

AUSTRALIAN

RESEARCH

BLUE BOOK SERIES

Junior Resources

June 2008 Quarterly Review

EXTRACT

Storm clouds darkening and China slowing

Contents

This is an extract from the June 2008 Junior Resources Quarterly Review

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Medusa Mining Limited (MML)



Sector Materials	Industry Group Materials	Industry Metals & Mining	Sub Industry Gold
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Company Overview

MML produces Au from the Co-O mine in the Philippines, where MML is also actively exploring for new Au-Cu deposits. MML is debt free and unhedged. The resource inventory stands at 713,000oz, targeting 1Moz. The treatment plant is being expanded to 1,000tpd. Production from two new shafts will increase output to 60,000oz/yr in 3QCY09. The target is 100,000oz/yr production in early CY10. Ore will come from several mines. Exploration is increasing the resource base and defining new projects.

Strategy

The company's strategy is two-fold: (a) to generate strong cash flow by increasing gold production to a target of 100,000oz of annualised production in 2009; and (b) to increase the Co-O mine gold resource base to 1Moz from the current 713,000oz at 10.9g/t Au, and to test the first porphyry copper target at Lingig in early 2008. Expansion of the Co-O mine has commenced to increase its production capacity. Benefits will start to flow in 3Q08.

Aegis Comments as at July 2008.

Outlook: MML controls 70km of strike along the East Mindanao Ridge. This includes a 16km zone of the Barobo Corridor along the Barobo Fault. Here there are many Cu and/or Au targets. The Tambis-Barobo Region has excellent potential for the discovery of bulk tonnage deposits. On completion of the Agsao shaft in 2QCY09, mine production will target 60,000 oz per annum. An extensive area of weathered magnetite in the Tambis-Barobo area is a target for gold and iron at the Kamarangan prospect.

Catalysts: Extensions of high-grade veins south of and parallel to the Co-O veins show consistent high Au grades. New Catto Veins 1 and 3, graded 54g/t and 41g/t, respectively, come into production in mid 2008. Rising production and lower costs are catalysts for re-rating. Cash cost should fall to around US\$200/oz. Blanket-style mineralisation at Tambis Bananghilig and the first hole at Lingig are other catalysts. At Lingig, DDH01 hit 150m of mineralisation ending in high-grade ore (4.98% Cu – 0.4g/t Au).

Risks: The Philippines Government provides strong support to the mining industry. Reforms to the economy have improved the outlook for business. MML is involved in a wide range of social programs, including education and helping with the provision of community services like day-care centres and health services. This helps ensure support for mining activities. Production will be sensitive to labour and the number of production headings rather than the grade of ore.

Earnings Summary

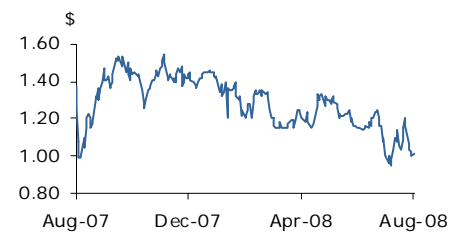
Yr to Jun	NPAT Rep \$M	NPAT ¹ Adj \$M	EPS ¹ c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2004A	(0.5)	(0.5)	(1.0)	n/a	(96.7)	(3.7)	(2.5)	0.0	0.0	0	(58.6)
2005A	(1.9)	(1.9)	(4.9)	n/a	(20.5)	(1.0)	(0.9)	0.0	0.0	0	(114.5)
2006A	(2.3)	(2.3)	(4.6)	n/a	(21.9)	(1.3)	(1.4)	0.0	0.0	0	(57.3)
2007A	9.0	9.0	7.1	n/a	14.1	0.9	0.9	0.0	0.0	0	43.1

¹ NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

Key investment information

Price:	\$1.01
Price as at:	11-Aug-08
Market Cap (\$M):	149.8
Equiv. Shares (M):	148.36
% All Ords:	0.00
12Mth Range (\$):	0.94 - 1.54
Shares Traded (\$M pa):	33.5
Listed since:	23/12/03
Index:	S&P/ASX 500

Share price performance



Company contact



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Financial Stability

Balance Sheet (Y/E Jun)	06A	07A
Net debt (cash) (\$M)	(3.5)	(20.2)
Total assets (\$M)	14.5	83.9
Net debt/equity (%)	(26.8)	(28.6)
Net interest cover (x)	n/a	n/a
NTA per share (\$)	0.18	0.36
Current ratio (x)	2.8	1.8

As at 30-Jun-07

Net debt (cash) (\$M)	(10.1)
Net debt (cash) / shr (\$)	(0.07)
Net debt (cash) / MktCap (%)	(6.7)

Substantial Shareholders

Citicorp Nominees	15.7%
Gallagher Holdings Limited	12.2%
Gazmetall Holding (Cyprus)	12.1%

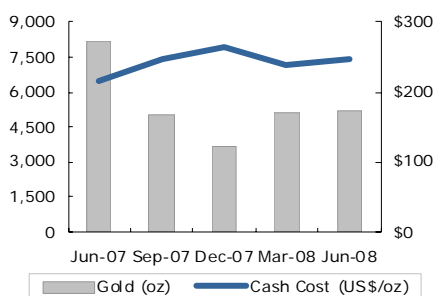
Board

K Tomlinson (Chairman)
G Davis (Managing Director)
R P Daniel (Director)
Dr R Weinberg (Non-Executive Director)

Key Executives

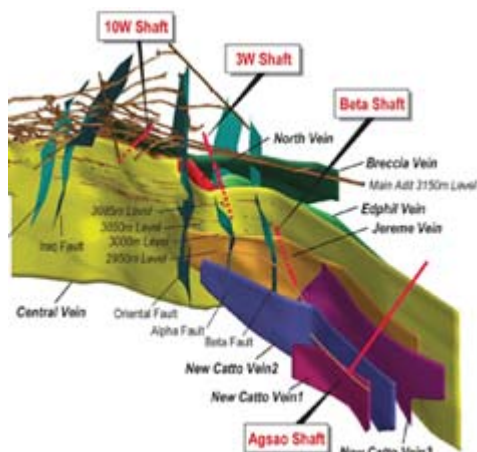
G Davis (Managing Director)
R Daniel (Joint Company Secretary)
P Alphonso (Joint Company Secretary)

Production Chart



Source: MML

Co-O Mine 3D vein model



Source: MML

Differentiating Factors

Medusa achieved its IPO objectives by achieving cash flow within 21 months from listing - ahead of the targeted two years - and is now expanding production with low additional capital costs. Differentiating factors are: (a) robust resources and high grades, low costs and a strong anticipated cash flow; and (b) potential for world-class gold and gold-copper discoveries within the richly endowed East Mindanao Ridge.

Achievements

MML has a strategy to emerge as a low-cost 100,000oz/yr Au producer. Discoveries are continuing, e.g. the 200m extension to the New Catto vein system. A dominant land position of more than 820sqkm over one of the most mineralised geological provinces in the world is a potential pathway to success. There are 7 porphyry Cu-Au targets. MML is well placed to use cash flow from the Co-O mine to fund exploration programs, with the goal of adding value to shareholders through a major discovery.

Recent Events

30 June 2008 - Quarterly Report: Gold production for the quarter was 5,187oz at a cash cost of US\$247 per oz. The head grade averaged 8.64g/t. Phase I mine expansion is on track for completion in 2QCY09, after which annualised gold production is expected to reach 60,000oz. Phase II expansion is being advanced and drilling is finding new mineralised veins. Drilling is seeking to find a site for the Hill View Shaft, the centrepiece of Phase II expansion. The inclined Baguio Shaft will provide ore while Hill View is being sunk.

11 June 2008 – Kamarangan Permits Granted: The permits have been granted for drilling over the Kamaranga area, which has potential for gold, iron and copper mineralisation. Drilling is expected to commence within two weeks initially in the Dumaag area, where the iron-rich samples were collected. The potential mineralisation types are hosted by various skams that have been interpreted to cover an area of 1,200m by 1,000m, where alluvial gold workings are widespread. The skams are developed in shallowly dipping and banded limestones.

10 June 2008 – Lingig Porphyry Drilling to Commence: Permits have been received and the company has begun preparations for drilling at the Lingig Porphyry Copper discovery. The rig that will be used has capacity for 1,200m vertical depth. Drilling is expected to commence at end June. The first drill hole will repeat and drill past the 1974 bottom discovery hole intersection of 150m of 0.4% Cu, which has increasing grades at depth. Outcropping, oxidised, quartz and sulphide veined porphyry has recently been located 500m north of the discovery hole.

Capital Structure

MML has 145.1M ordinary fully paid shares on issue. There are also 13.4M unlisted options with exercise prices ranging from \$0.43 to \$1.60, and expiry dates from 02.10.08 to 31.03.11.



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