Regulatory Story

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 2011

CONTENTS PAGE

This report should be read in conjunction with Medusa's Annual Report for the year ended 30 June 2011 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 2011

Name of entity
MEDUSA MINING LIMITED

ABN or equivalent company reference	Half yearly (tick)	Preliminary final (tick)	Half year/ financial ended ("current period")
60 099 377 849	√		31 December 2011

Results for announcement to the market

Revenues and profits:		US$'000		US$'000
Revenues from ordinary activities	down 48%	37,395	to	40,908
Profit from ordinary activities after tax attributable to members	down 59%	34,095	to	23,987
Net profit for the period attributable to members	down 59%	34,095	to	23,987

(All comparisons to the previous period ended 31 December 2010)

Dividends:

Interim dividend	Amount per security	Franked amount per security
- current period	A$0.05	Nil
- previous period (half year ended 31 Dec 2010)	A$0.05	Nil

The Record Date for determining entitlement to the dividend is 09 March 2012;
Payment Date for dividends will be 23 March 2012;
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 2011 was US$1.536 (31 Dec 2010: US$ 1.236)

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

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

MANAGING DIRECTOR'S ADDRESS

"I am pleased to report that exploration success has driven the decision to expand our Co-O mine and mill. Hence this financial year is a year of transition, from a 100,000 ounce per year operation in the previous year, to approximately 75,000 ounces this financial year while the expansions to the haulage capacity from underground are completed, and accelerated development is prioritised.

New, large scale haulage in the form of the Saga Shaft commenced in January 2011. Progress has been good, and we anticipate the shaft will be fully operational from 350 metres below surface in the last quarter of calendar year 2012. Recent re-optimisation recommended sinking directly to its final depth, which will then allow us to develop more levels ahead of increased production and to stockpile ore ahead of the new mill commencing operation in mid calendar year 2013. This is the first major shaft the Company has sunk, and the expertise gained from this will serve us well for the sinking of future shafts.

Continuing exploration success to the east of the Agsao Shaft has driven us to begin preparations for another deep shaft in this area, initially to approximately 750 metres, but possibly to a final depth of approximately 1,000 metres. Geotechnical drilling to test the ground conditions in this area are in progress. This will be a major undertaking for the Company and will cement the long term future of production from Co-O.

At the mill we have commenced construction, and our long lead time equipment has started to arrive on site. We anticipate that all items will be delivered on schedule. Initially we are focussing on upgrading the wet circuit being the leach tanks, elution circuit and the thickener, and installing a detoxification unit to ensure our tailings are benign when discharged to the tailings dam.

The construction of a number of buildings is also in progress. At the mine we are constructing additional accommodation, and at the mill, a new administration building and senior staff accommodation. The current laboratory is being upgraded and expanded, and the building of a new geology division office and a central core farm (that will house the 120 kilometres of core drilled each year, including core drilled to date) are in progress. A new maintenance workshop for trucks and heavy equipment will also be constructed.

It is always difficult to expand and produce at the same time. However with the team we have on site assisted by our consultants, we are confident we will achieve our timelines for the Co-O expansion, barring interference from the weather.

At the Bananghilig Deposit, drilling is continuing with emphasis on converting the historic 650,000 Inferred resource ounces and additional Inferred resources ounces to the Indicated category. The aim is to achieve an initial reserve of approximately 1 million ounces for a 200,000 ounce per year operation.

Our growth plans remain intact and are progressing steadily forward. This year promises to be an exciting year as we move the Co-O Mine construction forward to completion, and we look forward to providing updates as milestones are reached."

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2011 and the review report thereon:

DIRECTORS:

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

Name	Period of Directorship
Non-executives:	
Mr Geoffrey J Davis (Chairman)	Director since February 2002
Dr Robert M Weinberg	Director since July 2006
Mr Andrew Boon San Teo	Director since February 2010
Mr Ciceron A Angeles	Director since 28 June 2011
Executives:	
Mr Peter Hepburn-Brown (Managing Director)	Director since September 2009

HIGHLIGHTS FOR THE SIX MONTHS TO 31 DECEMBER 2011:

Financials

- Revenues of US$40.9 million compared to US$78.3 million for the corresponding period in the previous year, due to decreased gold production as a result of planned mine expansion and development, partially offset by a higher average price received on sale of gold. Medusa is an un-hedged gold producer and received an average gold price of US$1,655 per ounce from the sale of 25,446 ounces of gold for the half-year to December 2011 (corresponding period to December 2010: 48,883 ounces at US$1,291 per ounce);

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") of US$28.4 million, (US$63.3 million in the prior corresponding period);

- Earnings per share ("EPS") of US$0.127 on a weighted average basis is based on NPAT of US$24.0 million (six months to December 2010: EPS of US$0.310 based on NPAT of US$58.1 million);

- The Company remains debt free and had total cash, cash equivalent in gold on metal account and bullion on hand of US$80.2 million at 31 December 2011 (corresponding period to 31 December 2010: US$87.2 million).

Description	Unit	Dec 2011	Dec 2010	Variance	(%)
Revenues	US$	$40.9 M	$78.3 M*	($37.4 M)	(48%)
EBITDA	US$	$28.4 M	$63.3 M	($34.9 M)	(55%)
NPAT	US$	$24.0 M	$58.1 M	($34.1 M)	(59%)
EPS (basic)	US$	$0.127	$0.310	($0.183)	(59%)

(*) 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.

Dividends

The Board has approved an interim un-franked dividend payment of A$0.05 per share payable to shareholders on 23 March 2012.

The relevant dates for the interim dividend are as follows:

Dividend Record Date	: 09 March 2012
Ex-Dividend Date (on ASX)	: 05 March 2012
Ex-Dividend Date (on LSE)	: 07 March 2012
Dividend Payment Date	: 23 March 2012

There is no foreign conduit income attributed to the dividend.

Operations

- The Company produced 26,780 ounces of gold for the half-year, compared to 24,347 ounces from the previous corresponding period, at an average recovered grade of 8.10 g/t gold (six months to December 2010: 14.28 g/t gold);

- Average cash cost for the half-year of US$261 per ounce, was higher than the previous corresponding period's costs of US$186 per ounce;

Description	Unit	Dec 2011	Dec 2010	Variance	(%)
Production	ounces	26,780	51,127	(24,347)	(48%)
Cash costs	US$/oz	$261	$186	($75)	(40%)
Gold price received	US$/oz	$1,655	$1,291	$364	28%

Production Outlook

The total forecast gold production for the fiscal year to 30 June 2012 after taking into account current production of 26,780 is now 75,000 ounces at anticipated cash costs of US$230 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 1 (please see link at the end of this announcement.

Graph 1 (please see link at the end of this announcement) shows the Co-O quarterly production/unit costs graph (Actual: fiscal year 2010/11, Sep & Dec 2011 qtrs; Budget: Mar & Jun 2012 qtrs)

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 2011 with comparatives for the December 2010 half year are summarised in Table I.

Table I. Gold production statistics

Description	Unit	Half-year ended 31 Dec 2011	Half-year ended 31 Dec 2010	Variance	(%)
Tonnes mined	WMT	113,468	121,988	(8,520)	(7%)
Ore milled	DMT	110,160	118,501	(8,341)	(7%)
Recovered grade	gpt	8.10	14.28	(6.18)	(43%)
Recovery	%	93%	94%	(1%)	(1%)
Gold produced	ounces	26,780	51,127	(24,347)	(48%)
Cash costs (1)	US$	$261	$186	($75)	(40%)
Gold sold	ounces	25,446	48,883	(23,437)	(48%)
Average gold price received	US$	$1,655	$1,291	$364	28%

Note:

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

Gold production for the six months to 31 December 2011 was 26,780 ounces of gold at an average grade of 8.10 g/t gold was below last year's production of 51,127 ounces of gold at recovered grades averaging 14.28 g/t gold.

The average cash costs of US$261 per ounce, inclusive of royalties and local business taxes is higher than the previous period's average cash costs of US$186 per ounce, primarily due to reduced gold production.

Medusa, an un-hedged gold producer, sold 25,446 ounces of gold at an average price of US$1,655 per ounce during the period (corresponding period last year 48,883 at average price received of US$1,291 per ounce).

The forecast gold production for the fiscal year to 30 June 2012, following production of 26,780 ounces of gold for the half year to December 2011 has been revised to 75,000 ounces at forecasted cash costs circa US$230 per ounce.

A breakdown of actual and forecasted 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 1 (please see link at the end of this announcement)

Please see link at the end of this announcement for the Preliminary Development Timetable.

Co-O MINE and MILL

Mine

Mine development and expansion involves

- The sinking of the Saga Shaft is at 210 metres as reported on 30 January 2012. Following a review during the December quarter and re-optimisation, the shaft will now be sunk directly to Level 8 (approximately 350 metres below surface) which will be the only haulage level for the Saga Shaft. The current mine shaft haulage capacity is sufficient for the current mill capacity of approximately 1,000 tonnes per day;

- The completion of a second internal shaft from Level 5 to Level 6;

- Record amounts of development are now being achieved to open up the mine for increased production, resulting in a higher percentage of development ore in the mill feed;

- Refurbishment and upgrading of the Agsao Shaft during the September quarter involved replacement of shaft timbers and installing a new larger winder and larger skip. This resulted in decreased production in the September quarter.

Mill

The mill has continued to operate normally. Production for the FY 2012 has been revised to 75,000 ounces due to the continuing aggressive development programme to match the sinking of the Saga Shaft to Level 8 which will continue the supply of a high percentage of development ore to the mill, as well as the effects of tropical storm Sendong and subsequent torrential rains which affected ore haulage from the mine to the mill.

In November 2010 the Company approved the construction of a new mill with the capacity of 200,000 ounces per year. Work has commenced on the following:

- Upgrading of the thickener and the elution circuit;

- Commencement of installation of one additional large leach tank and refurbishment of four small leach tanks;

- Installation of a detoxification unit; and

- Preparations for the installation of a new crusher and SAG mill.

Tailings Dam

Construction of tailings dam number 5 is 80% completed.

Health and Safety

Lost time accident frequency rate (LTAFR) for the six months to 31 December 2012 is 1.10 including exploration. By comparison, the latest West Australian gold mining industry figure available to 30 September 2011 was 3.10, excluding exploration statistics of 6.70.

As reported on 31 October 2011, an underground miner on afternoon shift was involved in a fatal accident in a shrinkage stope at the mine. The broken ore that the miner was standing on collapsed due to an undetectable cavity caused by bridging above the full ore chute.

There were no breaches of any of the project's operating regulations during the quarter.

Co-O RESOURCES AND RESERVES

On 27 July 2011 the Company announced the mineral resources as shown in Table II.

Table II. Mineral Resource estimation as at 27 July 2011

Category		> 0 g/t gold	
	tonnes	g/t gold	ounces
Indicated	1,601,000	12.0	616,000
Inferred	4,747,000	8.8	1,344,000
TOTAL RESOURCES	6,348,000	9.6	1,960,000

The resource estimation was undertaken by Cube Consulting Pty Ltd (2011)

Notes:

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

On 22 August 2011 the Company announced the mineral reserve as shown in Table III.

Table III. Mineral Reserve estimation as at 22 August 2011

Category	> 3 g/t gold		
	tonnes	g/t gold	ounces
Probable	1,500,000	10.1	502,000

The reserve estimations were undertaken by Carras Mining Pty Ltd (2011)

Vein modelling

Cube Consulting Pty Ltd of Perth, Western Australia was contracted to undertake the resource estimations. A wireframe model of the vein system and the mine depletions were based on all available information as at 30 June 2010. A 2D longitudinal modelling approach was used and is based on an accumulation variable incorporating mineralised vein horizontal width and intercept grade. Variography was used to analyse the spatial continuity of the horizontal width and accumulation variables within the mineralised veins and to determine appropriate estimation inputs to the interpolation process. The accumulation variables were interpolated into blocks using Ordinary Kriging. High grade limits were applied to gold prior to the calculation of the accumulation variable. Mineral resources have been reported in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code) and Canadian National Instrument 43-101.

Co-O RESOURCE DRILLING

Diamond drilling has continued since the last resource model update announced on 27 July 2011 and has focused on extending the Co-O Vein system mainly along the eastern side of the resource model. Results from a total of 24 surface drill holes for 16,824 metres and 33 underground drill holes 6,900 metres have been completed (as announced on 17 October 2011) since the previous resource estimation. Maps showing the location of these drill holes are contained in each announcement. Resource updates are estimated annually, generally in the third quarter.

Table IV lists the surface diamond drilling results greater than 3 g/t gold over >0.5 metre downhole width from the Co-O Mine for drill holes EXP 087 to EXP 110. These results are extracted from the announcement dated 17 October 2011 which contains more detailed drilling results with intersections down to 0.2 metres downhole width. Hole locations are also shown on the maps in these announcements.

Table IV. Surface drill hole results ≥3 g/t gold and ≥0.5 metres downhole for new holes EXP087 to EXP101

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 087	614291	912989	-45	180	357.65	1.00	9.13 (*)
					424.80	1.40	28.02 (*)
EXP 088	614066	913152	-57	160	469.70	0.55	4.26 (*)
					523.55	1.00	3.37 (*)
EXP 089	614542	912901	-55	180	345.95	6.60	6.54 (*)
EXP 091	614217	913473	-50	160	627.00	0.50	8.57 (*)
					738.65	2.20	8.88 (*)
EXP 092	614575	913323	-50	160	113.75	0.75	4.53 (*)

					286.75	1.45	56.23 (*)
					501.70	0.50	10.03 (*)
					579.00	1.55	33.55 (*)
EXP 093	614595	912950	-55	180	371.00	1.00	21.53 (*)
					496.70	2.50	72.80 (*)
					660.60	0.60	9.30 (*)
EXP 094	614758	913452	-50	160	725.10	1.10	14.73 (*)

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 095	614066	913152	-47	160	162.35	1.00	4.81 (*)
					403.15	1.00	4.33 (*)
					431.10	2.20	4.98 (*)
					452.90	0.50	3.27 (*)
					499.65	2.35	10.61 (*)
					510.30	1.20	6.46 (*)
					533.50	3.40	6.53 (*)
					581.20	1.35	3.50 (*)
					609.80	2.05	15.97 (*)
					648.45	2.35	7.69 (*)
					657.80	0.70	4.38 (*)
EXP 097	614589	913104	-52	160	285.60	5.10	5.22 (*)
					448.20	1.15	5.92 (*)
					454.70	1.80	3.09 (*)
					519.55	0.50	24.30 (*)
					536.45	1.95	9.74 (*)

Notes:

(i) Intersection widths are downhole drill widths not true widths;

(ii) Assays denoted by (*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;

(iii) Grid coordinates based on the Philippine Reference System 92.

Table V lists the underground diamond drilling results greater than 3 g/t gold over >0.5 metre downhole width from the Co-O Mine.

Table V results are extracted from the announcement dated 17 October 2011 which contains 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. 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 2							
L2-044	613416	912949	0	322	3.80	0.60	11.17 (*)
L2-047	614057	913020	0	231	72.05	0.75	6.50 (*)
LEVEL 4							
L4-024	613985	912881	0	152	108.55	2.40	24.34 (*)
LEVEL 5							
L5-067	613945	912889	-58	138	60.45	0.80	5.87 (*)

Notes:

(i) Intersection widths are downhole drill widths not true widths;

(ii) Assays denoted by (*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;

(iii) Grid co-ordinates based on the Philippine Reference System 92.

Figure 3 (please see link at the end of this announcement) shows a 3D model of the Co-O Mine looking north as at 17 July 2011.

Figure 4 (please see link at the end of this announcement) shows a composite diagram of the Co-O Mine area showing the projection of the veins at Level 6 and surface drill holes EXP 087 to 110.

Figure 5 (please see link at the end of this announcement) shows the Co-O Mine development 3D view looking north as at 17 July 2011.

TAMBIS-BAROBO AREA

BACKGROUND

The Tambis Project, containing the Bananghilig Gold Deposit as shown on Figures 1 and 2 (please see link at the end of this announcement), is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement ("MPSA") 344-2010-XIII which covers 6,262 hectares.

The area has been known as an alluivial gold producing area since Spanish times. The first modern exploration pre-Medusa group was conducted in the 1970s followed by further work in the 1990s. The Company commenced a concerted drilling programme in July 2010.

The Bananghilig Deposit currently has an inferred resource of 650,000 ounces contained in 15,000,000 tonnes at a grade of 1.3 g/t gold. Figure 6 (please see link at the end of this announcement) shows the surface geology of the deposit and Figure 7 (please see link at the end of this announcement) shows a cross-section through the deposit.

Detailed deposit geological and mineralisation descriptions are contained in the announcement dated 12 September 2011 which contains results for drill holes TDH 027 to 102, and the announcement dated 17 January 2012 contains results for holes TDH 102 to 141 excluding TDH 131 to 134 which have been drilled outside Banaghilig. As there are a large number of intersections reported in these announcements, they have not been repeated in this half yearly report.

AIM OF PROGRAMME

In July 2010, new regional and detailed mapping and drilling programmes were commenced with the aim of validating the current resource and extending it to provide a reserve of approximately one million ounces. This reserve would form the basis for a feasibility study which would target production of 200,000 ounces of gold per year from a new milling facility.

REGIONAL GEOLOGICAL SETTING

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

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

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

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

Exploration

Drilling commenced in July 2010 and is continuing with seven surface rigs. Drilling is currently concentrating on ensuring as much as possible of the resources will be in the Indicated category. It is planned for a new resource estimation to be undertaken around mid-2012.

Induced Polarisation / Resistivity and ground magnetics surveys were completed over the area.

Figure 6 (please see link at the end of this announcement) shows the Bananghilig regional surface geology map and corss-section line 10710N.

Figure 7 (please see link at the end of this announcement) shows the Bananghilig Deposit cross section through line 10710N.

USA PROJECT

Background

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

The tenement is being progressed to granting.

ANOLING

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

Four drilling rigs are currently operating at Anoling to explore the vein system. Results from fifty drill holes drilled several years ago are available in the 2011 Annual Report.

An Induced Polarisation/Resistivity and ground magnetics were completed over the area.

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

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

Exploration

Drilling of 33 new drill holes totalling 13,410.40 metres (SDDH 69 to 101 inclusive) has been completed at and around the First Hit Vein. Drilling finished in the December 2011 quarter. A summary of results will be provided in the March quarterly report.

An Induced Polarisation/Resistivity and ground magnetics programme has recently been completed.

FINANCIALS

Medusa recorded a net profit after tax ("NPAT") of US$24.0 million and earnings before interest, tax depreciation and amortisation ("EBITDA") of US$28.4 million for the half year to 31 December 2011, compared to US$58.1 million and US$63.3 million respectively in the previous corresponding period.

The Company recorded Revenues of US$40.9 million compared to US$78.3 million in the previous corresponding period. Medusa is an un-hedged gold producer and received an average price of US$1,655 per ounce from the sale of 25,446 ounces of gold for the half-year to December 2011 (previous corresponding period: 48,883 ounces at US$1,291 per ounce).

The fall in NPAT, EBITDA and Revenues is directly linked to a significant drop in gold production (26,780 ounces compared to 51,127 ounces). The Co-O Mine has been pre-dominantly in development mode since July 2011 to prepare for the anticipated future production increase. All development ore has been treated through the mill and this increased amount of development ore is the primary reason for the lower grade recovered. A reduction in haulage capacity with the refurbishment of the Agsao Shaft has impacted on mill throughput and inclement weather experienced in late December 2011 contributed to lower than expected gold production.

As at 31 December 2011, the Company which is debt free, had total cash, cash equivalent in gold on metal account and bullion on hand of approximately US$80.2 million (Dec 2010: US$87.2 million).

During the half-year:

- The Company received proceeds of US$40.6 million from gold and silver sales and US$0.3 million from interest income (Dec 2010 half-year: gold and silver sales of US$63.3 million and interest of US$0.3 million);

- Depreciation and amortisation was lower at US$4.5 million, compared with US$5.2 million in the December half of 2010;

- US$15.9 million outlay on exploration expenditure, including US$8.3 million on the Co-O Mine (Dec 2010 half-year: US$12.0 million, including US$8.4 million for the Co-O Mine). The exploration budget for the 2011/12 fiscal year has been revised upwards by US$3 million to US$30 million;

- US$9.0 million was spent on sustaining capital at mine and mill and capital works associated with the new mill construction and infrastructure (Dec 2010 half-year: US$4.0 million); and

- Incurred US$14.7 million on general and accelerated mine development costs, inclusive of shaft sinking costs (Dec 2010 half-year: on general mine development only of US$5.2 million).

CORPORATE

Dividend

- A final un-franked dividend of A$0.05 per share was paid to shareholders on 30 September 2011. The total amount paid inclusive of associated costs was US$9.34 million;

- The Board approved the payment of an interim un-franked dividend of A$0.05 per share on 20

February 2012.

The relevant dates for the interim dividend are as follows:

Dividend Record Date	: 09 March 2012
Ex-Dividend Date (on ASX)	: 05 March 2012
Ex-Dividend Date (on LSE)	: 07 March 2012
Dividend Payment Date	: 23 March 2012

There is no foreign conduit income attributed to the dividend.

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

Cube Consulting Pty Ltd

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

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

Carras Mining Pty Ltd

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

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

DISCLAIMER

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

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

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

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

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 21 for the half-year ended 31 December 2011.

ROUNDING OF AMOUNTS

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

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

PETER HEPBURN-BROWN
Managing Director
Dated this 21st day of February 2012.

GRANT THORNTON - AUDITOR'S INDEPENDENCE DECLARATION

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

We have reviewed the accompanying half-year financial report of Medusa Mining Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements

ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Medusa Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner - Audit & Assurance

Perth, 21 February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 31 December 2011

		Consolidated Group	
		31 Dec 2011	31 Dec 2010
	Note	US$ 000	US$ 000
Revenue	2	40,908	78,303
Other income		-	50
Cost of sales		(10,663)	(15,999)
Administration expenses		(4,609)	(2,151)
Other expenses		(1,574)	(2,121)
Profit before income tax expense		24,062	58,082

Income tax benefit	(75)	-
Profit for the period after income tax expense	23,987	58,082
Other comprehensive income:		
Exchange differences on translation of foreign operations (net of tax)	(2,323)	7,739
Total comprehensive income	21,664	65,821
Overall operations:		
Basic earnings per share	0.127	$0.310
Diluted earnings per share	0.127	$0.309

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

		Consolidated Group	
		31 Dec 2011	30 June 2011
	Note	US$ 000	US$ 000
CURRENT ASSETS			
Cash & cash equivalents		38,150	62,431
Trade & other receivables		60,572	57,112
Inventories		9,166	8,136
Other current assets		956	509
Total Current Assets		108,844	128,188
NON-CURRENT ASSETS			
Property, plant & equipment		50,082	40,008
Exploration, evaluation and development expenditure		143,292	116,382
Deferred tax assets		78	78
Total Non-Current Assets		193,452	156,468
TOTAL ASSETS		302,296	284,656
CURRENT LIABILITIES			
Trade & other payables		10,962	7,704
Provisions		598	567
Total Current Liabilities		11,560	8,271
NON-CURRENT LIABILITIES			
Provisions		342	239
Deferred tax liability		257	257
Total Non-Current Liabilities		599	496
TOTAL LIABILITIES		12,159	8,767
NET ASSETS		290,137	275,889
EQUITY			
Issued capital	5	73,070	71,990
Reserves		13,398	14,879
Retained profits		203,669	189,020
TOTAL SHAREHOLDERS' EQUITY		290,137	275,889

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2011

Share Capital Ordinary	Retained Profits	Other Reserves (refer note 6)	Foreign Currency Translation Reserve	Total

	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
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
Balance at 01.07.2011	71,990	189,020	1,689	13,190	275,889
Net profit after tax	-	23,987	-	-	23,987
Other comprehensive income	-	-	-	(2,323)	(2,323)
Total comprehensive income for the period	-	23,987	-	(2,323)	21,664
Shares issued during the period	789	-	-	-	789
Transfer from Option Reserve	291	-	(291)	-	-
Share options and performance rights recognised during the period in accordance with AASB 2 - share based payments	-	-	1,133	-	1,133
Sub-total	73,070	213,007	2,531	10,867	299,475
Dividends paid or provided for (refer note 3)	-	(9,338)	-	-	(9,338)
Balance at 31.12.2011	73,070	203,669	2,531	10,867	290,137

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2011

	Consolidated Group	
	31 Dec 2011	31 Dec 2010
	US$ 000	US$ 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	42,403	63,272
Payments to suppliers and employees	(14,649)	(18,878)
Interest received	285	321
Net cash provided by operating activities	28,039	44,715
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(12,824)	(3,950)
Payments for exploration expenditure and tenements	(16,725)	(12,040)
Payments for development activities	(14,493)	(5,219)
Net cash (used in) investing activities	(44,042)	(21,209)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	789	779
Payments for dividends	(9,338)	(9,472)
Net cash provided by/(used in) financing activities	(8,549)	(8,693)
Net increase / (decrease) in cash held	(24,552)	14,813
Cash at beginning of period	62,431	32,457
Exchange rate adjustments	164	1,979
Cash at end of period	38,043	49,249

The accompanying condensed notes form part of these financial statements

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2011

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 2011 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 2011 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 2011 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 2011.
This consolidated interim financial report was approved by the Board of Directors on 20 February 2012.
(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 2011.

(c) Change in accounting policy

From 1 July 2011, the Company has adopted the following Standards for the reporting periods beginning on or after 1 July 2011: Amendments to AASB 134 Interim Financial Reporting
The amendments clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the Group's circumstances since the last annual financial statements. The Group's interim financial statements as of 31 December 2011 reflect these amended disclosure requirements, where applicable.

(d) Significant events and transactions

During the six months the Company experienced a fall in Revenues which is directly linked to a significant drop in gold production (26,780 ounces compared to 51,127 ounces). The Co-O mine has been predominantly in development mode since July 2011 to prepare for anticipated future production increase.

(e) Comparative figures

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

(f) 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

Note 2: Profit for the period

	Consolidated Group	
	31 Dec 2011	31 Dec 2010
	US$ 000	US$ 000
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Revenue items:		
Interest revenue	292	321
Gold and silver sales	40,603	77,978
Other	6	4
Expense items:		
Depreciation	2,591	2,291
Amortisation	2,308	2,920
Employee benefits expense	5,511	2,880
Recognition of share based payments	1,132	59
Note 3: Dividends		
Unfranked dividend of 5 cents a share (2010: 5 cents a share, declared on 6 October 2010 and paid on 8 November 2010) was declared on 29 August 2011 and paid on 30 September 2011.	9,338	9,472

Note 4: Segment Information

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

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

	Mining	Exploration	Other	Total
	US$ 000	US$ 000	US$ 000	US$ 000
Segment Revenue and Result				
6 months to December 2011:				
Segment revenue	40,603	-	305	40,908
Segment result	28,807	(10)	(4,810)	23,987
6 months to December 2010:				
Segment revenue	77,978	-	375	78,353
Segment result	61,100	(5)	(3,013)	58,082
Segment Assets and Liabilities				
31 December 2011:				
Segment assets	284,552	3,852	13,814	302,218
Reconciliation of segment assets to group assets				
add -				
Deferred tax assets				78
Total group assets				302,296
Segment liabilities	5,769	1	6,132	11,902

Reconciliation of segment liabilities to group liabilities				
add -				
Deferred tax liabilities				257
Total group liabilities				12,159
30 June 2011:				
Segment assets	234,772	7,925	41,881	284,578
Reconciliation of segment assets to group assets				
add -				
Deferred tax assets				78
Total group assets				284,656
Segment liabilities	7,182	4	1,324	8,510
Reconciliation of segment liabilities to group liabilities				
add -				
Deferred tax liabilities				257
Total group liabilities				8,767

	Consolidated Group			
	31 Dec 2011	30 Jun 2011	31 Dec 2011	30 Jun 2011
	(shares)	(shares)	US$ 000	US$ 000
Note 5: Issued Capital				
Ordinary shares on issue	188,903,911	188,233,911	73,070	71,990
Opening balance	188,233,911	187,529,911	71,990	70,906
add -				
Shares issued during the period	670,000	704,000	789	779
Transfer from option Reserve	-	-	291	305
	188,903,911	188,233,911	73,070	71,990
Movement in ordinary shares during the half-year:				
- Balance at beginning of the period	188,233,911	187,529,911	71,990	70,906
- 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
Options converted to ordinary shares at A$1.25 each (including bonus shares*)	594,000	-	668	-
Options converted to ordinary shares at A$4.40 each.	10,000	-	45	-
Options converted to ordinary shares at A$1.25 each (including bonus shares*)	66,000	-	76	-
Transfer from options reserve	-	-	291	305
	188,903,911	188,233,911	73,070	71,990

*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.

	Consolidated Group			
	31 Dec 2011	30 Jun 2011	31 Dec 2011	30 Jun 2011
	(options)	(options)	US$ 000	US$ 000
Note 6: Option and Performance Rights Reserve				
Option and Performance Rights Reserve	965,000	750,000	2,531	1,689
Opening balance	750,000	1,240,000	1,689	1,834
less -				
Options exercised	(610,000)	(640,000)	(291)	(305)
Options cancelled	-	-		-
add -				
Options issued - exercisable at A$4.40 each (refer below)	-	150,000	-	-
Options issued - exercisable at A$8.10 each	575,000	-	-	-
Performance Rights Issued (Refer Note 9)	250,000	-	-	-
Share options and performance rights recognised during the period in accordance with AASB 2 - share based payments	-	-	1,133	160
	965,000	750,000	2,531	1,689

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 2011 annual report.

Note 9: Related Parties
At the Annual General Meeting held on 10 November 2011shareholders approved the issue of 250,000 Performance Rights to the Managing Director Peter Hepburn-Brown in accordance with the terms and conditions as set out in the Explanatory Memorandum provided to shareholders.

Aside from the above 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 2011.

Note 10: Events subsequent to reporting date
On 3 January 2012 the Board approved the issue of 1 million options to selected Filipino employees. The issue of the options will be at the discretion of the Managing Director at an exercise price of A$5.10.

On 21 February 2012 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 9 March 2012 and a Dividend Payment Date of 23 March 2012. 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 2011 and the date of this report any other item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group, in subsequent financial periods.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 22 to 31:

(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 2011 and of its performance for the half year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Peter Hepburn-Brown
Managing Director
Dated this 21 day of February 2012

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MEDUSA MINING LIMITED

We have reviewed the accompanying half-year financial report of Medusa Mining Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Medusa Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner - Audit & Assurance

Perth, 21 February 2012

A copy of this report has been filed with the National Storage Mechanism and will be available for inspection shortly at www.hemscott.com/nsm.do.

To view the Figures and Graphs, please click on or paste the following link in your browser:
http://www.rns-pdf.londonstockexchange.com/rns/7624X_-2012-2-20.pdf

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Regulatory