

MEDUSA MINING JUNE QTR 09: STAGE 1 COMPLETE AHEAD OF SCHEULE. RESERVES INCREASE 60%

Operational	Jun Qtr	Mar Qtr	Change
Production (oz)	16,009	12,716	26%
Head Grade (g/t)	14.28	13.05	9%
Average Price (US\$/oz)	926	925	0%
Cash Operating Cost (US\$/oz)	198	211	-6%
Development Cost (US\$/oz)	193	223	-13%
Total Cost (US\$/oz)	391	434	-10%
Gross Margin (US\$/oz)	535	491	9%
Investment Activities			
Capital Works (US\$/oz)	174	139	
Exploration/Evaluation (US\$/oz)	169	169	
Total Investment (US\$/oz)	343.1	308.5	
Corporate			
General Administration (US\$/oz)	53.5	68.2	
Total Corporate	53.5	68.2	22%
Cash Suplus (Deficit) (US\$/oz)	138.4	114.5	21%
Balance Sheet			
Cash Balance (A\$m)	32.9	27.6	19%
Interest Bearing Loans (A\$m)	-	-	
Hedging Liability (A\$m)	-	-	
Share Capital			
Shares Outstanding (m)	168.7	166.6	-1%
Directors/Executive Holdings	24.9	24.9	
Director Holdings (%)	15%	15%	
Share Price (A\$) (End of Qtr)	2.22	1.80	23%

Exchange rate used to convert Australian dollars to US dollars: US\$0.8045 (Mar Qtr: US\$0.6835)

Operational

- Medusa Mining (ASX:MML, AIM:MML) has reported strong production growth for the June quarter with a 26% increase to a record 16,009 oz. Head grade continued to improve up to 14.28g/t. Cash operating costs fell accordingly to just US\$198/oz. Phase 1 of Medusa's expansion plan has now been completed ahead of schedule.
- The increase in production oz also led to a 13% decline in development costs per oz to US\$193/oz. The total cost per oz fell 10% to US\$391/oz.

- The average gold price received remained steady at US\$926/oz. Gross margins increased 9% reflecting the lower total cash costs.

Investment

- With the ongoing expansion work, capital expenditure increased during the quarter to US\$174/oz or an increase of about US\$1m. Phase 2 of the mine and mill programs are on schedule to meet the 100,000 oz annualized production target in Q1 2010.
- Exploration increased US\$0.5m in dollar terms but remained flat at US\$169/oz, thanks to larger production levels. A new Reserve and Resource statement was released during the quarter with the results below:
 - Reserve: 500,000 oz @ 14.9g/t (2008: 249,000 @ 10.7g/t) - 101% increase
 - Resource: 1,380,000 oz @ 10.8g/t (2008: 862,000oz @ 10.7g/t) – 60% increase

From early this month, drilling with eight surface rigs will continue with three focusing on the main mine area, three on eastern extensions of the vein system, and two will start drilling other untested vein systems adjacent to the mine area.

Corporate

- Administration costs for the quarter declined on a per oz basis thanks predominantly to the higher production levels.

Cash Surplus/Deficit

- The cash surplus for the quarter increased 21%, despite an increase in capital expenditure associated with the expansion efforts. This was due largely to the improvement in operating costs as the rate of production continues to expand.

Balance Sheet

- The cash balance for the June quarter increased \$5.3m to \$32.9m, reflecting the strong operating performance and the conversion of options (see Share Capital section below).

Share Capital

- During the quarter, 2m options were converted at \$1.25 per share raising A\$2.5m.
- The share price rose a modest 22% for the quarter, but has since tacked on another 24% in quick time reflecting the strength of recently made announcements.

Closing Comments

Medusa has had another record breaking quarter as it continues to meet its expansion targets ahead of schedule. The Co-O mine has produced a total of 47,869 oz at an average grade of 13.3g/t and cash cost of just US\$213/oz for the 2009 fiscal year. With Phase 1 of the expansion plan met and Phase 2 on schedule, the company has forecast production for the forthcoming fiscal year of 82,000 oz at a cash cost of A\$200/oz. This represents a significant 70% increase, with Phase 2 production levels now underpinned for at least the next 5 years.

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