

Regulatory Story

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Company Medusa Mining Limited
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MEDUSA MINING LIMITED

ABN 60 099 377 849

and Controlled Entities

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2010

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This report should be read in conjunction with Medusa's Annual Report for the year ended 30 June 2010 and any announcements made by the Company during the interim reporting period, as it does not include all the notes of the type normally included in an annual financial report.

Appendix 4D

Half year report
For the 6 months ended 31 December 2010

Name of entity			
MEDUSA MINING LIMITED			
ABN or equivalent company reference	Half yearly (tick)	Preliminary final (tick)	Half year/ financial ended ("current period")
60 099 377 649	√		31 December 2010

Results for announcement to the market

Revenues and profits:		US\$'000		US\$'000
Revenues from ordinary activities	up 89%	41,324	to	78,303
Profit from ordinary activities after tax attributable to members	up 105%	28,333	to	58,082
Net profit for the period attributable to members	up 105%	28,333	to	58,082

(All comparisons to the previous period ended 31 December 2009)

Dividends:		
Interim dividend	Amount per security	Franked amount per security
- current period	A\$0.06	Nil
- previous period (half year ended 31 Dec 2009)	Nil	Nil

The Record Date for determining entitlement to the dividend is 11 March 2011;
The Ex-Dividend Date will be 07 March 2011 (on ASX), 09 March 2011 (on LSE) and 10 March 2011 (on TSX);
Payment Date for dividends will be 23 March 2011;
There is no Foreign Conduit Income attributed to the dividend; and
The Company does not have any Dividend Reinvestment Plan in operation.

Net tangible assets per share:
The net tangible assets per share as at 31 Dec 2010 was US\$1.236 (31 Dec 2009: US\$ 0.819)

Change in control of entities:
There has been no change in control, either gained or lost during the current period.

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

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2010 and the review report thereon:

DIRECTORS:

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

<u>Name</u>	<u>Period of Directorship</u>
Non-executives:	
Mr Peter R Jones (Chairman)	Director appointed 08 July 2010
Dr Robert M Weinberg	Director since July 2006
Mr Andrew Boon San Teo	Director since February 2010
Executives:	
Mr Geoffrey J Davis (Managing Director)	Director since February 2002
Mr Peter Hepburn-Brown (Operations Director)	Director since September 2009
Mr Roy P Daniel (Finance Director)	Director since April 2006

HIGHLIGHTS FOR THE SIX MONTHS:

Financials

Description	Unit	Dec 2010	Dec 2009	Variance	(%)
Revenues*	US\$	\$78.3 M	\$41.3 M	\$37.0 M	89%
EBITDA	US\$	\$63.3 M	\$31.5 M	\$31.8 M	101%
NPAT	US\$	\$58.1 M	\$28.3 M	\$29.8 M	105%
EPS (basic)	US\$	\$0.310	\$0.168	\$0.142	84%

(* Includes the sale of bullion that relate to prior year's production (previously re-classified from revenue to inventory at 30 June 2010 to comply with Australian Accounting Standards). Refer 2010 Annual Report.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") of US\$63.3 million, up 101% from US\$31.5 million in the prior corresponding period;

Earnings per share ("EPS") of US\$0.310 on a weighted average basis, based on NPAT of US\$58.1 million (six months to December 2009: EPS of US\$0.168 based on NPAT of US\$28.3 million);

Revenues increased 90% to a record US\$78.3 million, due to increased gold production and a higher price received on sale of gold. Medusa is an un-hedged gold producer and received an average gold price of US\$1,291 per ounce from the sale of 48,883 ounces of gold for the half-year to December 2010 (corresponding period to December 2009: 39,162 ounces at US\$1,047 per ounce) as highlighted in Graph 1 (please see link at the end of this announcement);

The Company remains debt free and had total cash and cash equivalent in gold on metal account of US\$87.2 million at 31 December 2010 (corresponding period to 31 December 2009: US\$35.5 million).

Operations

Description	Unit	Dec 2010	Dec 2009	Variance	(%)
Production	ounces	51,127	39,162	11,965	30%
Cash costs	US\$/oz	\$186	\$189	\$3	1%
Gold price received	US\$/oz	\$1,291	\$1,047	\$244	23%

The Company produced a record 51,127 ounces of gold for the half-year, an increase of 11,965 ounces or 30% from the previous corresponding period, at an average recovered grade of 14.28 g/t gold (six months to December 2009: 16.65 g/t gold) as highlighted in Graph 2 (please see link at the end of this announcement);

Average cash costs for the half-year of US\$186 per ounce, was marginally lower than the previous corresponding period's costs of US\$189 per ounce.

Production Outlook

The total forecast gold production for the fiscal year to 30 June 2011 after taking into account current production of 51,127 is now 102,000 ounces at anticipated cash costs of US\$190 per ounce.

A breakdown of actual and budgeted production ounces and cost per ounce by quarters for the last six quarters and the remaining two quarters of this fiscal year is highlighted in Graph 3 (please see link at the end of this announcement).

New Co-O Plant

The Board on 17 November 2010, approved construction of a new Co-O plant with capacity to produce 200,000 ounces per year.

Capital requirements of the new plant (inclusive of mine development) are estimated at US\$80 million and will be funded out of cashflow.

The construction schedule after regulatory permitting is estimated to be approximately 21 months.

Dividends

The Board has approved an interim un-franked dividend payment of A\$0.05 per share payable to shareholders on 23 March 2011.

The relevant dates for the interim dividend are as follows:

Dividend Record Date	: 11 March 2011
Ex-Dividend Date (on ASX)	: 07 March 2011
Ex-Dividend Date (on LSE)	: 09 March 2011
Ex-Dividend Date (on TSX)	: 10 March 2011
Dividend Payment Date	: 23 March 2011

There is no foreign conduit income attributed to the dividend.

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OPERATIONS OVERVIEW

The locations of the Company's projects are shown on Figures 1 and 2 (please see link at the end of this announcement).

GOLD PRODUCTION

The production statistics for the six months to 31 December 2010 with comparatives for the December 2009 half year are summarised in Table I.

Table I. Gold production statistics

Description	Unit	Half-year ended 31 Dec 2010	Half-year ended 31 Dec 2009	Variance	(%)
Ore mined (1)	WMT	121,988	93,498	28,490	30%
Ore milled	DMT	118,501	78,055	40,446	51%
Recovered grade	g/t	14.28	16.65	(2.37)	(14%)
Recovery	%	94%	94%	-	0%
Gold produced (2)	ounces	51,127	39,182	11,965	30%
Cash costs (3)	US\$	\$186	\$189	\$3	01%
Gold sold	ounces	48,883	39,182	9,721	24%
Average gold price received	US\$	\$1,291	\$1,047	\$244	23%

Note:

(1) The moisture content in wet tonnes ranges between 6 to 7%.

(2) Gold production is actual gold poured at site (and requires no further processing) during the period and does not reflect changes in the balance of gold in circuit. It includes any gold awaiting shipment.

(3) Cash costs refers to the cost of gold mined (net of development costs), produced but not necessarily sold and includes royalties and local business taxes of US\$50 per ounce for the Dec 2010 half-year (Dec 2009 half-year US\$46 per ounce).

Gold production for the six months to 31 December 2010 was marginally above budget at 51,127 ounces of gold (budget for half year to December 2010: 50,000 ounces) at average recovered grades of 14.28 g/t gold.

The average cash costs of US\$186 per ounce, inclusive of royalties and local business taxes of US\$50 per ounce is marginally below the budgeted cash costs of US\$190 per ounce.

Medusa, an un-hedged gold producer, sold 48,883 ounces of gold at an average price of US\$1,291 per ounce during the period.

The forecast gold production for the fiscal year to 30 June 2011, following production of 51,127 ounces of gold for the half year to December 2010 is now 102,000 ounces at budgeted cash costs of US\$190 per ounce.

A breakdown of actual and budgeted production ounces and cost per ounce by quarters for the last six quarters and the remaining two quarters of this fiscal year is highlighted in Graph 4 (please see link at the end of this announcement).

Co-O MINE and PLANT

MINE

Mine development and expansion has continued with

- Completion of the Sabor Internal shaft from Level 5 to Level 6 and on-going level development primarily to the east;
- Completion of setting the collar for the vertical, 3-compartment Saga Shaft to Level 5 initially. Sinking has commenced and subject to ground conditions, the shaft should reach Level 5 in the December quarter 2011;
- Completion of a ventilation raise from Level 3 to Level 1 to connect to the Tinago Shaft; and
- Portal for a new Level 1 adit between the Royal and North Tinago veins has commenced. Its position is shown on Figure 4 (please see link at the end of this announcement).

PLANT

The plant has continued to produce at the annualised rate of 100,000 ounces of gold.

Developments include:

- Completion and commissioning of a thickener;
- Commencement of installation of two additional leach tanks expected to be completed in late March 2011;
- Installation of a new process water tank; and
- Expansion and upgrading of the gold room which is expected to be completed in late March 2011.

TAILINGS DAM

Construction of a new eight year life dam was completed on schedule.

POWER

The dedicated power line from the sub-station at San Francisco to the mill was energised late November on schedule.

NEW Co-O PLANT

The Board approved the construction of a new plant with capacity to produce 200,000 ounces of gold per year based on processing up to 750,000 tonnes per year at the current reserve grade at the Co-O Mine.

The preliminary capital costs inclusive of mine development are estimated at US\$80 million which will be self-funded.

The regulatory approvals are anticipated to be granted by the end of September 2011 after which construction time for the new plant is estimated to be 21 months and the benefits of the expansion are expected to be realised shortly thereafter.

The Company is currently in preliminary discussions with engineering groups with respect to process engineering and plant design.

Preliminary construction schedule

2011				2012				2013			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Permitting, engineering and construction contracts				Construction commences				Production commences			

Co-O RESOURCES AND RESERVES

On 22 July 2010 the Company announced the mineral resources as shown in Table II.

Table II. Mineral Resources estimation as at 22 July 2010

Category	> 0 g/t gold		
	tonnes	g/t gold	ounces
Indicated	1,419,000	13.2	603,000
Inferred	2,005,000	9.6	808,000

The resource estimation was undertaken by Cube Consulting Pty Ltd (2010)

Notes:

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

On 07 August 2010 the Company announced the mineral reserve as shown in Table III.

Table III. Mineral Reserves estimation as at 7 August 2010

Category	> 3 g/t gold		
	tonnes	g/t gold	ounces
Probable	1,485,000	10.7	505,000

The reserve estimations were undertaken by Crosscut Consulting Pty Ltd (2009)

Co-O RESOURCE DRILLING

Diamond drilling has continued since the last resource model update announced on 22 July 2010 and has focused on extending the Co-O Vein system mainly along the northern side of the resource model in the area of the Royal Vein set. A total of 39 surface drill holes for 23,697 metres and 53 underground drill holes for 10,798 metres

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have been completed (as announced on 29 October 2010 and 18 January 2011) since the previous resource estimation. Maps showing the location of these drill holes are contained in each announcement. Resource updates are expected to be estimated annually, generally in the third quarter of each year.

Table IV lists the surface drill hole results greater than 3 g/t gold over >0.5 metre downhole width from the Co-O Mine for drill holes MD 261 to MD 299. These results are extracted from the announcements dated 29 October 2010 and 18 January 2011 which contain more detailed drilling results with intersections down to 0.2 metres downhole width. Hole locations are also shown on the maps in these announcements.

Figure 3 (please see link at the end of this announcement) shows a regional view of the greater Co-O area which depicts the Co-O Mine and other veins outside the mine area. Figure 4 (please see link at the end of this announcement) shows the 3-dimensional view of the Co-O Mine veins as included in the July 2010 resource estimate. Figure 5 (please see link at the end of this announcement) is a composite plan combining the projection of the veins depicted in Figure 4 (and projected from 100 meters from above and below onto Level 5) (please see link at the end of this announcement), and the surface exploration results primarily from the NT series of veins. Figure 6 (please see link at the end of this announcement) shows the underground development in the mine.

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Table IV. Co-O Mine surface drill hole results >3 g/t gold and >0.5 metres downhole width for holes MD 261 to 299

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD 263	613632	913113	-58	208	167.45	4.25	10.99
MD 264	614293	913082	-49	187	390.60	0.50	8.75
					429.60	1.25	7.38
					495.35	3.00	121.44
					622.70	0.55	45.03
MD 267	614221	913028	-60	0	30.95	0.30	4.00
					33.45	0.30	6.97
					46.95	2.30	4.85
					248.10	2.50	8.15
					294.20	0.80	15.26
MD 271	614267	913151	-52	178	392.10	1.05	18.34 (*)
MD 273	613328	913221	-85	180	109.65	0.60	3.86
					468.25	1.00	78.51
MD 272	614286	913131	-52	180	55.10	1.30	9.75
MD 275	614314	913188	-52	180	49.65	1.00	3.82 (*)
					53.00	5.30	12.89 (*)
					259.05	1.65	3.52 (*)
					426.35	1.00	9.80 (*)
MD 279	614450	912996	-73	185	383.70	1.40	8.90 (*)
					479.35	1.35	8.14 (*)
					504.70	0.80	3.37 (*)
					520.85	1.00	321.17 (*)
					526.55	1.00	3.92 (*)
					530.30	0.85	5.97 (*)
					631.25	3.65	9.83 (*)
					678.40	0.50	5.57 (*)
MD 282	614225	913118	-46	170	105.60	1.40	4.13 (*)
					365.70	1.00	19.47
					514.60	0.85	6.11
					612.50	1.60	3.88
MD 283	613381	913252	-86	180	202.85	1.00	9.27 (*)
MD 286	613381	913253	-87	180	150.80	0.60	3.88 (*)
MD 287	614225	913120	-56	168	608.85	2.20	4.02 (*)
MD 288	614448	912995	-50	217	478.90	1.20	5.29 (*)
					489.50	1.35	6.63 (*)
					493.10	1.00	69.90 (*)
MD 291	614223	913120	-55	192	334.10	1.20	5.74 (*)
					378.40	0.55	15.93 (*)
					452.60	1.40	6.78 (*)
MD 292	614448	912995	-61	217	278.10	1.25	5.40 (*)
					283.20	0.80	11.77 (*)
					450.55	0.85	16.70 (*)
					533.20	1.00	16.70 (*)
MD 295	614223	913120	-65	193	388.10	0.70	3.01 (*)
					400.45	5.65	6.32 (*)

Notes:

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) Assays denoted by (*) are by Philaaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
- (iii) Grid coordinates based on the Philippine Reference System 62.
- (iv)

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Table V lists the Co-O Mine underground drill hole results greater than 3 g/t gold over >0.5 metres downhole width.

Table V results are extracted from the announcements dated 29 October 2010 and 18 January 2011 which contain more detailed drilling results with intersections down to 0.2 metres downhole width. Drill hole locations are also shown on the maps in these announcements.

Table V.Co-O Mine underground drill hole results >3 g/t gold and >0.5 metres downhole

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
LEVEL 1							
L1-015	613315	913055	3	209	64.00	0.20	14.00 (*)
LEVEL 2							
L2-022	613578	912912	3	25	18.20	1.20	3.63 (*)
L2-034	613506	912892	3	309	52.15	1.00	10.97 (*)
L2-035	613399	912882	3	47	86.40	0.90	14.50 (*)
LEVEL 3							
L3-009	613913	913028	3	30	151.50	1.85	12.77 (*)
L3-010	613911	913029	3	320	6.85	0.55	6.57 (*)
L3-011	613783	913008	3	4	98.90	0.80	26.80 (*)
					1.70	0.55	15.53 (*)
					20.85	0.50	7.50 (*)
					163.25	0.85	6.00 (*)
					182.35	1.65	5.67 (*)
LEVEL 5							
L5-008	613887	912791	-61	0	5.90	0.70	56.63 (*)
					56.00	0.80	5.61 (*)
L5-009	613889	912790	-28	133	1.70	1.00	8.90 (*)
					12.40	0.50	5.90 (*)
					40.70	0.80	23.72 (*)
L5-010	613888	912793	-28	4	33.50	0.90	5.37 (*)
					147.95	1.00	8.45 (*)
L5-012	613885	912784	-27	342	103.70	1.85	114.82 (*)
L5-013	613883	912791	3	315	73.60	0.50	22.10 (*)
L5-014	613883	912791	-25	314	100.90	0.85	13.33 (*)
L5-016	613882	912789	3	300	158.60	1.20	11.47 (*)
					166.50	1.05	10.33 (*)
					176.05	2.75	50.38 (*)
L5-018	613043	912887	-29	187	80.70	0.80	3.42 (*)
					98.80	0.70	3.85 (*)
					103.40	0.70	4.77 (*)
					134.70	0.85	44.67 (*)
L5-020	613945	912887	-29	199	64.40	1.15	4.40 (*)
					101.00	0.80	7.97 (*)
L5-022	613944	912888	-29	180	130.00	1.00	8.33 (*)
L5-023	614137	912904	0	337	79.20	0.60	17.27 (*)
L5-024	614140	912900	0	47	64.70	0.50	36.63 (*)
L5-025	613946	912888	-29	134	81.00	0.50	3.44 (*)
					71.25	1.65	3.42 (*)
					284.65	0.95	3.12 (*)
L5-028	614136	912893	-21	214	59.60	0.70	5.03 (*)
					83.20	1.20	4.18 (*)
					113.80	0.80	3.80 (*)
					158.45	1.35	4.18 (*)
					174.50	0.70	3.13 (*)

Notes:

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) Assays denoted (*) are Philippine assays, all others are by McPhar Geoservices Inc in Manila;
- (iii) Grid coordinates based on the Philippine Reference System 92;

Co-O REGIONAL DRILLING

Using the Co-O Mine as a model, drill testing commenced in the September quarter of 2009 on veins in the vicinity of the Co-O Mine.

The Co-O vein system Central Vein outcrops at surface on the western side of the Oriental Fault, where it was first discovered. The veins at surface rarely exceed 0.5 metres width and generally assay around 1 to 5 g/t gold (with possibly some supergene enrichment which is an increased concentration of minerals due to weathering of the near surface mineralisation). Gold values on the Central Vein start to increase significantly approximately 80 metres below surface.

It should also be noted that the drilling in the late 1980s and early 1990s to locate the veins east of the Oriental Fault intersected clay - minor silica alteration zones up dip from the high grade veins, and returned assays up to 1 g/t gold which were considered inconsequential at the time. Hence the Company carefully evaluates the importance of low assays in geologically favourable settings.

Table VI summarises the regional drill hole results for holes EXP 029 to EXP 053 totalling 15,027 metres and Figure 3 (please see link at the end of this announcement) shows the locations of the veins around the Co-O Mine located to date. Detailed results and maps showing drill hole locations for holes EXP 001 to 012 were announced on 17 December 2009, for holes EXP 0013 to 022 on 19 March 2010, for holes EXP 022 to 028 on 30 June 2010, for holes EXP029 to EXP 037 on 29 October 2010 and for holes EXP 038 to EXP 053 on 25 January 2011.

Table VI. Regional drill hole results >1g/t gold and >0.2 metres downhole for holes EXP 038-053.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 034	613556	913775	-47	180	344.70	0.80	1.04 (*)
					435.10	1.95	2.28 (*)
					520.00	0.75	3.03 (*)
					688.60	1.35	4.88 (*)
EXP 035	613854	913775	-47	180	728.10	2.90	8.08 (*)
					Incl.	728.40	1.60
EXP 037	613573	913975	-47	270	185.60	1.00	29.53 (*)
EXP038	613651	913605	-50	180	435.20	0.20	4.73 (*)
EXP039	613691	913588	-50	180	354.85	0.45	8.73 (*)
EXP044	614006	913328	-50	160	147.90	0.60	4.60 (*)
					163.00	0.55	5.80 (*)
					199.10	1.00	3.48 (*)
					EXP045	614272	913209
EXP045					379.25	1.00	59.57 (*)
					395.15	0.55	4.03 (*)
					414.55	0.25	23.68 (*)
					424.65	0.95	7.77 (*)
					479.75	1.20	48.72 (*)
					555.60	1.15	5.03 (*)
EXP046	613857	913420	-50	180	204.65	0.95	3.03 (*)
EXP048	613846	913272	-50	160	281.90	0.70	21.82 (*)
EXP050	614181	913420	-50	165	601.60	0.20	3.36 (*)
EXP051	613833	913305	-50	158	422.40	1.80	3.03 (*)
					657.60	0.55	4.21 (*)
					701.40	0.85	5.67 (*)

Notes:

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) Assays denoted by (*) are by Philippine Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
- (iii) Grid coordinates based on the Philippine Reference System 92.

TAMBIS-BAROBO AREA

BACKGROUND

The Tambis project, currently comprising the Bananghilig Gold Deposit and the Karnarangan copper porphyry prospect, is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement ("MPSA") application APSA-000022-XIII which covers 6,262 hectares.

In the 1980s and 1990s a large amount of diamond and reverse circulation drilling totalling 29,477 metres in 344 holes was undertaken by various explorers to investigate a large area of known mineralisation.

From 2005 to 2007, Philsaga undertook underground exploration through a 50 metre deep shaft and development, adits, and underground and surface drilling totalling 7,715.60 metres in 31 holes.

Figure 2 (please see link at the end of this announcement) shows the location of the Bananghilig Deposit and Figure 7 (please see link at the end of this announcement) shows the surface geology.

BANANGHILIG DEPOSIT

Resource estimation

Table VII summarises the resource at various cut-offs with 0.6 g/t gold being taken as the base case resource estimate. The majority of the resource is contained within a 0.2 g/t gold domain (Domain 1) which measures 850 metres east to west and 550 metres north south, with the mineralisation defined to variable depths of 100 to 150 metres due to drill hole density constraints. The mineralisation is also open in all other directions. A smaller domain (Domain 2) to the northeast is approximately 375 metres long in a northeasterly direction, approximately 100 metres wide and open beyond 75 metres depth and has increasing grades towards the northeast.

The preferred resource estimate is 650,000 ounces contained in 15,000,000 tonnes at a grade of 1.3 g/t gold and a cut-off of 0.60 g/t gold.

Table VII. Resource estimate as at August 2009

Cut-off (g/t gold)	tonnes	g/t gold	ounces
0.50	20,000,000	1.1	730,000
0.60	15,000,000	1.3	650,000
0.70	12,000,000	1.5	580,000
0.80	10,000,000	1.7	530,000
0.90	8,000,000	1.9	480,000
1.00	7,000,000	2.1	440,000

The resource estimation was undertaken by Cube Consulting Pty Ltd (2009)

Drilling

Extensional drilling commenced in July 2010 and is continuing with four surface rigs. The two man-portable rigs for validation drilling on some of the steeper slopes where the current resource is contained have commenced drilling with an initial 42 drill sites planned.

Detailed geological re-mapping of the diatreme breccia and surrounds and re-logging of old drill core have been completed.

The aim is to increase the resources to a level which could provide a 5 year minimum mining life at a production rate of approximately 200,000 ounces per year.

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USA COPPER-GOLD PORPHYRY TARGET

Background

The Usa prospect (Figure 8) (please see link at the end of this announcement) is predominantly contained within Mineral Production Sharing Agreement application ("MPSA") XIII-00077. The Company has a Memorandum of Agreement with Corplex Resources Inc ("Corplex") whereby:

- Corplex will receive a 4% gross royalty on all production, or
- In the event of a major discovery and completion of a Scoping Study which demonstrates at least a five year mine life, Corplex can elect to,
 - (a) buy back a 30% interest by re-imbursing to the Company a sum equal to four times the expenditure on the tenement; and
 - (b) contribute to 30% of all on-going expenditure from the point of buy-back forwards.
 - (c) Should Corplex elect not to contribute to all on-going expenditure, then Corplex can elect once only to dilute to a 15% non-contributing free carried interest to commencement of production, at which point the Company shall provide a loan to Corplex to fund its 15% interest; or
 - (d) in the event that Corplex does not exercise the buy-back, then Corplex will maintain its 4% gross royalty on production.

There are indications that the prospect extends eastwards into APSA XIII-00098 which is owned by Mindanao Philcord Mining Corporation which will receive a 1% Net Profits Interest from any production.

Regional Setting

Figure 8 (please see link at the end of this announcement) shows the Usa prospect location and regional geology, Figure 9 (please see link at the end of this announcement) shows the detailed geology and geochemistry contours from rock chip sampling.

The Usa prospect is located adjacent to the west side of the Barobo Fault corridor. This fault is parallel to the Philippine Rift Fault located approximately 30 kilometres to the west of the Usa prospect. The Barobo Fault corridor has numerous gold prospects already located along or adjacent to it, including Guinhalinan, Umbon, Matanog, Allway and Usa.

The Company interprets the Barobo Fault corridor as being prospective for intrusive and structurally controlled styles of copper and gold mineralisation. Old grey limestone and calcareous sediments are intruded by multiple phases of diorite, and andesite porphyry.

Styles of mineralisation exposed along the corridor include pyrite and base metal sulphide bearing hydrothermal and tectonic breccias; skarn related magnetite, pyrite, base metal sulphide and gold bearing veins; pyrite, base metal sulphide bearing quartz-carbonate veins and vein breccias; and disseminated, fracture controlled pyrite and base metal sulphide in intrusive bodies and surrounding host rocks. Skarn related magnetite, pyrite, copper and gold mineralisation are also noted.

Local Geology and Mineralisation

The geology consists of a mineralised and altered diorite complex which is intruding andesitic volcanics, older limestone and calcareous sediments. The setting and style of mineralisation is very similar to that at the Kamarangan copper-molybdenum porphyry prospect to the north where chalcopyrite and magnetite bearing diorite was intersected over several hundred metres in two holes during a scout diamond drilling completed in late 2008 to early 2009 (see announcement dated 29 May 2009).

The fine- to medium-grained diorite is variably but strongly phyllic altered (white clay, sericite and pyrite) with variably dispersed hairline veinlets of fine-grained magnetite. Chlorite alteration is rare proximal to the diorite, but increases to moderate intensity in volcanic units distal to the diorite. North east trending fractures and veinlets within and on the edges of the diorite are often lined with fine-grained pyrite and magnetite. The diorite has variably distributed weak pervasive grey silica alteration, and is locally stockwork veined with fine 2 to 3 mm thick clear and grey quartz veins; the veins often have fine-grained pyrite, magnetite and occasional bornite disseminated along the selvages.

Mineralisation is predominantly pyrite occurring as fracture filling grains disseminated grains and vein infill. The pyrite is accompanied with bornite, and with occasional chalcopyrite. Malachite stained limestone and calcareous sediments with sphalerite, pyrite and bornite veins, and weakly mineralised pyrite and chalcopyrite magnetite have been noted in drainage float samples to the north of the diorite.

Contouring of the rock chip copper results (>700 ppm Cu) and gold results (>0.1 g/t Au) are shown on Figure 9 (please see link at the end of this announcement). The gold and copper contours are in close spatial proximity. The anomalous copper and gold values also overlie three magnetic high features, visible in the 1st vertical derivative of airborne magnetic data. The magnetic features appear to reflect zones of strong magnetite alteration in the diorite.

The relationship of the diorite body to the surrounding rocks suggests that it has been recently uncovered and is not deeply eroded.

Artisanal mining activity with small but consistent recoveries is common in the drainages overlying and downstream of the mineralized altered diorite. Less active artisanal mining activity is noted to the north where chlorite and clay altered, sulphide veined andesitic units occur.

A grid based soil sampling program has been planned and will be completed when field crews become available.

ASSAYING PROCEDURES

Usa rock chips samples were prepared and assayed for base metal content at the Philsaga Laboratory using internal laboratory procedure "Al Block". The scheme allows for Cu, Pb, and Zn determinations via a three acid digest with conventional Atomic Absorption Spectrometry ("AAS") finish. The scheme is graded at geochemical grade detection levels only (not ore grade). Gold content determinations were via internal laboratory procedure "FA-30". The procedure uses a conventional 30 gram sample charge fire assay with AAS finish; gravimetric finish is conducted on high grade results.

Rock chip sample pulps were submitted to McPhar Geoservices Inc. in Manila for check assaying. The samples were submitted with the appropriate number of blanks, duplicates and Certified Reference Materials. The pulps were assayed for Cu, Pb and Zn determinations by laboratory scheme AA1. The procedure uses a three acid digest with conventional AAS finish. The procedure is graded at ore grade detection levels. Gold content determinations were by conventional 30 gram fire assay with AAS/GTA finish (McPhar procedure PM5).

A review of the QA/QC measures from the original samples, and subsequent check samples, produced results that can be considered acceptable and within industry standard.

ANOLING

The Mines Operating Agreement ("MOA") with Alcom Gold Resources Inc. covers Mining Production Sharing Agreement ("MPSA") application number 039-XIII situated approximately 8 kilometres north from the millsite as shown on Figure 2 (please see link at the end of this announcement). Processing of the Anoling MPSA is in progress.

Drilling will recommence when the MPSA has been granted.

SAUGON PROJECT

FIRST HIT VEIN

Background

Figure 2 (please see link at the end of this announcement) shows the Saugon Project located approximately 28 kilometres by road from the Co-O Mill, and Figure 10 shows the regional geology, the location of the First Hit Vein and the Paradise & Mabas Prospects.

Figure 11 (please see link at the end of this announcement) shows gram per metre contours projected onto a vertical plane looking northwest.

Work in 2004 involved drilling at the First Hit Vein (holes SDDH 1 to 35) in conjunction with underground development via a 30 metre deep inclined winze down the vein-breccia to assist in understanding the mineralisation.

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

Drilling

Drilling of 34 new drill holes totalling 7,493 metres (SDDH 36 to 68 inclusive) has been completed at the First Hit Vein. The aim of the drilling is to repeat the 2004 un-surveyed holes in order to establish the geometry of the mineralised system and to gain a better understanding of the mineralisation.

The results broadly confirm the 2004 drill holes with some wider intersections with mid-range grades as well as narrow zones of high grades. The style of mineralisation appears to be quite variable, from some well formed veins to hydrothermal breccias to stockworks. Strong silver values and base metals, particularly lead and zinc appear to correlate reasonably consistently with the main vein.

Table VI. First Hit Vein drill hole results >1 g/t gold and >0.2 metres downhole

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Assays				
							Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
SDDH 38	616916	899325	-75	310	70.60	12.15	2.40	33.40	0.09	0.14	0.30
					78.90	1.00	9.47	118.00	0.27	0.37	1.12
					81.95	0.20	3.22	43.00	0.17	0.28	0.40
SDDH 37	616939	899314	-75	310	101.75	2.15	13.30	178.85	0.19	0.81	1.00
SDDH 38	616916	899325	-55	310	52.65	1.35	2.13	45.80	0.12	0.28	0.53
					78.95	0.55	4.48	7.90	0.06	0.17	0.23
SDDH 39	616908	899307	-55	310	62.05	6.50	3.73	63.62	0.12	0.21	0.70
					83.30	0.80	8.78	114.21	0.32	0.23	0.70
SDDH 40	616934	899279	-55	310	98.15	3.80	9.63	125.13	0.13	0.55	0.53
SDDH 41	616998	899256	-66	310	156.50	0.60	1.51	19.90	0.02	0.06	0.19
					179.30	1.00	1.44	24.50	0.13	0.44	0.82
					192.20	3.35	11.71	154.23	0.35	1.19	1.80

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SDDH 42	616934	899338	-50	310	52.30	1.00	1.35	22.20	0.33	0.12	0.21
					54.10	1.10	1.48	23.30	0.05	0.05	0.07
					50.15	1.20	7.14	96.50	0.12	0.52	0.51
					70.65	0.75	29.07	413.60	0.42	1.91	3.52
SDDH 43	616971	899248	-65	310	141.00	1.50	15.81	232.50	0.39	1.25	1.37
SDDH 44	616977	899302	-75	310	131.25	1.40	27.65	398.00	1.42	4.65	3.72
SDDH 46	616874	899268	-50	310	75.05	1.00	5.24	100.10	0.36	1.65	0.23
SDDH 47	616977	899303	-50	310	108.20	0.85	2.46	NA	NA	NA	NA
SDDH 48	617006	899330	-59	310	104.20	5.55	2.51	40.24	0.05	0.18	0.29
SDDH 49	616927	899241	-50	310	129.25	0.75	1.24	18.20	0.17	0.52	0.33
SDDH 50	617007	899375	-50	310	109.80	1.60	1.46	NA	0.08	0.41	0.27
SDDH 51	617006	899330	-72	310	121.90	1.55	1.19	NA	0.06	0.07	0.15
SDDH 52	616927	899240	-71	310	148.00	0.25	2.58	NA	<0.01	0.28	0.40
SDDH 53	617007	899375	-87	310	86.40	6.80	5.05	NA	0.04	0.15	0.15
SDDH 64A	617047	899398	-87	310	158.75	0.40	2.55	NA	NA	NA	NA
					247.45	0.25	2.98	NA	NA	NA	NA
					88.10	1.10	3.75	NA	NA	NA	NA
					94.00	4.55	9.75	NA	NA	NA	NA
					100.25	2.15	5.02	NA	NA	NA	NA
					106.95	3.40	2.82	NA	NA	NA	NA

Notes:

- (i) Intersection widths are downhole drill widths not true widths;
 (ii) All assays are by McPhar Geoservices Inc laboratory in Manila except for SDDH 47, 50-53, 59 and 64A which are by the Philippines Laboratory;
 (iii) Grid coordinates based on the Philippine Reference System 92; and
 (iv) NA means assays not yet available.

Discussion

The drilling completed to date indicates that the mineralisation intersected in the exploration winze in 2004 and the unsurveyed 2004 drilling may be the "neck" of a hydrothermal system where it vented towards surface above more substantial zones of mineralisation at depth and along strike. Whilst the distribution of the gold-silver mineralisation is not yet fully understood, it is now apparent that the controlling structure has potential to host zones of high-grade gold-silver mineralisation with some areas of significant copper-lead-zinc mineralisation.

Drilling will continue with three rigs with the aim of exploring the structure along strike and at depth.

FINANCIALS

Medusa recorded a net profit after tax ("NPAT") of US\$ 58.1 million for the half year, an increase of 105% compared to US\$28.3 million in the previous corresponding period to 31 December 2009. The Company's earnings before interest, tax, depreciation and amortisation ("EBITDA") of US\$63.3 million, was up 101% from US\$31.5 million in the prior corresponding period;

Revenues increased by 90% from US\$41.3 million to US\$78.3 million, as a result of increased gold production (up 11,965 ounces from 39,162 ounces in the previous corresponding period to 51,127 ounces in the current period) and a higher price received on sale of gold. Medusa is an un-hedged gold producer and received an average gold price of US\$1,291 per ounce from the sale of 48,883 ounces of gold for the half-year to December 2010 (previous corresponding period: 39,162 ounces at US\$1,047 per ounce)

As at 31 December 2010, the Company which is debt free, had total cash and cash equivalent in gold on metal account of approximately US\$87.2 million (Dec 2009: US\$35.5 million);

During the half-year:

- The Company received proceeds of US\$63.3 million from gold and silver sales and US\$0.3 million from interest income (Dec 2009 half-year gold and silver sales: US\$41.0 million and interest of US\$0.3 million);
- Depreciation and amortisation was higher at US\$5.2 million, compared with US\$3.2 million in the December half of 2009, reflecting increased gold production;
- US\$12.0 million outlay on exploration expenditure, including US\$8.4 million on the Co-O Mine (Dec 2009 half-year: US\$9.2 million, including US\$6.1 million for the Co-O Mine);
- US\$4.0 million was spent on capital works associated with the mine and mill expansion (Dec 2009 half-year: US\$4.0 million); and
- Incurred US\$5.2 million on mine development costs (Dec 2008 half-year: US\$4.2 million).

CORPORATE

DIVIDEND

- A maiden un-franked dividend of A\$0.05 per share was paid to shareholders on 8 November 2010. The total amount paid inclusive of associated costs was US\$9.47 million;
- The Board approved the payment of an Interim un-franked dividend of A\$0.05 per share on 21 February 2011.

The relevant dates for the interim dividend are as follows:

Dividend Record Date	: 11 March 2011
Ex-Dividend Date (on ASX)	: 07 March 2011
Ex-Dividend Date (on LSE)	: 09 March 2011
Ex-Dividend Date (on TSX)	: 10 March 2011
Dividend Payment Date	: 23 March 2011

There is no foreign conduit income attributed to the dividend.

LONDON STOCK EXCHANGE

Medusa was admitted to the standard listing segment of the Official List of the UK Listing Authority and to the London Stock Exchange plc's main market for listed securities ("Admission") on 28 October 2010. Cancellation of Medusa's shares on AIM took place simultaneously with admission to the main market.

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JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

Medusa Mining Limited

Information in this report relating to Exploration Results is based on information compiled by Mr Geoff Davis, who is a member of The Australian Institute of Geoscientists. Mr Davis is the Managing Director of Medusa Mining Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. Mr Davis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Cube Consulting Pty Ltd

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

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

Crosscut Consulting

Information in this report that relating to Ore Reserves is based on information compiled by Declan Franzmann, B Eng (Mining), MAusIMM. Mr Franzmann is a full-time employee of Crosscut Consulting.

Mr Franzmann has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. Mr Franzmann consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Refer to the Technical Report which was filed on SEDAR in August 2010 for further discussion of the Co-O Deposit's geology, structural controls, drilling, sampling and assaying information, and any known material environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issue.

DISCLAIMER

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

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

Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based. You should not place undue reliance on forward-looking statements and neither Medusa nor any of its directors, employees, servants or agents assume any obligation to update such information.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 30 for the half-year ended 31 December 2010.

ROUNDING OF AMOUNTS

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

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

GEOFFREY J DAVIS
Managing Director

Dated this 21st day of February 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2010

	Consolidated Group	
	31 Dec 2010	31 Dec 2009
	US\$ 000	US\$ 000
Revenue	2 78,303	41,325
Other income	50	1
Cost of sales	(15,999)	(10,476)
Administration expenses	(2,151)	(1,445)
Other expenses	(2,121)	(1,124)
Profit before income tax expense	58,082	28,281
Income tax benefit	-	52
Profit for the period after income tax expense	58,082	28,333
Other comprehensive income:		
Exchange differences on translation of foreign operations (net of tax)	7,739	3,964
Total comprehensive income	65,821	32,297
Overall operations:		
Basic earnings per share	\$0.310	\$0.168
Diluted earnings per share	\$0.309	\$0.167

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

<u>Consolidated Group</u>		
	<u>31 Dec 2010</u>	<u>30 June 2010</u>
Note	US\$ 000	US\$ 000
CURRENT ASSETS		
Cash & cash equivalents	49,249	32,457
Trade & other receivables	52,347	34,895
Inventories	7,184	5,511
Other current assets	219	468
Total Current Assets	108,999	73,331
NON-CURRENT ASSETS		
Property, plant & equipment	37,213	34,595
Exploration, evaluation and development expenditure	94,589	75,978
Deferred tax assets	73	73
Total Non-Current Assets	131,875	110,646
TOTAL ASSETS	240,874	183,977
CURRENT LIABILITIES		
Trade & other payables	7,982	8,272
Total Current Liabilities	7,982	8,272
NON-CURRENT LIABILITIES		
Deferred tax liability	279	279
Total Non-Current Liabilities	279	279
TOTAL LIABILITIES	8,261	8,551
NET ASSETS	232,613	175,426
EQUITY		
Issued capital	5 71,685	70,906
Reserves	14,676	6,878
Retained profits	146,252	97,642
TOTAL SHAREHOLDERS' EQUITY	232,613	175,426

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2010

	Share Capital Ordinary	Retained Profits	Option Premium Reserve (refer note 6)	Foreign Currency Translation Reserve	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at 01.07.2009	69,776	31,830	1,577	2,733	105,916
Net profit after tax	-	28,333	-	-	28,333
Other comprehensive income	-	-	-	3,964	3,964
Total comprehensive income for the period	-	28,333	-	3,964	32,297
Shares issued during the period	1,087	-	-	-	1,087
Share options recognised during the period in accordance with AASB 2 - share based payments	-	-	181	-	181
Sub-total	70,863	60,163	1,758	6,697	139,481
Dividends paid or provided for (refer note 3)	-	-	-	-	-
Balance at 31.12.2009	70,863	60,163	1,758	6,697	139,481
Balance at 01.07.2010	70,906	97,642	1,834	5,044	175,426
Net profit after tax	-	58,082	-	-	58,082
Other comprehensive income	-	-	-	7,739	7,739
Total comprehensive income for the period	-	58,082	-	7,739	65,821
Shares issued during the period	779	-	-	-	779
Share options recognised during the period in accordance with AASB 2 - share based payments	-	-	59	-	59
Sub-total	71,685	155,724	1,893	12,783	242,085
Dividends paid or provided for (refer note 3)	-	(9,472)	-	-	(9,472)
Balance at 31.12.2010	71,685	146,252	1,893	12,783	232,613

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2010

	Consolidated Group	
	31 Dec 2010	31 Dec 2009
	US\$ 000	US\$ 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	63,272	41,043
Payments to suppliers and employees	(18,878)	(17,915)
Interest received	321	283
Net cash provided by operating activities	44,715	23,411
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(3,950)	(4,078)
Payments for exploration expenditure and tenements	(12,040)	(9,182)
Payments for development activities	(5,219)	(4,205)
Net cash (used in) investing activities	(21,209)	(17,465)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	779	1,087
Payments for dividends	(9,472)	-
Net cash provided by/(used in) financing activities	(8,693)	1,087
Net increase / (decrease) in cash held	14,813	7,033
Cash at beginning of period	32,457	26,510
Exchange rate adjustments	1,979	1,985
Cash at end of period	49,249	35,528

The accompanying condensed notes form part of these financial statements

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2010

Note 1: Basis of preparation

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

The consolidated interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "Group") and the consolidated group's interests in associates and jointly controlled entities.

The consolidated annual financial report of the consolidated group as at and for the year ended 30 June 2010 is available on the company's website.

(a) Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Group as at and for the year ended 30 June 2010.

This consolidated interim financial report was approved by the Board of Directors on 21 February 2011.

(b) Significant accounting policies

The accounting policies applied by the Consolidated Group in this consolidated interim financial report are the same as those applied by the Consolidated Group in its consolidated financial report as at and for the year ended 30 June 2010.

(c) Change in accounting policy

From 1 July 2010 the Company has adopted the following Standards for the reporting periods beginning on or after 1 July 2010:

AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements project. AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements project. AASB 2010-3 amends a number of pronouncements as a result of the IAS's 2008-2010 cycle of annual improvements to provide clarification of certain matters.

The key clarifications include:

- The measurement of non-controlling interests in a business combination
- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combinations (2008)
- Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.

Adoption of these standards did not have any effect on the financial position or performance of the Group.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2010

(d) **Comparative figures**

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

(e) **Rounding of amounts**

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

Consolidated Group	
31 Dec 2010	31 Dec 2009
US\$ 000	US\$ 000

Note 2: Profit for the period

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

Revenue items:

Interest revenue	321	283
Gold and silver sales	77,978	41,042
Other	4	-

Expense items:

Depreciation	2,291	1,391
Amorisation	2,920	1,786
Employee benefits expense	2,880	1,801
Recognition of share based payments	59	181

Note 3: Dividends

Maiden unfranked dividend of 5 cents a share (2009: nil) was declared on 6 Oct 2010 and paid on 8 Nov 2010.

9,472	-
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CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2010

Note 4: Segment Information

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

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

	Mining US\$ 000	Exploration US\$ 000	Other US\$ 000	Total US\$ 000
Segment Revenue and Result				
6 months to December 2010:				
Segment revenue	77,978	-	375	78,353
Segment result	61,100	(5)	(3,013)	58,082
6 months to December 2009:				
Segment revenue	41,042	-	284	41,326
Segment result	29,906	-	(1,573)	28,333
Segment Assets and Liabilities				
31 December 2010:				
Segment assets	198,898	3,793	38,110	240,801
Reconciliation of segment assets to group assets				
add -				
Deferred tax assets				73
Total group assets				240,874
Segment liabilities	6,912	4	1,066	7,982
Reconciliation of segment liabilities to group liabilities				
add -				
Deferred tax liabilities				279
Total group liabilities				8,261
30 June 2010:				
Segment assets	157,782	3,545	22,577	183,904
Reconciliation of segment assets to group assets				
add -				
Deferred tax assets				73
Total group assets				183,977
Segment liabilities	7,343	11	918	8,272
Reconciliation of segment liabilities to group liabilities				
add -				
Deferred tax liabilities				279
Total group liabilities				8,551

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2010

	Consolidated Group			
	31 Dec 2010	30 Jun 2010	31 Dec 2010	30 Jun 2010
	(shares)	(shares)	US\$ 000	US\$ 000
Note 5: Issued Capital				
Ordinary shares on issue	188,233,911	187,529,911	71,685	70,906
-				
Opening balance	187,529,911	168,691,960	70,906	69,776
add -				
Shares issued during the period	704,000	18,837,951	779	1,130
	188,233,911	187,529,911	71,685	70,906
Movement in ordinary shares during the half-year:				
- Balance at beginning of the period	187,529,911	168,691,960	70,906	69,776
- Options converted to ordinary shares at A\$1.25 each	-	100,000	-	104
- Options converted to ordinary shares at A\$0.7128 each	-	50,000	-	30
- Options converted to ordinary shares at A\$0.7128 each	-	750,000	-	496
- Options converted to ordinary shares at A\$1.25 each	-	190,000	-	221
- Options converted to ordinary shares at A\$0.4334 each	-	600,000	-	237
- Bonus shares issued on basis of 1 share for every 10 shares held	-	17,037,951	-	-
- Options converted to ordinary shares at A\$1.25 each (including bonus shares*)	-	110,000	-	103
- Options converted to ordinary shares at A\$1.25 each (including bonus shares*)	55,000	-	53	-
- Options converted to ordinary shares at A\$1.25 each (including bonus shares*)	110,000	-	123	-
- Options converted to ordinary shares at A\$1.25 each (including bonus shares*)	99,000	-	111	-
- Options converted to ordinary shares at A\$1.25 each (including bonus shares*)	440,000	-	492	(61)
	188,233,911	187,529,911	71,685	70,906

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

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2010

	Consolidated Group			
	31 Dec 2010	30 Jun 2010	31 Dec 2010	30 Jun 2010
	(options)	(options)	US\$ 000	US\$ 000
Note 6: Option Premium Reserve				
Option Premium Reserve	750,000	1,240,000	1,893	1,758
Opening balance	1,240,000	3,030,000	1,834	1,577
less -				
Options exercised	(640,000)	(1,790,000)	-	-
Options cancelled	-	-	-	-
add -				
Options issued - exercisable at A\$4.40 each (refer below)	150,000	-	8	-
Share options recognised during the period in accordance with AASB 2 - share based payments	-	-	51	257
	750,000	1,240,000	1,893	1,834

Under an agreement dated 14 September 2009, and subsequently approved by shareholders at the Annual General Meeting held on 17 November 2010, 150,000 options to acquire fully paid ordinary shares of the Company were issued to a consultant. The options were valued by an independent valuer at A\$1.872 using a Black Scholes option pricing model.

Note 7: Contingent Liabilities

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

Note 8: Commitments

There has been no change to the commitments as disclosed in the Group's 30 June 2010 annual report.

Note 9: Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the Company's annual report for the year ended 30 June 2010.

Note 10: Events subsequent to reporting date

On 21 February 2011 the directors declared an unfranked interim dividend of A\$0.05 per share to the holders of fully paid ordinary shares. The relevant date for the interim dividend is a Dividend Record Date of 11 March 2011 and a Dividend Payment Date of 23 March 2011. This dividend has not been included as a liability in these financial statements.

Other than the matter described above, there has not arisen in the interval between the half-year ended 31 December 2010 and the date of this report any other item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group, in subsequent financial periods.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 31 to 39:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the Consolidated Group's financial position as at 31 December 2010 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

GEOFFREY J DAVIS
Managing Director

Dated this 21st day of February 2011

Click on, or paste the following link into your web browser, to view the associated PDF document.

http://www.rns-pdf.londonstockexchange.com/rns/6230B_-2011-2-22.pdf

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