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Medusa snares promising Philippine project

Thursday, March 30, 2006

**IT MAY look a tad modest, but do the math and take a look at the bigger picture and Medusa Mining's Co-O project on the Philippine island of Mindanao looks to be a nice little earner offering clear upside. Michael Quinn reports from Singapore**

Via a somewhat convoluted deal – of the ilk that so often seem to go hand in hand with operating in the Philippines – that is reportedly about to be confirmed, Medusa is getting its hands on a high grade 40,000 ounce per annum operation, including mill with spare capacity.

Cash costs are put at under \$US200 (\$A283) per ounce, meaning at the current gold price the unhedged company will be generating from the third quarter of 2006 free cash flow (before tax) of \$14 million per annum – compared to a fully diluted market capitalisation of \$A55-60 million.

As Medusa managing director Geoffrey Davis told *MiningNews.net*, that cash flow is more than what was banked last year by a major gold producer in the Oceania region that produced hundreds of thousands of ounces!

To acquire the project from local company Philsaga is costing Medusa a total of \$16 million and the issuing of 25 million shares, with the vendor's principals remaining involved in the project. Philsaga comprises well-known Kalgoorlie underground miner Bill Phillips and his Filipino business partner.

In an ironic twist, Davis actually sold the asset to Phillips a few years back as part of a restructuring Davis was involved with then.

The Co-O mine contains a JORC resource of 241,000oz in ore grading 29.7 grams per tonne, is open in all directions and is claimed by Medusa to have obvious, +1 million oz potential.

The processing plant is understood to have capacity of 150t per day, with a ball mill being refurbished by June to allow 500tpd to be processed.

Underground production from Co-O is being ramped up to some 300tpd by around the same time, which depending on the grade mined, could see production clearly north of the flagged 40,000oz per annum rate flagged – with spare capacity to boot.

Medusa holds around 70km of strike north and south of Co-O, with the ground said to contain all sorts of targets, including further high grade veins plus porphyry prospects and sediment hosted gold deposits.

"The large land holding that Medusa has consolidated around the Co-O treatment plant provides an excellent opportunity for further economic discoveries," State One analyst Carey Smith said in a report earlier this month.

"The numerous grade carrying epithermal quartz veins located around the Co-O mine begs the question of where is the porphyry system that was the source of the epithermal veins."