Lucky eight for Medusa

by Michael Washbourne

Medusa is on track to better its full-year guidance of 90,000-95,000oz after stellar first-half production results from its Co-O mine in the Philippines

Medusa Mining Ltd chairman Andrew Teo believes the Philippines-focused producer is now the "envy" of its peers after announcing the company's first dividend in eight years.

Despite numerous challenges, including suspending operations at its flagship Co-O mine for a week to prevent any potential spread of COVID-19, Medusa posted a statutory after-tax profit of $US40.1 million for the first half of FY2021, prompting the company's board to approve the long-awaited issue of an unfranked interim dividend of 5c/share.

Medusa's first-half profit was up 65% on the $US24.4 million recorded in the corresponding period in FY2020. Revenue of $US113.7 million also represented a 51% increase, while EBITDA of $US69 million was a 98% improvement from the same time 12 months earlier.

Teo said it was "very pleasing" to reward shareholders with a rare dividend, but he remained coy on whether there would be another payout at the end of the full-year and beyond.

"Like all things, prudence is required so we'll have a look at what the year-end requirements are going forward before we make that decision," Teo told **GMJ**.

"Obviously it depends on gold price because we are totally unhedged, but the mine needs to keep doing what it does. Certainly the grade has picked up and our recovery has improved out of sight too, so that all helps. We've got circa $US79 million in the kitty so I think we would be the envy of a few miners out there right now."

Medusa recorded improvements in just about every metric possible during the six months to December 31 last year, including head grade (from 5.65 g/t to 7.34 g/t), recovery (from 95.1% to 96%), gold produced (up 12.7% to 54,438oz), cash costs (down 5.9% to $US653/oz) and AISC (down 7.8% to $US1,057/oz).

It was an impressive set of results considering the Philippines has struggled to contain the spread of the highly infectious coronavirus and the Co-O mine itself has been impacted by several natural events such as earthquakes and typhoons in recent months.

"Notwithstanding the COVID-19 situation we are in and obviously maintaining the social distancing protocols that are required, we are in a very good space…to have that sort of bottom line in recovery is still something to boast about," Teo said.

"We did suspend our operation for a week because of COVID. What we tried to do is draw a line and say 'enough is enough, let's not aggravate the situation' and go from there."

Medusa is on track to outstrip the upper end of its full-year production guidance of 90,000-95,000oz at an AISC of $US1,200-1,250/oz. Teo said while the temptation was there to reset the expected output for FY2021, he and the board decided it was better to remain conservative due to the unpredictable nature of COVID-19 both in the Philippines and on the global economy.

An unhedged producer, Medusa received an average gold price of $US1,896/oz for the first half of FY2021.

"It [no hedging] has been a practice of my finance team for a long time," Teo said "We are under no constraint to put a hedge in because we are ungeared. No bank is putting any pressure on us."

Teo paid tribute to outgoing director Raul Villanueva, who remains president of Medusa's affiliated operating entities in the Philippines, for the role he has played in keeping the Co-O workforce healthy and productive over the past year.

Villanueva's seat in the Medusa boardroom has been filled by NRW Holdings Ltd founder Jeffrey McGlinn, while Patrick Warr also recently succeeded Peter Alphonso as chief financial officer.

Medusa remains on the lookout for a new chief executive – Teo has been filling the role in an interim capacity since the resignation of David McGowan last year – but the company is prepared to bide its time until a suitable replacement is identified and can personally visit the Co-O mine.

"It's hard to get a CEO in this market," Teo said. "My view is he or she needs to go to site for a couple of weeks and learn about the landscape. It's outside of WA, it's outside of Australia, outside of the comfort zone. You need to get to know the people over there, the culture and be accepted by the people over there before you can become CEO."