

Company Alert

Ord Minnett Research

Company: Medusa Mining (MML)

Current Price: A\$0.73

Target price: A\$1.78 (Bloomberg consensus: A\$1.22)

Recommendation: Buy (Higher Risk)

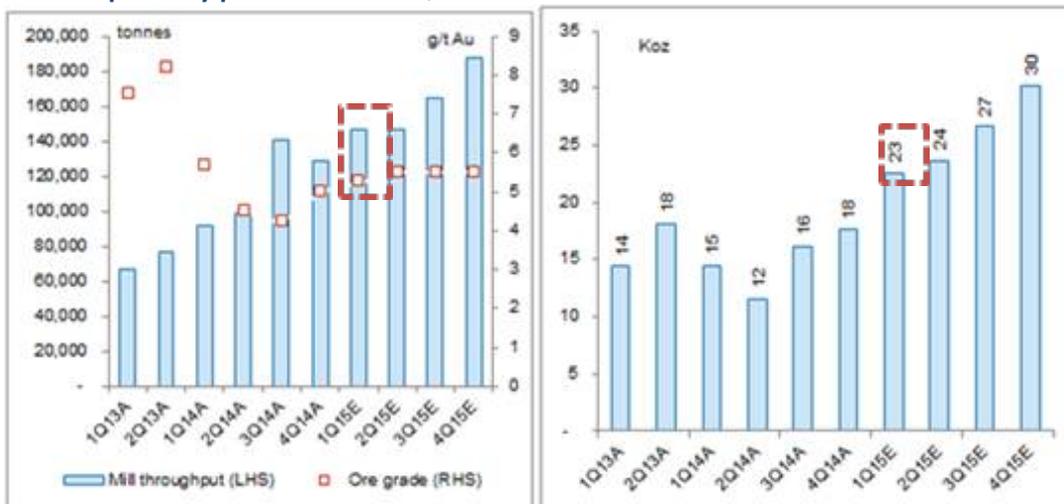
Event: September Quarter 2014 Gold Production

- Production for the September 2014 quarter (1Q FY15) was 21,018oz Au
- MML advises that it is on track to achieve its half year production forecast of 40-45koz
- A forecast for the full FY15 will be provided when the current mine review is completed

Ord Minnett comment:

- 21koz September production was 19% up on the prior quarter’s 17.76koz and 45% up on the pcp’s 14.5koz => good to see this momentum.
- Output was however below our 22.5koz forecast (146kt throughput @ 5.25g/t Au and 91% recovery). We suspect the variance is due to a combination of lower than forecast throughput and recovery (9 September update stated that grades for the quarter were running above 5g/t).

Forecast quarterly production to 4Q FY15E



Source: Company, Ord Minnett forecasts

- MML has appointed two senior mining engineers to conduct a comprehensive review of the Co-O Mine and provide recommendations to the Board. We do not know when this review

will be completed, but the results will clearly be a key determining factor in the mine's future development.

We note that Medusa and OceanaGold are co-arranging site visits in mid-November 2014 to their respective Co-O and Didipo operations. This is the first site visit we are aware that Co-O has arranged in some time, and we interpret this as a management "vote of confidence" in where the mine is going.

Regards,

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SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historic volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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This report has been authorised for distribution by Tim Smart, Head of Institutional Research at Ord Minnett Limited.