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MEDUSA MINING LIMITED (ASX & LSE: MML)

Co-O MINE CONCEPTUAL EXPLORATION TARGET ENHANCED BY DRILLING

24 August 2011

Medusa Mining Limited ("Medusa" or the "Company"), through its Philippines operating company, Philsaga Mining Corporation, advises that the release of the new resource model for the Co-O Mine and on-going exploration drilling results have significantly increased the support for the Conceptual Exploration Target ** for the Co-O Mine of:

3,000,000 ounces in 9,800,000 tonnes to 7,000,000 ounces in 23,500,000 tonnes using a grade range of 9 to 11 g/t gold with a preferred average grade of 10 g/t gold.

The combination of past production of approximately 450,000 ounces and the current global resource of 1,960,000 ounces indicates the deposit size is approaching the lower end of the Conceptual Exploration Target size range.

Detailed mapping and data compilation of the Co-O Mine vein system has been completed. It is a well preserved, intermediate sulphidation epithermal vein system with a large near surface, mushroom-shaped argillic alteration zone measuring over 1,500 by 1,500 metres in area and which grades into propylitic alteration to the east and at depth. The alteration and mineralisation trends indicate that the source of mineralising fluids is likely to be from beyond the current eastern end of the vein system.

Geoff Davis, Chairman of Medusa, commented:

"The Co-O Mine continues to expand, the more we drill the more we find, and we still cannot see an end to this extensive epithermal vein system. It is currently approximately 1.6 kilometres long and open to the east, and around 750 metres wide across the strike of the veins and still open both north and south, and as shown by drilling, it is also open at depth.

The size of the alteration envelope suggests there is the possibility of more vein systems contributing to this very large argillic alteration zone.

Drilling will continue with the six surface rigs and five underground rigs for the foreseeable future."

** The potential target size and grade is conceptual in nature, and there has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being defined as a mineral resource.

CONCEPTUAL EXPLORATION TARGET SIZE

Discussion

Drilling since the previous estimate of the Conceptual Exploration Target announced on 18 January 2010 has continued to expand the vein system, as supported not only by the new global resource estimate of 1,960,000 ounces, but also by drill hole intersections in a significant number of veins to the north and east of the of the previous resource model.

The range for the Conceptual Exploration Target remains well supported at 3,000,000 ounces in 9,800,000 tonnes to 7,000,000 ounces in 23,500,000 tonnes using a grade range of 9 to 11 g/t gold with a preferred average grade of 10 g/t gold:

The additional support for this target is listed below:

- The total ounces already accounted by the current global resource and past production is approximately 2,310,000 ounces.
- An increase of 100 metres of strike length from 1,500 metres to 1,600 metres as supported by drilling as described in the announcement dated 6 July 2011.
- A change in the Specific Gravity ("SG") to the SG currently used of 2.62 for the resource estimates (previously 2.45 previously) resulting in a 7% increase in tonnes as reported in the announcement dated 22 July 2010.
- As shown on the composite longitudinal projection in Figure 2 (please see link below for Figure 2), all new drill holes since 30 June 2011 in the deposit with assays of ≥ 0.2 metres at ≥ 3 g/t gold up to 30 June 2011 are incorporated and support the mineralisation continuing to depth. The assays support levels between 500 metres and 750 metres below surface is a function of the amount of drilling completed to date.

Figure 1 (please see link below for Figure 1) shows the veins at Level 6 used in the new resource estimate published on 27 July 2011.

Figure 2 (please see link below for Figure 2) shows the projection of all drill intersections below Level 6. The new drill results from 01 July 2010 to 30 June 2011 enhance the support for mineralisation to continue to depth and to the east.

Table I. Co-O Mine Conceptual Exploration Target matrix **

Strike length (metres)	Depth below Level (metres)	Aggregate vein width (metres)	Conceptual tonnes	Gold grade (g/t)	Conceptual contained ounces
1,500	500	5	9,825,000	10	3,159,000
		8	15,720,000	10	5,054,000
		10	19,650,000	10	6,318,000
	750	5	14,737,000	10	4,738,000
		8	23,580,000	10	7,581,000
		10	29,475,000	10	9,477,000
	1000	5	19,650,000	10	6,318,000
		8	31,440,000	10	10,109,000
		10	39,300,000	10	12,636,000
2,000	500	5	13,100,000	10	4,212,000
		8	20,960,000	10	6,739,000

	10	26,200,000	10	8,424,000
750	5	19,650,000	10	6,318,000
	8	31,440,000	10	10,109,000
	10	39,300,000	10	12,636,000
1,000	5	26,200,000	10	8,424,000
	8	41,920,000	10	13,479,000
	10	52,400,000	10	16,848,000

Notes:

(i) Approximately 450,000 ounces already mined from the deposit;

(ii) SG of 2.62 used for all estimates

(iii) Tonnes and ounces estimates rounded down to nearest 1,000; and

(iv) Highlighted cases indicate most geologically reasonable based on current knowledge

** The potential target size and grade is conceptual in nature, and there has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being defined as a mineral resource.

Co-O MINE GEOLOGY AND ALTERATION

The Co-O epithermal vein system is hosted by Eocene to Oligocene (within the Tertiary era) gently north-dipping, basaltic andesitic lavas to andesitic lavas and volcanoclastics. The sequence is intruded by andesitic to dioritic dykes and stocks and cut by north-trending faults with the Oriental Fault identified as the most significant fault at this stage.

The quartz veins are dominantly westerly trending and sub-vertical, with lesser 30 to 50° dipping. Some of the vein characteristics are:

- the veins are polyphasal exhibiting massive, banded and vein breccia textures and comprise two gold bearing phases, the first being a quartz- chalcedony ± calcite phase deposited at a temperature of approximately 180°C, and a second phase comprising blocky calcite-quartz ± barite;
- the high gold grades are associated with crustiform-colloform banding; and
- the sulphides comprise mainly pyrite, <1 to 5%, and minor sphalerite, chalcopryrite, galena.

Early fluid inclusion studies in the upper levels of the mine concluded:

- the temperature of formation was ~200 to 250°C and within approximately 500 metres of the surface;
- the salinities of 1 to 13 wt% NaCl equivalent; and
- that the above ranges fall well within the epithermal range of deposition.

Figures 3 and 5 show the surface geology and the geology in cross-section. (Please see link below for Figures 3 and 5)

Figures 4 and 6 show the surface alteration and the alteration in cross-section. (Please see link below for Figure 4 and 6)

Alteration types identified are:

- silicic (quartz ± illite-calcite) - confined to vein zones and hydrothermal breccias;

- argillic (illite ± quartz-calcite) - surrounds the veins - millimetres to 100s of metres;
- chloritic (chlorite±smectite-calcite) - increases and finally dominates at depth with; and
- propylitic (chlorite-epidote ± smectite-calcite).

At surface the mapped alteration shows that the:

- veins are within a laterally extensive mushroom-shaped argillic envelope which is
 - in excess of 1.5 km x 1.5 km in area, and
 - associated with gold vein mineralization;
- outlying chloritic to propylitic zone is overprinted by argillic alteration; and
- propylitic zone is considered to be regional in extent, i.e. pre-mineral.

The alteration patterns at depth are:

- the argillic envelope abruptly tapers down along the veins until only a few metres to millimetres wide;
- the chloritic to propylitic alteration zone increases and finally dominates at depth; and
- there appears to be no identifiable pattern between the chloritic and propylitic zones.

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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 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.

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This report contains 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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Click on, or paste the following link into your web browser, to view the associated PDF document:

<http://www.rns-pdf.londonstockexchange.com/rns/9018M -2011-8-23.pdf>

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