

Regulatory Story

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Company Medusa Mining Limited
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Final Results

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MEDUSA RECORDS STRONG 2009 FINANCIAL RESULTS

Medusa Mining Limited ('Medusa' or the 'Company'), is pleased to present its full year financial results for the year ended 30 June 2009, highlighted by a record Net Profit After Tax ('NPAT') of \$38.1 million.

Highlights:

- * Record Net Profit of 38.1 million (2008: (\$1.3 million))
- * Turnover increased 216% to \$57.3 million
- * Earnings per share \$0.25 (2008:\$0.009)
- * Total Co-O mine resource increased 60% to 1.38 million ounces of gold
- * Maiden resource of 650,000 ounces of gold at its Bananghilig Deposit

Managing Director, Geoff Davis commented:

'The year has been one of tremendous advance with gold production from the Co-O Mine now annualised at June 30 at over 60,000 ounces per annum, following production of 47,869 ounces at a cash cost of US\$213 per ounce for the year, making Medusa one of the lowest cost gold producers on the ASX and AIM markets. Work is progressing on schedule to attain 100,000 ounces of annualised production in early 2010.

Capital works are continuing and are expected to be completed by the end of the year, enabling the Company to concentrate on production of gold. The main outstanding item is the completion of the mill crushing circuit expansion to treat up to approximately 1,000 tonnes of ore per day.

Exploration expenditure has increased during the year with the addition of more surface rigs, now totalling 12. As over 1,100,000 ounces have been added to the Company's resource inventory since last year's annual report, this amount of effort has produced great results, and further increases are anticipated.

The recent announcement of a maiden resource at Bananghilig of 650,000 ounces of gold now sets the scene for propelling the Company to upper mid-tier status by potentially developing a second mine with a potential total production profile of 300,000 to 400,000 ounces of gold per year.

The Bananghilig Deposit further strengthens the Company's belief in the enormous prospectivity of its substantial tenement package.

Financially the Company is in a sound position with just under \$33 million in the bank and this year's EBITDA of A\$40.6 million sets the scene of what we believe will be strong future earnings growth.'

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Managing Director's Review

Achievement of our production targets ahead of schedule during the past year has triggered the desire to look back to where we have come from since becoming fully involved in the Co-O Gold Project in December 2006.

At that point the Co-O Mine had a resource of 267,000 ounces. The production target was a modest 40,000 ounces per year, but exploration was starting to indicate we had a growing giant on our hands. In the next resource update in September 2007, it had grown to 713,000 ounces, in August 2008 to 862,000 and in June this year to 1,380,000 ounces, and this figure is expected to continue growing. With potentially a long mine life and production now heading rapidly to 100,000 ounces per year from the first quarter of 2010, and exploration in progress to potentially justify a further expansion, the Company is set to enter the realms of a mid-tier gold producer.

On a world basis, the Co-O Mine is producing gold as one of the lowest cost producers. We see no reason for this to change in the foreseeable future which cements the Company's position in the gold industry as a low cost producer.

While exploration has rightly focused on the Co-O Mine to fully establish cash flow, the Company now has the 650,000 ounce Bananghilig Deposit to provide the potential for a second producing mine. The size of the deposit (which is anticipated to grow with further exploration), has the potential to add another 200,000 ounces of annualised production. The deposit is low grade, but has a number of redeeming features which are anticipated, with further work, to translate into a medium-cost producer.

Copper exploration is also advancing at the Lingig copper project where drilling during the year returned encouraging intersections over good widths. Provided drilling continues to outline a body that has commercial size potential, it is anticipated that the pace of work will pick up as results justify it.

Encouraging scout drilling results were also obtained from the Kamarangan copper project during the year, justifying further drilling.

A number of visitors and consultants to the Co-O Project during the year have observed and commented that the project is noticeably intimately integrated in our host communities. This is an observation of which our community relations people are intensely proud, not only from the perspective of personal achievement, but more importantly from the perspective of the Company's ability to provide tangible benefits to our host communities, raising the aspirations of, in particular, younger members of those communities through education, health, agriculture and for many of them, secure work at a potentially long life project.

The Co-O Project today is the result of a dedicated team effort at all levels of the organisation. At times during our infancy it was difficult to see the light at the end of the tunnel, but to everyone's credit, the sense of ownership and enthusiasm now present at all levels is something of which I am immensely proud.

We all look forward to progressing the Company to 300,000 to 400,000 ounce gold producer which will significantly elevate the status of the Philippines as a gold producer and provide employment and other benefits to a large number of people.

Geoff Davis
Managing Director

HIGHLIGHTS OF THE FINANCIAL YEAR

FINANCIALS

Key Results	30 June 2009	30 June 2008	Variance	(%)
Revenues	\$57,257,750	\$18,074,035	\$39,183,715	216%
EBITDA	\$40,608,840	\$4,655,085	\$35,953,755	-
EBIT	\$35,819,516	\$1,018,439	\$34,801,077	-
NPAT	\$38,110,876	(\$1,347,489)	\$39,458,365	-
EPS (basic)	\$0.25	(\$0.009)	\$0.259	-

- * Record Net Profit After Tax ('NPAT') of \$38.1 million (2008: (\$1.3 million)), representing basic earnings per share ('EPS'), of 25 cents on a weighted average basis;
- * Revenues increased 216% to a record \$57.3 million, due to increased gold production and a higher price received on sales. Medusa is an un-hedged gold producer and received an average gold price of US\$880 per ounce from the sale of 47,869 ounces of gold for the year (2008: 19,009 ounces at US\$849 per ounce);
- * Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') of \$40.6 million (2008: \$4.7 million) and Earnings Before Interest and Tax ('EBIT') of \$35.8 million (2008: \$1.0 million);
- * Mindanao Mineral Processing and Refining Corporation, Medusa's wholly owned Philippines subsidiary was granted a four year tax concession, commencing July 2009;
- * The Company is debt free and had a cash balance of \$32.9 million at year end.

OPERATIONS

Co-O MINE

- * The Company produced a record 47,869 ounces of gold for the year, an increase of 28,860 ounces or 152 % from the previous year's production of 19,009 ounces, at an average grade of 13.30 g/t gold (2008: 10.40 g/t gold) and cash costs of US\$213 per ounce (2008: US\$248 per ounce) as seen in figure 1 (please see the link at the end of this announcement)
- * With Phase 1 of its expansion programme completed ahead of schedule in the June 2009 quarter and the Phase II expansion programme on schedule, the Company expects to produce approximately 82,000 ounces in the forthcoming fiscal year at an estimated cash cost of US\$200 per ounce

RESERVES AND RESOURCES

Type	June 2009	June 2008	Variance
Co-O Reserves			
Probable reserves	500,000	249,000	101%
Total Co-O Reserves	500,000	249,000	101%
Co-O Resources			

Indicated resources	603,000	392,000	54%	
Inferred resources	777,000	470,000	65%	
Total Co-O Resources	1,380,000	862,000	60%	

- * Gold reserves at Co-O increased by 251,000 ounces or 101 % to 500,000 ounces excluding mine depletion for the year of 47,869 ounces;
- * Co-O's gold resource inventory at year end of 1,380,000 contained ounces represents an increase of 518,000 ounces or 60% and excludes any mine depletion for the year as seen in figure 2 (please see the link at the end of this announcement)
- * Subsequent to year end, Medusa announced a maiden resource of 650,000 ounces at its Banaghilig Deposit (15 million tonnes at 1.3 g/t gold);
- * Together with Co-O's resource of 1.38 million, the Company's total resource inventory now stands at 2.03 million.

EXPLORATION

- * Contiguous tenement package maintained at >800km²;
- * Budgeted exploration for 2009/10 of \$17.0 million (2008 actual: \$15 million);
- * Exploration highlights at Co-O include:
 - * Discovery of new high grade veins, such as the Great Hamish Vein;
 - * Extension along strike to approximately 1,400 metres;
 - * Extension across strike to approximately 500 metres; and
 - * Demonstrating that mineralisation extends to over 400 metres below the mine's adit entrance; as seen in figure 3 (please see the link at the end of this announcement).
- * At the Bananghilig disseminated gold deposit, a very large mineralised system has now been estimated in preparation for planning additional work;
- * At the Lingig copper prospect, drilling is on-going to define an economic sized resource following initial good results;
- * Scout drilling at the Kamarangan copper prospect returned encouraging results requiring follow-up drilling.

INCOME STATEMENTS

for the year ended 30 June 2009

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue	57,252,098	18,074,035	1,651,506	1,819,183
Other income	5,652	-	-	-
Cost of sales	(17,339,343)	(10,066,585)	-	-
Exploration & evaluation expenses	(80,735)	(572,221)	-	-
Finance Costs	-	(375,842)	-	-
Administration expenses	(2,351,838)	(3,307,302)	(1,787,601)	(1,578,609)
Other expenses	(1,666,318)	(2,733,646)	(1,024,872)	(2,437,571)
Profit/(loss) before income tax expense	35,819,516	1,018,439	(1,160,967)	(2,196,997)
Income tax (expense)/income	2,291,360	(2,365,928)	-	-
Profit/(loss) attributable to members of the Company	38,110,876	(1,347,489)	(1,160,967)	(2,196,997)
Basic earnings/(loss) per share	\$0.250	(\$0.009)		
Diluted earnings/(loss) per share	\$0.249	(\$0.009)		

The accompanying notes form part of these financial statements.

BALANCE SHEETS
as at 30 June 2009

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT ASSETS				
Cash & cash equivalents	32,938,971	4,834,161	17,662,620	2,242,620
Trade & other receivables	6,198,161	2,185,194	23,914	27,425
Inventories	1,446,171	935,976	-	-
Other current assets	159,595	333,119	48,102	29,484
Total Current Assets	40,742,898	8,288,450	17,734,636	2,299,529
Non-Current Assets				
Property, plant & equipment	37,818,693	28,499,551	45,438	60,481
Exploration, evaluation and development expenditure	65,797,441	40,740,193	-	-
Deferred tax assets	85,989	2,851,792	-	-
Other assets	-	-	66,169,494	56,143,200
Total Non-Current Assets	103,702,123	72,091,536	66,214,932	56,203,681
Total Assets	144,445,021	80,379,986	83,949,568	58,503,210
Current Liabilities				
Trade & other payables	11,423,616	6,845,501	568,549	1,217,702
Total Current Liabilities	11,423,616	6,845,501	568,549	1,217,702
NON-CURRENT LIABILITIES				
Deferred tax liability	388,879	5,217,720	-	-
Total Non-Current Liabilities	388,879	5,217,720	-	-
Total Liabilities	11,812,495	12,063,221	568,549	1,217,702
Net Assets	132,632,526	68,316,765	83,381,019	57,285,508
Equity				
Issued capital	92,773,702	65,866,550	92,773,702	65,866,550
Reserves	(1,231,604)	(529,337)	2,072,018	1,722,692
Retained profits / (accumulated losses)	41,090,428	2,979,552	(11,464,701)	(10,303,734)
Total equity	132,632,526	68,316,765	83,381,019	57,285,508

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2009

	Share Capital Ordinary	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Total\$
	\$	\$	\$	\$	\$
CONSOLIDATED					
Balance at 01.07.2007	63,805,000	4,327,041	1,544,961	793,287	70,470,289
Exchange differences arising on translation (Loss) attributable to members of Company	-	-	-	(3,045,316)	(3,045,316)
Total recognised income and expenses during the year	-	(1,347,489)	-	-	(1,347,489)
Shares issued	-	(1,347,489)	-	(3,045,316)	4,392,805

during the period	1,742,200	-	-	-	1,742,200
Share transaction costs	(674,750)	-	-	-	(674,750)
Share options issued during the period in accordance with AASB 2 - share based payment	-	-	1,171,831	-	1,171,831
Transfer from option reserve	994,100	-	(994,100)	-	-
Balance at 30.06.2008	65,866,550	2,979,552	1,722,692	(2,252,029)	68,316,765
Exchange differences arising on translation	-	-	-	(1,051,593)	(1,051,593)
Profit attributable to members of Company	-	38,110,876	-	-	38,110,876
Total recognised income and expenses during the year	-	38,110,876	-	(1,051,593)	37,059,283
Shares issued during the period	28,208,841	-	-	-	28,208,841
Share transaction costs	(1,301,689)	-	-	-	(1,301,689)
Share options issued during the period in accordance with AASB 2 - share based payment	-	-	349,326	-	349,326
Balance at 30.06.2009	92,773,702	41,090,428	2,072,018	(3,303,622)	132,632,526
COMPANY Balance at 01.07.2007	63,805,000	(8,106,737)	1,544,961	-	57,243,224
Loss attributable to members of Company	-	(2,196,997)	-	-	(2,196,997)
Total recognised income and expenses during the year	-	(2,196,997)	-	-	(2,196,997)
Shares issued during the period	1,742,200	-	-	-	1,742,200
Share transaction costs	(674,750)	-	-	-	(674,750)
Share options issued during the period in accordance with AASB 2 - share based payment	-	-	1,171,831	-	1,171,831
Transfer from option					

reserve	994,100		- (994,100)	-	-
Balance at 30.06.2008	65,866,550	(10,303,734)	1,722,692	-	57,285,508
Loss attributable to members of Company	-	(1,160,967)	-	-	(1,160,967)
Total recognised income and expenses during the year	-	(1,160,967)	-	-	(1,160,967)
Shares issued during the period	28,208,841			-	28,208,841
Share transaction costs	(1,301,689)			-	(1,301,689)
Share options issued during the period in accordance with AASB 2					
-					
share based payment	-		349,326	-	349,326
Balance at 30.06.2009	92,773,702	(11,464,701)	2,072,018	-	83,381,019

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENTS
for the year ended 30 June 2009

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	57,019,136	17,540,189	-	805
Payments to suppliers and employees	(17,532,970)	(10,738,999)	(3,190,999)	(2,708,082)
Interest received	232,963	399,085	212,768	389,073
Net cash provided by/(used in) operating activities	39,719,129	7,200,275	(2,978,231)	(2,318,204)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt from sale of investments	-	110,119	-	110,119
Payments for plant and equipment	(8,379,429)	(2,313,575)	(6,012)	(17,508)
Payments for exploration and evaluation activities	(4,178,100)	(8,293,728)	-	-
Payment for development activities	(23,187,857)	(6,546,801)	-	-
Loans to controlled entities	-	-	(8,409,904)	(9,621,057)
Net cash (used in) investing activities	(35,745,386)	(17,043,985)	(8,415,916)	(9,528,446)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	28,143,000	1,742,200	28,143,000	1,742,200
Transaction costs from issue of shares	(1,301,673)	(1,811,250)	(1,301,673)	(1,811,250)
Repayment of vendor finance	-	(5,000,000)	-	(5,000,000)
Net cash provided by/(used in) financing activities	26,841,327	(5,069,050)	26,841,327	(5,069,050)
Net (decrease)/increase in cash and cash equivalents held	30,815,070	(14,912,760)	15,447,180	(16,915,700)

Cash and cash equivalents at the beginning of the financial year	4,834,161	20,168,063	2,242,620	19,166,563
Exchange rate adjustment	(2,710,260)	(421,142)	(27,180)	(8,243)
Cash and cash equivalents at the end of the financial year	32,938,971	4,834,161	17,662,620	2,242,620

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report covers the Group of Medusa Mining Limited ('Medusa') and controlled entities, and Medusa as an individual Company. Medusa is a listed public company, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 4 September 2009.

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Principles of Consolidation

A controlled entity is any entity over which Medusa has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 19 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity

Comparative Figures

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

(b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Gold and Silver Sales

Revenue from the production of gold and silver is recognised when the Group has passed control and risk to the buyer.

Interest Revenue

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Dividends

Dividend revenue (net of franking credits) is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting and recognised when the dividends are received.

All revenue is stated net of the amount of goods and services tax ('GST').

(c) Income Tax

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

EARNINGS/(LOSS) PER SHARE

	Consolidated	
	2009	2008
	\$	\$
Earnings used to calculate basic and diluted EPS	38,110,876	(1,347,489)
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	152,723,201	43,626,534
Weighted average unlisted options on issue	479,874	
Weighted average of ordinary shares diluted as at 30 June 2009	153,203,075	

Diluted earnings per share was not calculated for the year ended 30 June 2008 as the result was anti-dilutive in nature.

The annual report and accounts for the year ended 30 June 2009 will be sent to shareholders by electronic means (or by post to those shareholders who have specifically requested a hard copy of the annual report) shortly and a copy will be available on the Company's website thereafter - www.medusamining.com.au.

ABOUT MEDUSA MINING LIMITED

Medusa Mining Limited ('Medusa' or the 'Company'), a public company listed on the ASX and AIM, is an Australian based gold producer, focussed solely on the Philippines.

With total current resources of over 2,000,000 ounces of gold, Medusa aims to become a 300,000 to 400,000 ounce per year, low cost gold producer. The Company is currently expanding its high grade Co-0 Mine operations (1,380,000 ounces at 10.8 g/t gold) to increase its production capacity to 100,000 ounces per year, and is conducting near mine exploration to assess the possibilities of further expansion to 200,000 ounces per year. Current cash costs at the Co-0 Mine are approximately US\$200 per ounce.

A pipe-line of deposits is now being established with the Bananghilig Deposit (650,000 ounces at 1.3 g/t gold) which is expected to expand, potentially in conjunction with new nearby discoveries.

Further potential upside exists in the discovery of substantial copper deposits within the tenement holding of > 800km².

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JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

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 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. 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 relates 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 Franzman 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'. 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.

DISCLAIMER

This announcement contains 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.

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Regulatory