,200,000 options were issued to Boyd Timler, the company's previous Managing Director (who retired on 06 July 2018), subject to the rules of Medusa Mining Limited Share Option Plan. Upon his retirement, the remaining share options yet to be vested were forfeited.
- (iv) The options which hold no voting or dividend rights have an expiry date of 24 November 2020 and are exercisable as follows:

| Tranche | Options | Exercise price | Valuation per option | Terms of issue |
|---------|---------|----------------|----------------------|--|
| A | 300,000 | A\$1.00 | A\$0.200 | Under the terms of the issue, the employee would be required to remain in the employment of the company at 24 November 2017 to achieve 30% vesting of options, at 24 November 2018 to achieve 30% vesting of options with full vesting if Mr Timler remains an employee of the company a year later on 24 November 2019. In July 2018, Mr Timler resigned. |
| B | 300,000 | A\$1.25 | A\$0.170 | |
| C | 300,000 | A\$1.50 | A\$0.147 | |
| D | 300,000 | A\$1.75 | A\$0.128 | |

The Options were valued using a Black Scholes pricing model. The valuation per tranche was calculated under this valuation model (using historical share price volatility measures) and applying the following inputs:

- Weighted average life of option - 48 months
 - Share price volatility - 65%
 - Risk free rate - 2.07%
 - Dividend Yield - Nil
- (v) On 8 January 2018, 1,665,000 options were issued to Australian and Philippine based employees. The options which hold no voting or dividend rights have an expiry date of 8 January 2022 and are exercisable as follows:

| Tranche | Options | Exercise price | Valuation per option | Terms of issue |
|---------|---------|----------------|----------------------|--|
| A | 416,250 | A\$1.00 | A\$0.275 | Under the terms of the issue, the employees would be required to remain in the employment of the company at 8 January 2019 to achieve 30% vesting of options, at 8 January 2020 to achieve 30% vesting of options with full vesting if they remain an employee of the company a year later on 8 January 2021. At reporting date, all options remain unexercised. |
| B | 416,250 | A\$1.25 | A\$0.255 | |
| C | 416,250 | A\$1.50 | A\$0.239 | |
| D | 416,250 | A\$1.75 | A\$0.225 | |

The Options were valued using a Black Scholes pricing model. The valuation per tranche was calculated under this valuation model (using historical share price volatility measures) and applying the following inputs:

- Weighted average life of option - 48 months
 - Share price volatility - 99%
 - Risk free rate - 1%
 - Dividend Yield - Nil
- (vi) On 13 March 2020, the Company issued 5,300,000 Long Term Performance Rights to its employees. Under the terms of the issue, employees would be required to remain in employment of the Company for a three-year vesting period, until 13 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE BASED PAYMENTS (continued)

The terms and conditions of the Long-term performance rights include the following:

| Long Term Incentive Measures | Weighting relative to Total PR issued | Targets | | Score mechanism |
|---|---------------------------------------|---|--|---|
| | | Range of growth/change | Percentage allocation of weighting | |
| Financial measure: Earnings per share growth | 17% | <ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3 year period |
| Company growth: Increase in ore reserves | 16% | <ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | Based on JORC compliant reports 2019 and 2022 |
| Long-term Infrastructure target: Decline development | 17% | <ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline | Zero Pro rata 0% to 100% 100% | Based on the decline metres developed at end of June 2022, based on plan to access level 14. 70% = 3,450 metres of decline, 85% = 4,190 metres. |
| Relative total shareholder returns: Measure of Company return compared to peer group. | 25% | <ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile | Zero 50% Pro rata 50% to 100% 100% | Measured against Peer Group based on 30 day VWAP at the relative measure points at 30 June 2019 and 30 June 2022 |
| Absolute total shareholder return: Measure of Company return | 25% | <ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% | Zero Pro rata 50% to 100% 100% | Measure by comparing 30 day VWAP at 30 June 2019 to 30 day VWAP at 30 June 2022 |

The fair value of the non-market vesting conditions has been based on the share price of the Company at grant date.

Non-market vesting conditions are included in assumptions about the number of Performance Rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of Performance Rights (and options) that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

The fair value of market vesting conditions has been determined at grant date by using the Monte Carlo Simulations pricing model that takes into account the exercise price, the term of the performance right, the share price at grant date, expected price volatility of the underlying share and the risk free rate for the term of the performance right. The expected price volatility is based on historic volatility (based on the remaining life of their performance right).

Include in the valuation of relative total shareholder returns is measurement of the Company to Peer companies in the gold industry.

Model inputs for market performance rights valued using the Monte Carlo Simulations model granted during the year include:

- Grant date - 13 March 2020
- Life - 3 years
- Share price at grant date - 44.5 cents
- Share price volatility - 58%
- Risk free rate - 0.55%
- Dividend Yield - Nil
- 30 day VWAP - 51.8 cents
- Fair Value - 26.0 cents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE BASED PAYMENTS (continued)

- (vii) On 17 January 2020, the Company issued 167,000 Performance Rights to its executives pursuant to its Short-term incentive plan based on the performance of the Company for the year ended 30 June 2019. Under the terms of the issue, the executives would be required to remain in employment of the Company for a one-year vesting period, until 17 January 2021. The fair value of the Performance Rights of 61 cents has been recognised at grant date and based on the share price of the Company.
- (viii) On 30 November 2020, the Company issued 83,000 Performance Rights to its executives pursuant to its Short-term incentive plan based on the performance of the Company for the year ended 30 June 2021. Under the terms of the issue, the executives would be required to remain in employment of the Company for a one-year vesting period, until 30 November 2021. The fair value of the Performance Rights of 57 cents has been recognised at grant date and based on the share price of the Company.
- (ix) On 4 June 2021, the Company issued 350,000 Long Term Performance Rights to its CFO, Mr P Warr. Under the terms of the issue, Mr Warr would be required to remain in employment of the Company for a three-year vesting period, until 1 January 2024. Each Performance Right is a right to acquire one share in the Company for nil consideration. The value for a Performance Right granted has been calculated as \$0.57 each.

The terms and conditions of the Long-term performance rights include the following:

| Long Term Incentive Measures | Weighting relative to Total PR issued | Targets | | Score mechanism |
|---|---------------------------------------|---|--|---|
| | | Range of growth/change | Percentage allocation of weighting | |
| Financial measure: Earnings per share growth | 20% | <ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3 year period |
| Company growth: Increase in ore reserves | 20% | <ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | Based on JORC compliant reports 2020 and 2023 |
| Long-term Infrastructure target: Tigerway decline development | 10% | <ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline | Zero Pro rata 0% to 100% 100% | Based on the decline metres developed at relative measurement periods. |
| Relative total shareholder returns: Measure of Company return compared to peer group. | 20% | <ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile | Zero 50% Pro rata 50% to 100% 100% | Measured against Peer Group based on 30 day VWAP at the relative measure points at 30 June 2020 and 30 June 2023 |
| Absolute total shareholder return: Measure of Company return | 20% | <ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% | Zero Pro rata 50% to 100% 100% | Measure by comparing 30 day VWAP at 30 June 2020 to 30 day VWAP at 30 June 2023 |
| Safety: Total Injury frequency rate | 10% | <ul style="list-style-type: none"> Negative 20% improvement 20%-40% improvement Greater than 40% improvement. | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | Measured by comparison of rates for lost time and non-lost time injuries over the vesting period. |

The fair value of the non-market vesting conditions has been based on the share price of the Company at grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE BASED PAYMENTS (continued)

Non-market vesting conditions are included in assumptions about the number of Performance Rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of Performance Rights (and options) that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

The fair value of market vesting conditions has been determined at grant date by using the Monte Carlo Simulations pricing model that takes into account the exercise price, the term of the performance right, the share price at grant date, expected price volatility of the underlying share and the risk free rate for the term of the performance right. The expected price volatility is based on historic volatility (based on the remaining life of their performance right).

Include in the valuation of relative total shareholder returns is measurement of the Company to Peer companies in the gold industry.

Model inputs for market performance rights valued using the Monte Carlo Simulations model granted during the year include:

- Grant date - 4 June 2021
- Life - 3 years
- Share price at grant date - 89.0 cents
- Share price volatility - 55%
- Risk free rate - 0.11%
- Dividend Yield - Nil
- 30 day VWAP - 83.5 cents
- Fair Value - Relative return 60.3 cents, Absolute return 50.9 cents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE BASED PAYMENTS (continued)

(x) On 24 June 2021 the shareholders of the Company approved the issue of 2 million Long Term Performance Rights and 1.5 million Long Term Performance Rights to Messrs A Teo and R Villanueva respectively. Under the terms of the issue, these Executives will be required to remain in employment of the Company for a three-year vesting period, until 13 March 2024 and 1 January 2024 respectively.

The terms and conditions of the long-term performance rights include the following:

| Long Term Incentive Measures | Weighting relative to Total PR issued | Targets | | Score mechanism |
|---|---------------------------------------|---|--|---|
| | | Range of growth/change | Percentage allocation of weighting | |
| Financial measure: Earnings per share growth | 20% | <ul style="list-style-type: none"> Negative 0 to 5% per annum growth 5 to 10% per annum growth pro rata Greater than 10% per annum growth | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | EPS calculation to exclude non-recurring items and measured as the cumulative annual growth rate over a 3 year period |
| Company growth: Increase in ore reserves | 10% | <ul style="list-style-type: none"> Negative Depletion replacement to 20% growth 20% to 40% growth Greater than 40% | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | Based on JORC compliant reports 2020 and 2023. |
| Long-term Infrastructure target: Tigerway decline development | 20% | <ul style="list-style-type: none"> < 70% of decline developed 70% to 85% >85% of decline developed. | Zero Pro rata 0% to 100% 100% | Percentage of weighting is based on achievement of programmed Tigerway Decline Project development. 1st year - 10% 2nd year - 15% 3rd year - remaining 75% |
| Relative total shareholder returns: Measure of Company return compared to peer group. | 10% | <ul style="list-style-type: none"> Below 50th percentile At 50th percentile 50th to 75th percentile Greater than 75th percentile | Zero 50% Pro rata 50% to 100% 100% | Measured against Peer Group based on 30 day VWAP at grant date and three year anniversary date. |
| Absolute total shareholder return: Measure of Company return | 10% | <ul style="list-style-type: none"> Below 20% Between 20 to 50% Greater than 50% | Zero Pro rata 50% to 100% 100% | Measure by comparing 30 day VWAP at grant date and three year anniversary date. |
| Safety: Total Injury frequency rate. | 30% | <ul style="list-style-type: none"> Negative 20% improvement 20%-40% improvement Greater than 40% improvement | Zero Pro rata 0% to 40% Pro rata 40% to 100% 100% | Measured by comparison of rates for lost time and non-lost time injuries over the vesting period. |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE BASED PAYMENTS (continued)

Each Performance Right is a right to acquire one share in the Company for nil consideration.

The value at grant date of Performance Rights granted as part of remuneration is calculated in accordance with AASB2 Share Based Payments. The value for a Performance Right granted has been calculated as \$0.59 each.

The fair value of the non-market vesting conditions has been based on the share price of the Company at grant date.

Non-market vesting conditions are included in assumptions about the number of Performance Rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of Performance Rights (and options) that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

The fair value of market vesting conditions has been determined at grant date by using the Monte Carlo Simulations pricing model that takes into account the exercise price, the term of the performance right, the share price at grant date, expected price volatility of the underlying share and the risk free rate for the term of the performance right. The expected price volatility is based on historic volatility (based on the remaining life of their performance right).

Included in the valuation of relative total shareholder returns is measurement of the Company to Peer companies in the gold industry

Model inputs for market performance rights valued using the Monte Carlo Simulations model granted during the year include:

- o Grant date - 24 June 2021
- o Life - 3 years
- o Share price at grant date - 85.0 cents
- o Share price volatility - 55%
- o Risk free rate - 0.20%
- o Dividend Yield - Nil
- o 30 day VWAP - 87.8 cents
- o Fair Value - (A Teo) Relative return 67.7 cents, Absolute return 46.0 cents
- (R Villanueva) Relative return 59.9 cents, Absolute return 44.7 cents

The following companies have been identified by the Company to comprise the Peer Group. The Remuneration Committee may recommend to the Board to either include or exclude gold mining organisations available on this list to reflect changes in the industry:

| Company | ASX code |
|----------------------------|----------|
| Austral Gold Limited | AGD |
| Dacian Gold Limited | DCN |
| Emerald Resources Limited | EMR |
| Kingrose Mining Limited | KRM |
| Oceana Gold Limited | OGC |
| Pantoro Limited | PNR |
| Persues Mining Limited | PRU |
| Ramelius Resources Limited | RMS |
| Red 5 Limited | RED |
| Resolute Mining Limited | RSG |
| Troy Resources Limited | TRY |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE BASED PAYMENTS (continued)

- (xi) Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses were as follows:

| | Consolidated | |
|-----------------------------------|-----------------|-----------------|
| | 2021 US\$000 | 2020 US\$000 |
| Options | 16 | 31 |
| Performance Rights | 518 | 127 |
| Total share-based payment expense | 534 | 158 |

| Share based options | 2021 | | 2020 | |
|------------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|
| | Number of options | Weighted average exercise price (A\$) | Number of options | Weighted average exercise price (A\$) |
| Outstanding at start of year | 1,825,000 | 1.2784 | 2,025,000 | 1.3157 |
| Granted | - | - | - | - |
| Forfeited | - | - | 200,000 | 1.6563 |
| Expired | 360,000 | 1.0417 | - | - |
| Exercised | - | - | - | - |
| Outstanding at year end | 1,465,000 | 1.3366 | 1,825,000 | 1.2784 |
| Exercisable at year end | 1,465,000 | 1.3366 | 1,359,000 | 1.1489 |

During the year, nil options were forfeited (2020: 200,000 options) and 360,000 options expired (2020: nil options).

The options outstanding at 30 June 2021 (all of which are unlisted) had a weighted average exercise price of A\$1.3366 and a weighted average remaining contractual life of 6.4 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

27. SHARE BASED PAYMENTS (continued)

| Performance Rights | 2021 | | 2020 | |
|------------------------------|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
| | Number of performance rights | Weighted average exercise price (A\$) | Number of performance rights | Weighted average exercise price (A\$) |
| Outstanding at start of year | 5,467,000 | 0.4529 | - | - |
| Granted | 3,933,000 | 0.8508 | 5,467,000 | 0.4529 |
| Forfeited | 1,348,000 | 0.4618 | - | - |
| Expired | - | - | - | - |
| Exercised | 79,000 | 0.7020 | - | - |
| Outstanding at year end | 7,973,000 | 0.6452 | 5,467,000 | 0.4529 |
| Exercisable at year end | - | - | - | - |

The performance rights outstanding at 30 June 2021 (all of which are unlisted) had a weighted average exercise price of A\$0.6452 and a weighted average remaining contractual life of 25.92 months.

Included under administration expense in the Statement of Profit or Loss and other Comprehensive Income is US\$534,100 (2020:US\$158,387) and relates, in full, to equity-settled share-based payment transactions relating to employees.

(a) Recognition and Measurement

The fair value of share-based payment transactions measured at grant date are recognised as an employee expense with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the instruments.

If the employee does not meet a non-market condition, such as a service condition or internal KPI, any cumulative previously recognised expense is reversed.

The fair value of the share-based payment transactions granted are adjusted to reflect market vesting conditions at the time of grant date and not subsequently adjusted. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable and are updated at each balance sheet date. The impact of the revision to the original estimates for non-market conditions, if any, is recognised in the income statement with a corresponding adjustment to equity. Changes as a result of market conditions are not adjusted after the initial grant date.

(b) Key Estimates and Judgments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

OTHER INFORMATION (continued)

28. PRIOR PERIOD ERROR

The financial report for the year ended 30 June 2020 had reported an understatement of the amortisation expense by approximately \$5.693 million, resultant from an estimation error. This prior period error has been corrected by the retrospective restatement of the following items reported in the 30 June 2020 financial report:

| Consolidated Statement of financial position | 30 June 2020 | | |
|--|----------------------------|--------------------------------|----------------------------|
| | Previous amount US\$000 | Increase/(Decrease) US\$000 | Restated amount US\$000 |
| Development Expenditure | 64,490 | (5,693) | 58,797 |
| Total Assets | 190,462 | (5,693) | 184,769 |
| Net Assets | 158,421 | (5,693) | 152,728 |
| Retained Earnings | 49,362 | (5,693) | 43,669 |
| Total Equity | 158,421 | (5,693) | 152,728 |

| Consolidated Statement of profit or loss and other comprehensive income | 30 June 2020 | | |
|---|----------------------------|--------------------------------|----------------------------|
| | Previous amount US\$000 | Increase/(Decrease) US\$000 | Restated amount US\$000 |
| Cost of Sales | 85,585 | 5,693 | 91,278 |
| Gross Profit | 62,244 | (5,693) | 56,551 |
| Profit before Income Tax expense | 38,741 | (5,693) | 33,048 |
| Income Tax expense | 3,356 | - | 3,356 |
| Profit for the year after Income Tax expense | 35,385 | (5,693) | 29,692 |
| Basic Profit/(Loss) per share | 0.170 | (0.027) | 0.143 |
| Diluted Profit/(Loss) per share | 0.169 | (0.027) | 0.142 |

29. EVENTS SUBSEQUENT TO REPORTING DATE

- The Company announced to the ASX on 23 August 2021 that it had withdrawn from the tenement covering the Bananghilig Gold Deposit.
- The Company announced to the ASX on 24 August 2021, production guidance for FY22 of between 90,000 ounces to 95,000 ounces at All-In-Sustaining-Costs ("AISC") of between US\$1,250 to US\$1,300 per ounce. The marginal increase in AISC allows for a general increase in the cost of labour and raw materials

The abovementioned AISC excludes any expenditure for the construction of the Tigerway Decline Project ("Tigerway"). The costs of the Tigerway project is estimated to be US\$54 million (Refer ASX announcement 16 April 2021) and the Company expects to incur US\$15 million on Tigerway for FY22.

Except for the above, subsequent to Balance Date, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and/or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

30. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

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

DIRECTOR'S DECLARATION

for the year ended 30 June 2021

In the opinion of the Directors' of Medusa Mining Limited:

- a) The consolidated financial statements and notes of Medusa Mining Limited are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements: and
- b) There are reasonable grounds to believe that Medusa Mining Limited will be able to pay its debts as and when they become due and payable.
- c) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2021.
- d) Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors



Andrew Teo
Managing Director

Dated the 26st day of August 2021

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF MEDUSA MINING LIMITED

As lead auditor of Medusa Mining Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Medusa Mining Limited and the entities it controlled during the period.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 26 August 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Medusa Mining Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Medusa Mining Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Value of Group's Co-O mining operations (CGU)

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|---|
| <p>The Group's carrying value of its Co-O mining operations (CGU) is included in property, plant and equipment (note 10) and development expenditure (note 11).</p> <p>The carrying value of mine properties is impacted by various key estimates and judgements in particular:</p> <ul style="list-style-type: none"> • Ore Reserves and estimates; • Amortisation rates; • Discount rate; • Assumed gold price; • Capitalisation of mining costs; and • Mine planning. <p>The Group is also required to assess for indicators of impairment at each reporting period. The assessment of impairment indicators in relation to the mine assets requires management to make significant accounting judgements and estimates which includes discount rates, commodity price and ore reserve estimates.</p> <p>This is a key audit matter due to the quantum of the Co-O asset and the significant judgement involved in management's assessment of the carrying value of the CGU. Refer to the significant estimates and judgements used by management in assessing the discounted future cash flows as disclosed in note 12.</p> | <p>We evaluated management's impairment model for the Co-O mining operations (CGU) by challenging the key estimates and assumptions used by management in arriving at their assessment. Our work included but was not limited to the following procedures:</p> <ul style="list-style-type: none"> • analysing management's gold price assumptions against external market information and trends, to determine whether a significant change would impact the value of the asset; • challenging the appropriateness of management's reserves estimate by assessing the significant assumptions, methods and source data used by management's expert in estimating the reserves. This included both meeting with management's expert and assessing the competency and objectivity of management's expert; • evaluating forecasted production and operating costs against the Board approved mine plan; • challenging the appropriateness of management's discount rate used in the impairment model in conjunction with our internal valuation experts; • challenging management's sensitivity assessment by performing our own sensitivity analysis in respect of the key assumptions to indicate if there would be a significant change to the value of the asset; • reviewing and challenging management's methodology on the amortisation calculation; and • assessing the adequacy of the related disclosures in note 12 to the financial report. |

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 26 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Medusa Mining Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Neil Smith

Director

Perth, 26 August 2021