

print
article

Medusa Mining* - Quarterly Report

28 January 2009

Medusa Mining* - Quarterly Report

Medusa Mining* (MML) has released its quarterly report for the period ended 31st December 2008. The highlights, of course, centred on the Co-O mine in the Philippines. During the period, the company recorded a 76% increase in gold production to 12,158 ounces at an average recovered grade of 15.84 g/t gold and average cash cost of only \$215 per ounce. Meanwhile, the Co-O resource was increased by 40% to 1,203,000 ounces at 13.3 g/t gold in 2,820,000 tonnes. In addition, a new high grade vein was discovered, as twelve drill holes into Great Hamish Vein averaged 61.84 g/t gold across an average intersection width of 2.23 metres. Looking ahead, the mine expansion programme remains on-track, with phase I set to raise gold production to 60,000 ounces per annum by the third quarter of 2009. Meanwhile, phase II expansion is already underway, which is planned to boost production to 100,000 ounces per annum in early 2010.

At the company's other prospects, drilling is continuing at the Lingig Porphyry copper discovery, on which a comprehensive report will be provided in March 2009 after receipt of back-logged assays and completion of a revision of the geology. Drilling is also continuing at the Kamarangan porphyry prospect, on which a comprehensive report will be provided after completion of first pass drilling.

On the corporate front, to much relief, Crosby Capital withdrew its absurdly valued unsolicited off-market takeover offer for Medusa. The offer was pitched at approximately 52p per share, which incidentally is the current share price but there remains significant upside potential to be realised within the next 12 months and beyond. Medusa is confident that the ongoing drilling programme at the Co-O prospect will further increase the resource figure, while gold production continues to rise. At the same time, the gold price is on the up, this week topping \$900/oz, whilst the company's average cash cost of production moves in the opposite direction, and is expected to drop to as low as \$200 per ounce, equating to a cash margin of around \$700 per ounce at current prices. As a comparison, fellow AIM-listed miner, Allied Gold, which operates offshore Papua New Guinea, released its quarterly report for the same period, reporting average cash costs of \$401 per ounce, in producing almost 50 times as much gold. For Medusa, the Co-O mine will continue to be the principle value driver and is itself worth at least 120p per share at current gold prices, and a lot more, assuming a bullish outlook. The shares are now at 52p (meaning the t1ps fund has doubled its money on this one in six weeks) but the stance remains **Buy**

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

print
article