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## NEWS

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# Medusa Mining Goes From Strength To Strength

By Jack Hammer

**Co-O is a funny old name for a gold mine. According to AIM listed Medusa Mining's managing director Geoffrey Davis, it doesn't come from some association with the form of cobalt oxide commonly used to colour ceramics green, but rather it's an abbreviation of the local Philippine place name Consuelo. There's also a creek called Co-O near Medusa's mine on the island of Mindanao, and the name apparently goes back several hundred years.**

But if the name is funny, the mine itself is very serious. Not only does the resource and reserve base at Co-O keep getting bigger, but cash flow from low-cost production is slated to fund all forthcoming expansion, meaning that **Medusa** will have little need to tap the increasingly uncertain capital or debt markets at any time in the foreseeable future. And lately the strength of that proposition has been well appreciated by investors. The company's share price has doubled over the past twelve months, and that's in spite of some fairly serious operational glitches at the start of the year. Those included excessive water encountered during the sinking of the shaft, and a landslide over the mine entrance.

Still, in spite of the setbacks the company kept plugging away, and Co-O duly went into proper production in April, delivering a grand total of 8,132 ounces for the quarter to June. And it ought to be a fairly rapid ramp-up from here on in. The plan is for Co-O to produce 60,000 ounces per year in the near term, augmented by a further 40,000 ounces from other nearby projects. The company can say that with reasonable confidence, as it already has a JORC reserve of 256,000 ounces backed by a further 713,000 resource ounces in the indicated and inferred categories. There's every expectation that it will go higher, as the company's six rigs keep on turning.

Mr Davis says quite clearly: "We don't have any doubt that we'll get the resource past 1million ounces next year". And non-executive chairman Kevin Tomlinson – a familiar face in London from his activities as an analyst – says matter-of-factly in the company's annual report: "It is my opinion that the Co-O mine will develop into one of the premier high grade mines in the world". He highlights a particular intersection – 5.2metres at 107.5 grammes per tonne. Nonetheless, on a wider view, with the JORC reserve and resource ounces averaging around 11 grammes per tonne, it looks like he might be right. A similar deposit nearby has produced 7million ounces.

It's still early days of course, but **Medusa** is already reaping the benefits of those grades. Costs are running at a measly US$200 an ounce, some of the lowest in the business, and Geoffrey Davis has every expectation that they'll stay at that level, or possibly go even lower. "We'll be able to maintain that level of costs quite easily", he says. That's because, unlike many miners with open pit operations, **Medusa**'s underground mine doesn't consume a great deal of diesel. Even more significant the company is about to shift its power procurement to a new hydro-electric project, something Mr Davis claims will reduce power costs by 75 per cent.

So with Co-O rapidly shaping up as a valuable cash cow, the company has plenty of room for manoeuvre to move along with its diverse portfolio of additional development and exploration targets. The most advanced is Anoling, which shows potential to move to a resource of 100,000 ounces fairly quickly. But there are plenty of others, including several copper porphyry targets. Mr Davis isn't in a mood to play down the potential. "In the central region where we are there are more targets than I've ever seen in South East Asia", he gushes. He's been in the business more than thirty years and has run the rule over many a prospective area in his time. Perhaps this time he's really hit the big one.

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