

Regulatory Story

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Co-O MINE MINERAL RESOURCE INCREASES

(ASX & LSE: MML)

Medusa Mining Limited ("Medusa" or the "Company"), through its Philippines operating company, Philsaga Mining Corporation ("Philsaga"), advises that it has **increased the Global Resources at its Co-O Mine by 30% to 1,960,000 ounces** from 1,501,000 ounces (and after taking into account gold produced since 21 June 2010).

As a result of the new resource model contained in this report and drill results announced on 6 July 2011, the Company will be revising the Conceptual Exploration Target size for the Co-O Mine.

Table I. Co-O Mine mineral resource estimate at 30 June 2011

Category	> 0 g/t gold		
	tonnes	g/t gold	ounces
Indicated resources	1,601,000	12.0	616,000
Inferred resources	4,747,000	8.8	1,344,000
TOTAL RESOURCES	6,348,000	9.6	1,960,000

Peter Hepburn-Brown, Managing Director of Medusa, commented:

"This extremely pleasing result highlights the exceptional potential of the Co-O Mine vein system. It means we have added approximately 560,000 ounces (including replacing the ounces produced during the year) by drilling in the last 12 months at a drilling discovery cost of approximately US\$24

per ounce. At this point there is no geological reason why a similar result can't be achieved in this current financial year as we continue work with five underground rigs and six surface rigs.

The slight resource grade variation compared to last year is due primarily to drilling in the tops of the East Agsao veins to the east-northeast where we see clear trends in the drilling of increasing grades with depth, and we anticipate grades should increase in this area as drilling becomes deeper.

We anticipate being able to expand the Co-O vein system for quite some time yet."

MINERAL RESOURCE MODEL

Discussion

Surface and underground diamond drilling has continued since the last resource model update based on data as at 21 June 2010 and announced on 22 July 2010 and has focused on infilling some data deficient areas and on extending the Co-O vein system along the northern side and at the eastern end of the mine.

The variation in resource grade compared to last year is due primarily to the addition of the extensive veins to the east-northeast where drilling has followed the vein structures to depth demonstrating increasing grades with depth. A large number of the drill hole intersections in this area are still in the tops of the veins where it is anticipated that grades should increase with depth as indicated by the trends.

It should be noted that not all drill hole intersections reported since 21 June 2010 (see announcements dated 29 October 2010, 18 January 2011, 5 April 2011 and 6 July 2011) are able to be incorporated into the resource estimate, particularly where the spacing of drilling is too wide to facilitate high levels of confidence in vein interpretations.

Figure 1 (please see link at the end of this announcement) shows the updated 3D resource model. The veins are open at depth and currently only limited by the depth and density of drilling.

Figure 2 (please see link at the end of this announcement) is the Level 6 map of the Co-O Mine area showing the veins in the 3D resource model at Level 6. This vein distribution on the plan shows that areas to the west, east, south and north require infill and additional deeper drilling to extend the veins down to Level 6 and below as some veins are still only partly defined to shallow depths, eg, the Royal Veins, some of the northern East Agsao Veins and parts of the western end of the vein system.

Table II is a summary of the resources for the major veins. Indicated resources are primarily located around the areas of underground development and Inferred resources are drilling only. Resources have been estimated for 46 veins at this stage.

Table II. Co-O Mine mineral resource estimates for the major veins at 30 June 2011 with $\geq 50,000$ ounces

Vein name	Category	> 0 g/t gold		
		tonnes	g/t gold	contained ounces
Great Hamish HW	Indicated	48,000	11.4	18,000
	Inferred	104,000	10.3	34,000
Great Hamish	Indicated	281,000	19.7	178,000
	Inferred	343,000	12.5	138,000
Great Hamish FW	Indicated	49,000	12.8	20,000
	Inferred	194,000	8.8	55,000
Great Hamish East FW2	Indicated	86,000	10.4	29,000
	Inferred	536,000	12.9	223,000
Central	Indicated	367,000	9.6	113,000
	Inferred	267,000	3.3	28,000
Jeremy	Indicated	146,000	10.9	51,000
	Inferred	118,000	4.3	16,000
Catto 1	Indicated	54,000	20.9	37,000
	Inferred	90,000	26.2	76,000
Roysan	Indicated	83,000	19.1	51,000
	Inferred	94,000	12.8	38,000
East Agsao 2	Inferred	343,000	10.0	110,000
East Agsao 7	Inferred	422,000	7.6	104,000
East Agsao 14	Inferred	272,000	7.3	64,000
East Agsao 15	Inferred	701,000	6.8	152,000

Other veins	Indicated	487,000	8.4	119,000
	Inferred	1,264,000	7.2	306,000
Total Indicated Resources		1,601,000	12.0	616,000
Total Inferred Resources		4,747,000	8.8	1,344,000
TOTAL RESOURCES		6,348,000	9.6	1,960,000

Notes:

- A lower cut-off of 0 g/t gold has been applied
- Variable upper cuts up to 300 g/t gold has been applied to different veins
- Rounding to the nearest 1,000 may result in some slight discrepancies in totals.

Vein modelling

Cube Consulting Pty Ltd of Perth, Western Australia was contracted to undertake the resource estimations. A wireframe model of the vein system and the mine depletions were based on all available information as at 30 June 2011. A Specific Gravity value of 2.62 was used in the estimations. A 2D longitudinal modelling approach was used and is based on an accumulation variable incorporating mineralised vein horizontal width and intercept grade. Variography was used to analyse the spatial continuity of the horizontal width and accumulation variables within the mineralised veins and to determine appropriate estimation inputs to the interpolation process. The accumulation variables were interpolated into blocks using Ordinary Kriging. High grade limits were applied to gold prior to the calculation of the accumulation variable. Mineral resources have been reported in accordance with The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

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 Chairman 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". 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.

Information in this report relating to **Mineral Resources** has been estimated and compiled by Mark Zammit of Cube Consulting Pty Ltd of Perth, Western Australia. Mr Zammit is a member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposit 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". Mr Zammit consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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