

**MEDUSA MINING LTD
A.B.N. 60 099 377 849
AND CONTROLLED ENTITIES**

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2003

**MEDUSA MINING LTD
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INDEPENDENT REVIEW REPORT

Scope

We have reviewed the financial report of Medusa Mining Ltd for the half year ended 31 December 2003 as set out on pages 5 to 10. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year. The company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB1029; Interim Financial Reporting and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to Review Engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the Financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and accordingly we do not express an audit opinion.

Statement

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2003 and of its performance for the year ended on that date; and
 - (ii) complying with the Accounting Standards AASB1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

Mack & Co
Chartered Accountants
2nd Floor, 35 Havelock Street
West Perth WA 6005

K.D. Law, Partner

Date

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**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

	Note	CONSOLIDATED 31/12/2003 \$
Other revenue from ordinary activities		12,657
		12,657
Total Revenue		12,657
Other expenses from ordinary activities		(92,205)
		(92,205)
Loss from ordinary activities before related income tax expense		(79,548)
Income tax expense relating to ordinary activities		-
		(79,548)
Loss from ordinary activities after related income tax expense		(79,548)
Net loss attributable to members of the parent entity		(79,548)
Total changes in equity other than those resulting from transactions with owners as owners		(79,548)
		(79,548)
Basic loss per share: Ordinary Shares		(.002)
		(.002)
Diluted loss per share: Ordinary Shares		(.002)
		(.002)

The Statement of Financial Performance is to be read in conjunction with the notes to the Half-Year Financial Statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

	Note	Consolidated	
		31/12/2003 \$	30/06/2003 \$
CURRENT ASSETS			
Cash		2,574,274	170,126
Receivables		44,719	2,656
		2,618,993	172,782
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Property, Plant & equipment		2,607	-
Exploration & evaluation expenditure		605,532	-
		608,139	-
TOTAL NON-CURRENT ASSETS			
		3,227,132	172,782
TOTAL ASSETS			
CURRENT LIABILITIES			
Payables		167,421	11,000
		167,421	11,000
TOTAL CURRENT LIABILITIES			
		167,421	11,000
TOTAL LIABILITIES			
		3,059,711	161,782
NET ASSETS			
EQUITY			
Contributed equity	2	3,363,477	386,000
Retained losses	3	(303,766)	(224,218)
		3,059,711	161,782
TOTAL SHAREHOLDERS' EQUITY			

The Statement of Financial Performance is to be read in conjunction with the notes to the Half Year Financial Statements.

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**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

	Note	31/12/2003 \$
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Receipts in the course of operations		7,923
Payments in the course of operations		(91,074)
Interest received		4,734
		(78,417)
CASH FLOWS FROM (USED IN)		
INVESTING ACTIVITIES		
Payment for property plant & equipment		(2,607)
Payments for exploration expenditure and tenements		(187,884)
Payment for bond		(1,000)
		(191,491)
CASH FLOWS FROM (USED IN)		
FINANCING ACTIVITIES		
Borrowing		26,000
Net proceeds from issue of shares		2,648,056
		2,674,056
Net increase in cash held		2,404,148
Cash at beginning of period		170,126
Cash at end of period		2,574,274

During the half year the company issued 1,600,000 ordinary fully paid shares for the acquisition of tenements at a recorded book value of \$320,000. These transactions have not been included in the statement of cash flows.

The Statement of Financial Performance is to be read in conjunction with the notes to the Half Year Financial Statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

Note 1 - Statement of Significant Accounting Policies

Basis of Preparation of Half-Year Financial Report

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group consensus views. This half-yearly financial report is to be read in conjunction with the 30 June 2003 Annual Financial Report and any public announcements by Medusa Mining Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2003 annual financial report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

Because this is the first half year report prepared by Medusa Mining Ltd there are no comparative figures in the statement of financial performance or the statement of cash flows for the corresponding period ended 31 December 2002.

Note 2 – Contributed Equity

	Consolidated	
	31/12/2003	30/06/2003
	\$	\$
Issued and Paid-up Capital		
35,425,600 (30 June 2003 - 13,150,600) fully paid ordinary shares	3,363,477	386,000
	<hr/>	<hr/>

Note 3 - Retained Losses

Accumulated (losses) at the beginning of the financial period	(224,218)
Net profit/(loss) attributed to members of the company	<u>(79,548)</u>
Accumulated (losses) at the end of the financial period	<u>(303,766)</u>

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**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

Note 4 - Segment Information

	31/12/2003 \$
Segment Information	
Geographical Segments	
Segment Revenue	
Australia	11,999
Philippines	658
	12,657
Total Revenue	12,657
Segment Results	
Australia	(38,106)
Philippines	(41,442)
	(79,548)
Loss from ordinary activities	(79,548)

Note 5 - Events Subsequent To Balance Date

Medusa Mining Ltd has lodged a prospectus in respect of a non-renounceable rights issue to shareholders for the issue of one new option for every two shares held at an issue price of 1 cent per option. The issue is fully underwritten and if successful will raise \$177,000 before issue costs.

Note 6 - Acquisition of Subsidiary

During the period Medusa Mining Limited finalised the purchase of 100% of Montrose Minerals Proprietary Limited by the payment of \$37,000 and the issue of 100,000 ordinary fully paid shares and 100,000 unlisted options exercisable at 20 cents per option on or before 31 January 2007 in Medusa Mining Limited.

Montrose Minerals Proprietary Limited holds the tenements in the Braemore gold project.