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ANNOUNCEMENT

16 May 2011

COPPER PORTFOLIO UPDATE

Medusa Mining Limited ("Medusa" or the "Company"), through its Philippines subsidiary, Philsaga Mining Corporation ("Philsaga"), is providing an update on its portfolio of copper prospects. The portfolio now comprises nine prospects and targets as shown on Figure 1 (please see the link at the end of this announcement). This report is an update from the announcement dated 7 May 2010.

Additional prospects have been added in the Tambis District, the Sawahon prospect where reconnaissance outcrop samples returned to 0.44 % Cu and 0.10 g/t gold in favourably altered diorite and the Lower Bananghilig prospect where reconnaissance samples in stockworked volcanics returned 0.16% Cu and 0.35 g/t gold, as discussed in the announcement dated 10 May 2011.

Work during this financial year to 30 June 2011 focussed on mapping and relogging of core for Kamarangan and Lingig, mapping and ridge and spur soil sampling at the Sawahon prospect.

An extensive programme of Induced Polarisation ("IP") and resistivity geophysics totalling approximately 186 line kilometres in conjunction with ground magnetics commenced on 2 May 2011 to cover the Sawahon to Supon zone, and the Kamarangan, Usa and Lingig prospects prior to further drilling which is being planned for the 2011/12 financial year.

Managing Director Geoff Davis commented:

"The portfolio now comprises nine copper targets and other copper occurrences. Whilst no drilling has been undertaken since February 2010, we have been working steadily to

increase our knowledge of the Linigig, Usa and Kamarangan prospects while mapping has discovered several new outcropping copper areas, including the Sawahon and Lower Bananghilig prospects. The IP programme and ground magnetics will assist to delineate and prioritise drill targets for drilling during 2011/12.

At the Co-O Mine, contouring of copper values in the veins supported by alteration trends re-inforce our interpretation that there may be a porphyry copper source below the eastern end of the vein system. Copper in veins has also been discovered at the nearby Gamuton prospect within extensively altered rocks.

The recent discovery of two new copper prospects at Tambis confirms our strong belief that our tenement area will provide lots of opportunities for discoveries for many years to come, and that the Tambis District has the makings of a substantial mineralised district in its own right".

COPPER PORTFOLIO SUMMARY

Figure 1 (please see the link at the end of this announcement) shows the location of the Company's copper portfolio of targets and prospects.

TAMBIS AREA

Figure 2 (please see the link at the end of this announcement) shows the regional geology of the Tambis District and the location of both the Sawahon and Lower Bananghilig prospects.

Figure 3 (please see the link at the end of this announcement) shows a schematic cross-section through the Tambis District.

Figure 4 (please see the link at the end of this announcement) shows the drilling undertaken at Kamarangan.

1. SAWAHON CREEK PROSPECT

Outcrops of strong magnetite-clay-pyrite altered microdiorite with chalcopyrite-bearing sheeted veinlets with chip assays up to 0.27% copper and 0.16 g/t gold were located in Sawahon Creek. Reconnaissance samples of altered diorite along creeks returned up to 0.44% copper and 0.10 g/t gold. This zone is located near the intersection of the Auron and Melendres Veins with the northnorthwest-trending Canugas Landsat Lineament. The copper-bearing veinlets are oriented parallel to the Canugas Landsat Lineament. The extent of the outcropping mineralisation is still being delineated.

A programme of ridge and spur sampling will commence shortly over the Sawahon prospect and the adjacent Canugas prospect.

Copper-rich quartz vein stockworks in variably silicified and argillically altered volcanics adjacent to the western side of the Sawahaon diorite have also been recently located and sampled.

2. LOWER BANANGHILIG PROSPECT

Outcropping copper-rich quartz stockwork veining in propylitically altered volcanics have been located over an area of approximately 50 metres by 30 metres. Chip samples have returned up to 0.16% copper and 0.35 g/t gold. Work is continuing to locate any additional stockworks areas which may be indicative of nearby porphyry style mineralisation.

3. KAMARANGAN PROSPECT

Figure 4 (please see the link at the end of this announcement) shows the ten drill holes that were drilled below a large area of variably mineralised skarn rocks where two holes, KAM1 and KAM2, on the east side of the skarn zone intersected a fertile, partly phyllically (sericite) altered diorite with copper-molybdenum mineralisation. Detailed results are available in the announcement dated 29 May 2009.

With respect to molybdenum the following were intersected:

- (i) Molybdenum mineralisation is visible in hole KAM1 to a maximum value of 244 ppm and averages 37 ppm over the last 74 metres of the hole from 357.7 metres depth. Copper values in the diorite include 14 metres at 0.16% from 173.70 metres, 30 metres at 0.15%

copper from 457.7 metres and 22.0 metres at 0.11% from 495.7 metres;

- (ii) Molybdenum mineralisation is visible in drill hole KAM2 to a maximum value of 138 ppm and averages 41 ppm over the last 46 metres of the hole from 405 metres depth. Other less coherent zones are present higher up in the hole. Copper values in the diorite include 12 metres at 0.14% from 210 metres and 18 metres at 0.11% from 282 metres.

Further evaluation through re-mapping, re-logging and interpretation is in progress to assist with IP interpretation prior to future drilling.

SUPON DIORITE and SKARNS

The Supon Diorite to the west contains disseminated chalcopyrite and is regarded as a fertile source rock for copper. Secondary copper minerals have been located in weathered sulphide-silicate skarns abutting the diorite.

4. LINGIG PROSPECT

At the Lingig prospect, 40 drill holes were completed up to February 2010 as shown on Figure 5 (please see the link at the end of this announcement) and summarised in announcements dated 9 October 2009 and 7 May 2010. Re-evaluation of data and some core re-logging is planned to develop geological models to assist with IP interpretation and aid planning of further drilling.

The prospect consists of predominantly two main rock units being a terrestrial basalt sequence intruded by dolerites sills and dykes thrust over a diorite basement. Figure 5 shows the geology and summarises the drill results using a 0.1% cut-off. Two styles of mineralisation have been located.

The IP programme is aimed at defining extensions to known mineralisation and to explore for new zones, in particular for the suspected porphyry source linked to both styles of mineralisation.

Basalt-hosted mineralisation (Basalt prospect) is hosted within basaltic and doleritic rocks and appears to form a large north plunging body still open to the north down-plunge. The most recent and most northerly drill hole, LIN30, returned 154.60 metres at 0.45% copper (with last 45.90 metres averaging 0.65% copper at a 0.3% copper cut-off) but was abandoned in strong mineralisation. It is also interpreted that the basal section of this mineralisation may be faulted-off by the underlying thrust fault and the rest of the mineralised zone is yet to be located.

Breccia-hosted mineralisation (Breccia Prospect) is associated with intense biotitic alteration in dioritic, polyolithic hydrothermal breccias.

The breccia body is tabular and open to the south with copper mineralisation in intensely altered hydrothermal breccias with the most recent intersections of 154.7 metres at 0.19% copper in drill hole LIN37 and 86.0 metres of 0.12% copper in drill hole LIN 40.

5. Co-O MINE PROSPECT

The Company has believed for some time that the Co-O Mine vein system would be associated with a porphyry copper system. Figure 6 (please see the link at the end of this announcement) shows a composite longitudinal projection of the Co-O Mine with contouring of available copper values.

Observations underground to the east of the Oriental Fault and assays show a general trend of increasing copper contents towards the east and to depth to levels of around 0.1 to 0.4% copper. Some discontinuous veins to 0.10 to 0.20 metres wide of massive pyrite-chalcopyrite have also been located in drilling separate from the veins.

Recent detailed compilation of drill hole alteration patterns in cross-section combined with surface mapping supports the concept that a major upflow zone exists in the eastern section of the vein system which is interpreted to originate from a porphyry source. This alteration information should be available with the next Co-O Mine drilling update scheduled for July 2011.

6. SAUGON PROSPECT

As detailed in the announcements dated 20 April 2010 and 1 December 2010, the Saugon gold-silver polymetallic mineralisation is currently interpreted to be possibly linked to a porphyry copper system within an extensive demagnetised and argillic alteration zone. The high grade gold mineralisation in the First Hit Vein seems closely associated with chalcopyrite. The on-going drilling is focussed on the vein mineralisation and regional mapping is on-going.

Figure 7 (please see the link at the end of this announcement) shows the regional geology and a large aeromagnetics demagnetised zone bounded by the regional scale northeast trending fault that hosts the First Hit Vein. Extensive argillic alteration occurs within the older volcanic and coincident with the northern part of the aeromagnetic anomaly.

Figure 8 (please see the link at the end of this announcement) shows the Reduced to Pole ("RTP") aeromagnetic image over Saugon with the First Hit Vein marked.

7. LASANG PROSPECT

Lasang is a conceptual copper porphyry target based on the interpretation of the RTP aeromagnetic image as shown on Figure 8. This has not yet been investigated in the field.

8. GAMUTON PROSPECT

A series of four holes were completed in the Gamuton area (Fig.1, please see the link at the end of this announcement) previously to test gold-bearing quartz veins to the west of the Co-O Mine. Several holes intersected wide zones of intense propylitic alteration with abundant epidote, zones of silicification and hydrothermal breccias associated with strongly anomalous gold contents of approximately 0.5 g/t and anomalous silver values accompanied by sparse irregular chalcopyrite veinlets. The mineralisation is interpreted as possibly being indicative of nearby porphyry copper mineralisation.

Recent mapping and trenching at the southwest side of Gamuton has identified argillised andesites cut by high temperature milky quartz veins and vein zones, some of which contain copper values up to 1.1% and gold values up to 4.96 g/t gold. Zones of silicified breccias have been located to over four metres wide with quartz stringers/stockworks with pyrite, chalcocite, chalcopyrite and possible bornite.

Several small outcrops of propylitically altered diorite have been located in the area which is adjacent to a large unaltered diorite body further to the west.

Surface work is on-going to delineate the vein systems and map the alteration patterns and rock types.

9. USA PROSPECT

The Usa copper-gold diorite porphyry target was described in the announcement of 5 May 2010. Surface work has outlined a 500 metre by 500 metre target area where copper values in rock chips peak at 0.59% copper and gold peaks at 0.42 g/t gold. Figure 9 (please see the link at the end of this announcement) shows the local geology and rock chip gold and copper geochemistry contours.

The current IP programme will cover the Usa prospect.

TRENTO RTP AEROMAGNETIC ANOMALY

Figure 8 (please see the link at the end of this announcement) shows the large and intense Trento RTP aeromagnetic anomaly. This has been partially reconnaissance investigated in the field at the western side of the anomaly. At present this is regarded as a target for gold veins as some workings on quartz veins in argillically and propylitically altered andesite intrusives have been located.

This anomaly is located mainly between two large-scale northeasterly trending faults (on a similar trend to the controlling structure at Saugon) and has the appearance and shape of a large structural jog.

DISCUSSION - COPPER IN VOLCANICS IN THE PHILIPPINES

Whilst it is very early in the exploration cycle, the surface exposures at the Sawahon and Lower Bananghilig copper targets suggest they could be both porphyry and/or volcanic hosted. There are several precedents in the Philippines for this style of mineralisation.

- (a) Sto Tomas II Copper-Gold Mine in the Baguio District which is currently operated as a sub-level caving mine by Philex Mining Corporation was discovered in the mid-1950s and commenced production in 1958. The orebodies are located around the edges of a vertical diorite intrusive and are hosted in both the diorite and the adjacent andesitic volcanic rocks. Up to 2006 Philex had mined 420Mt at 0.32% Cu and 0.63g/t gold and had remaining resources of 186Mt at 0.26% copper and 0.64g/t gold (www.philexmining.com.ph and N. Ruelo, pers. com).
- (b) The Lutopan orebody which is currently open-pit mined by Atlas Mining Corporation in Cebu commenced operation in 1955. It is hosted predominantly in submarine spilitic and basic volcanics and tuffs and wackes cut by porphyry dikes and sills (Bureau of Mines and Geosciences, 1986). It currently has resources of 361Mt at 0.40% Cu (www.atlasphilippines.com). Adjacent porphyry-hosted mineralisation occurs in the Carmen Deposit, and breccia pipe related mineralisation in diorite porphyries occurs at the Biga-Barot Deposit.
- (c) The Lingig copper prospect of the Company is also volcanic-hosted, in this case by terrestrial basaltic rocks with some later doleritic intrusives. The porphyry source of this mineralisation is yet to be located and the volcanic hosted mineralisation is still open down plunge.

Reference:

Bureau of Mines and Geo-sciences,
Ministry of Natural Resources, 1986: Geology and Mineral Resources of the Philippines, Vol. II, Mineral Resources.

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Information in this report relating to **Exploration Results** has been reviewed and is based on information compiled by Mr Geoff Davis, who is a member of The Australian Institute of Geoscientists. Mr Davis is the Managing Director of Medusa Mining Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. Mr Davis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Refer to the Technical Report which was filed on www.sedar.com in March 2010 for further discussion of the Co-O Deposit's geology, structural controls, drilling, sampling and assaying information, and any known material environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issue.

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This announcement may contain certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

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