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Medusa Mining* - Co-O Mine Resource Increase

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Medusa Mining* (MML) has announced that the JORC compliant resources at its Co-O Mine have increased by 40% to 1,203,000 ounces following the completion of a new resource estimation. The average grade has also increased by 23.7% to 13.3 g/t gold. Of the total resource, 480,000 ounces are in the Indicated category, with 723,000 ounces Inferred. The company added that as the vein system is open at depth and new veins are being found across and along strike, the resource is expected to continue to grow as drilling continues.

More cracking news from the Philippines-based gold producer following on from the spectacular drilling grades reported last month. Co-O Mine production is on the rise, having increased by 30% during the three months to September 2008, and with the expansion plan to bump production to 60,000 oz/pa ahead of schedule, first development ore is expected later this quarter. Subsequently phase II expansion should bolster production to 100,000 oz/pa by early 2010. At the anticipated long-term average cash cost of c. \$250/oz and a gold price of \$800/oz, a conservative estimate of the project's annual cash flow would be around \$55 million across its mine life, which has now been extended following this resource upgrade. But you know that gold is heading well above \$800 oz. I reckon that The Co-O Mine itself is worth at least 120p per share (up from my previous 90p a share estimate), with minor exploration projects adding bonus value. Furthermore, Medusa has net cash. At 48p, the shares remain a **"buy"**.

**Medusa is a corporate client of RSH, the ultimate owner of t1ps.com, and the t1ps SF Fund owns shares in the company.*

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