

Regulatory Story

Go to market news section



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Co-O DRILLING UPDATE

Medusa Mining Limited (ASX and AIM - MML; TSX - MLL) ("Medusa" or the "Company"), through its Philippines operating company Philsaga Mining Corporation ("Philsaga"), announces an update of the Co-O Mine surface and underground drilling undertaken since the report dated 6 July 2011 up to 27 September 2011.

Highlights include:

Hole Number	Width (metres)	Grade (uncut) (g/t gold)
EXP 087	1.40	28.02
EXP 092	1.45	56.23
	1.55	33.55
EXP 093	2.50	72.80
	1.00	21.53
EXP 094	1.10	14.73
EXP 095	2.35	10.61
	2.05	15.97

Recent surface drilling continued to provide mine planning and resource infill information mainly to the east of the Oriental Fault, including the multiple East Agsao Veins and veins associated with the Roysan Vein.

Underground drilling continues to confirm vein continuity.

Geoff Davis, Non-executive Chairman of Medusa, commented:

"The Co-O Mine drilling continues to deliver confirmation of the extent of this vein system. Following on from the new resource announced on 27 July 2011 of 1,960,000 ounces, we expect positive drill results to continue as drilling expands the vein system.

Drilling is continuing with six surface rigs and five underground rigs."

Co-O MINE DRILLING

Discussion

This report lists the surface and underground drill holes with new assay results returned since 30 June 2011 to 27 September 2011. The MD series of holes has been discontinued.

Previous detailed drilling reports were published for MD holes, EXP holes and underground holes on 27 July 2011, 5 April 2011, 18 January 2011, 29 October 2010, 30 June 2010, 29 March 2010, January 2010, 10 December 2009, 1 July 2009, 22 January 2009, 1 December 2008 and 12 August 2008. In 2007 the announcements are dated 9 July, 15 May and 28 February.

Results down to 0.2 metres wide are reported since underground development shows that in many cases as the veins approach cross-cutting faults, they narrow down on both sides of the fault over 5 to 10 metres before widening out, and hence the narrower intersections are important in defining vein continuity. There is also some pinching and swelling of veins along strike. Most drilling is sub-parallel to the cross-cutting fault direction (and perpendicular to the strike of the veins) and rarely intersects these faults, which are subsequently identified by underground on-vein development or underground drilling.

It should also be emphasised that drilling of vein systems rarely provides ore-grade intersections in every intersection in a vein. As our data base grows, and the characteristics of each vein become clearer, a statistical assessment of the percentage of ore-grade drill hole intersections required in each vein will provide the levels of certainty for turning exploration drill results into ore that can be developed with confidence.

Drill hole collar positions are surveyed by a qualified surveyor and surface drill holes are surveyed downhole at regular intervals using a digital multi-shot downhole camera.

It is important to note that the drilling of narrow epithermal veins generally provides an indication of the presence of the gold mineralised vein but may not always provide good quantitative data with respect to accurate grade and volume estimations for some or all of the following reasons:

- Veins commonly pinch and swell and may be brecciated or displaced by faults;
- Gold distribution may be erratic; and
- Drill core recovery may be reduced because of the brecciation and soft unconsolidated material and hence the recovered material may not be representative of the material drilled.

The Company regards the initial drilling as indicative only and operates the policy of using drilling to locate the position and extent of the mineralised veins. This is then followed by on-vein development to support the drilling results, and to provide a more accurate estimate of vein grades which results in the upgrading of the resource category from Inferred to Indicated. The development supports the estimation of resources and facilitates the conversion of resources to reserves.

Further information on narrow veins and the Company's policies regarding exploration, development and resources-reserves is contained on the Company's website, www.medusamining.com.au.

Drilling Results

Figure 1 (please see link at the end of this announcement) shows the locations of the recently completed surface drill holes EXP 087 to 110 comprising 24 holes for a total of 16,824 metres. Assay results are awaited for EXP102 to EXP110.

Table I shows the results ≥ 3 g/t gold over ≥ 0.2 metres for holes EXP087 to EXP101. A number of these holes have been drilled to define the upper limits of mineralisation in the structures containing the veins and consequently some may not have intersected vein mineralisation within the grade and/or width parameters in this report.

Figure 2 (please see link at the end of this announcement) shows the locations of the recently completed underground drill holes totalling 6,900 metres in 33 holes. Table II lists underground drill hole results ≥ 3 g/t gold over ≥ 0.2 metres since 30 June 2011 for 8 out of 33 holes. Assays are awaited for holes L2-042 and 43, L2-046, L5-068 to 083, L6-003 to 010 and LM 001.

Table I. Surface drill hole results ≥ 3 g/t gold and ≥ 0.2 metres downhole for new holes EXP 087 to EXP 101.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 087	614291	912989	-45	180	357.65	1.00	9.13 (*)
					359.20	0.35	4.97 (*)
					390.10	0.45	21.50 (*)
					424.80	1.40	28.02 (*)
					524.70	0.25	6.27 (*)
EXP 088	614066	913152	-57	160	469.70	0.55	4.26 (*)
					523.55	1.00	3.37 (*)
					535.80	0.40	10.67 (*)
EXP 089	614542	912901	-55	180	345.95	6.60	6.54 (*)
					379.40	0.20	98.76 (*)
EXP 091	614217	913473	-50	160	627.00	0.50	8.57 (*)
					738.65	2.20	8.88 (*)
					795.50	0.30	3.63 (*)
					930.60	0.20	8.97 (*)
					951.70	0.40	4.17 (*)
EXP 092	614575	913323	-50	160	113.75	0.75	4.53 (*)
					286.75	1.45	56.23 (*)
					454.75	0.45	4.53 (*)
					496.80	0.30	3.09 (*)
					501.70	0.50	10.03 (*)
					579.00	1.55	33.55 (*)
EXP 093	614595	912950	-55	180	245.00	0.25	23.70 (*)
					371.00	1.00	21.53 (*)
					496.70	2.50	72.80 (*)
					660.60	0.60	9.30 (*)
EXP 094	614758	913452	-50	160	610.65	0.20	6.63 (*)
					631.30	0.35	7.13 (*)

Co-O Drilling Update - London Stock Exchange

					640.35	0.35	26.06
							(*)
					648.25	0.45	16.23
							(*)
					725.10	1.10	14.73
							(*)
EXP 095	614066	913152	-47	160	162.35	1.00	4.81
							(*)
					403.15	1.00	4.33
							(*)
					431.10	2.20	4.98
							(*)
					452.90	0.50	3.27
							(*)
					499.65	2.35	10.61
							(*)
					510.30	1.20	6.46
							(*)
					533.50	3.40	6.53
							(*)
					542.80	0.35	9.27
							(*)
					549.85	0.20	13.27
							(*)
					581.20	1.35	3.50
							(*)
					598.20	0.45	8.66
							(*)
					609.80	2.05	15.97
							(*)
					619.80	0.25	66.57
							(*)
					627.15	0.20	4.64
							(*)
					648.45	2.35	7.69
							(*)
					657.80	0.70	4.38
							(*)
					669.20	0.20	6.60
							(*)
EXP 097	614589	913104	-52	160	285.60	5.10	5.22
							(*)
					448.20	1.15	5.92
							(*)
					454.70	1.80	3.09
							(*)
					511.60	0.45	9.93
							(*)
					519.55	0.50	24.30
							(*)
					525.25	0.35	3.10
							(*)
					536.45	1.95	9.74
							(*)
					728.45	0.20	3.85
							(*)
EXP 099	614002	913216	-50	180	84.25	0.30	5.70
							(*)

Notes:

(i) Intersection widths are downhole drill widths not true widths;

(ii) Assays denoted by (*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;

(iii) Grid coordinates based on the Philippine Reference System 92.

Table II. Underground drill hole results ≥ 3 g/t gold and ≥ 0.2 metres downhole.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
LEVEL 2							
L2-044	613416	912949	0	322	3.80	0.60	11.17 (*)
L2-047	614057	913020	0	231	72.05	0.75	6.50 (*)
LEVEL 4							
L4-023	613922	912928	0	344	26.10	0.40	15.20 (*)
L4-024	613985	912881	0	152	108.55	2.40	24.34 (*)
L4-025	613982	912882	0	122	117.40	0.40	83.93 (*)
LEVEL 5							
L5-067	613945	912889	-58	138	60.45	0.80	5.87 (*)
					76.30	0.30	17.10 (*)
					251.10	0.40	11.37 (*)

Notes:

(i) Intersection widths are downhole drill widths not true widths;

(ii) Assays denoted by (*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;

(iii) Grid co-ordinates based on the Philippine Reference System 92.

DRILL HOLE SAMPLING AND ASSAYING PROCEDURES

Samples are taken from mainly HQ sized (hole outside diameter 96 mm, hole inside diameter 63.5mm) and some NQ sized (hole outside diameter 75.8 mm, hole inside diameter 47.6 mm) drill core. The selected sample intervals are halved by diamond saw and half the core was bagged, numbered and sent to the Company laboratory. In a small number of cases to confirm the geological logging, the selected interval was re-split and ¼ core re-submitted for assay.

Initial sample preparation and assaying is undertaken at the Company's on-site laboratory. Samples are dried at 105°C for 6 to 8 hours, crushed to less than 1.25 cm by jaw crusher, re-crushed to less than 3 mm using a secondary crusher followed by ring grinding of 700 to 800 grams of sample to nominal particle size of less than 200 mesh. Barren rock wash is used between samples in the preparation equipment. The samples are assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5 g/t gold are re-assayed using gravimetric fire assay techniques on a 30 gram sample.

Check assaying of approximately 50% of samples used in the yearly resource estimates is undertaken by McPhar Geoservices Phils Inc ("McPhar"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps are airfreighted to McPhar who fire assay 30 grams of samples using AAS finish and a selected number of samples are checked using gravimetric fire assay techniques. Duplicate samples and standards are included in each batch of check samples.

When reporting results, where available, the assays of McPhar as an independent laboratory have been given priority over the Company laboratory's results.

For further information please contact:

Australia	
Medusa Mining Limited	+61 8 9367 0601
Peter Hepburn-Brown, Managing Director	
Geoffrey Davis, Non-Executive Chairman	
United Kingdom	
Fairfax I.S. PLC	+44 (0)20 7598 5368
Financial Adviser and Broker	
Ewan Leggat/Laura Littley	

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". 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.

DISCLAIMER

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.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Medusa, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements.

Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based.

You should not place undue reliance on forward-looking statements and neither Medusa nor any of its directors, employees, servants or agents assume any obligation to update such information.

To view Figures 1 and 2, click on, or paste the following link into your web browser:

http://www.rns-pdf.londonstockexchange.com/rns/2537Q_-2011-10-14.pdf

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