

Regulatory Announcement

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Company	Medusa Mining Limited
TIDM	MML
Headline	Quarterly Report
Released	07:01 30-Apr-07
Number	7071V

RNS Number:7071V
Medusa Mining Limited
30 April 2007

MEDUSA MINING LIMITED

QUARTERLY ACTIVITIES REPORT

PERIOD ENDING 31 MARCH 2007

Medusa Mining Limited ("Medusa" or "The Company"), the Australian based company operating and developing gold mines in the Philippines, is pleased to provide its quarterly update on activities for the period ending 31 March 2007, as required by the Australian Stock Exchange.

KEY POINTS:

Co-O MINE & PRODUCTION

- Successful commissioning of large ball mill;
- First export shipment of bullion to refinery in Hong Kong;
- 3W shaft completed to 3050 metre level in full operation;
- January landslide effects on the 3050 metre level resolved by late February, but pumping continued until mid-March to lower the water to the 3010 metre level, hence reducing mining activities;
- Gold production from 4,294 dry tonnes at a recovered grade of 9.5 g/t gold totalled 1,315 ounces at an average cash cost of US\$509 per ounce, generating income of approximately US\$0.9 million;
- Q2 production expected to achieve annualised 40,000 ounces;
- Co-O deeps drilling continuing - multiple high grade results up to 4.7 metres @ 57.65 g/t gold. Next report due late May;
- 3050 metre level assays show continuous vein at 35.37 g/t gold over 267 metres strike at average width of 1.4 metres.

TAMBIS BANANGHILIG MINE

- Re-interpretation of data and drilling in progress.

BANBANON (SINUG-ANG) PROJECT

- Drilling completed around an existing shaft, interpretation in progress for shaft refurbishment decision.

ANOLING PROJECT

- Surface and underground exploration commenced.

CORPORATE

- Picop's filed Motion for Reconsideration dismissed with finality on 14 February 2007;
- Exercise of 31 January 2007 options completed.

GOLD PRODUCTION

The production statistics for the current financial year are summarised in Table 1.

Table I: Gold Production

Period	Ore mined (wet tonnes)	Recovered grade (g/t Au)	Recovered ounces (ozs)	Cash costs (US \$ per oz)	Gold sales (US \$ million)	Comments
Jul to Sept 2006	12,024	9.3	3,522	263	2.17	Development & some stope ore
Oct to Dec 2006	13,949	8.8	3,647	278	2.20	
Jan to Mar 2007	5,611	9.5	1,315	509	0.90	Re-establishing mine access
TOTAL	31,584	9.1	8,484	308	5.27	

Approximately 2,325 tonnes of ore were stockpiled at 31 March 2007.

Production was severely hampered by the January landslide which resulted in loss of access to the mine and blocked the drainage, cut off the electricity for the water pumps and flooded the bottom of the mine. The cash cost per ounce increased as a consequence of the reduced ounces. The Company now expects to achieve its initial annualised target of 40,000 ounces in Q2.

The 500 tpd ball mill was successfully commissioned during March once sufficient ore had been stockpiled and will be operated on a batch basis for all future processing until an average of more than 400 tonnes per day of ore is mined. The 200 tpd circuit will be retained in its entirety as a backup unit.

PICOP SUPREME COURT CASE

On 6 December 2006, the Supreme Court ("SC") of the Republic of the Philippines unanimously confirmed that Department of Environment and Natural Resources ("DENR") can now proceed, subject to regulatory compliance, with the issuance to Philsaga Mining Corporation ("Philsaga") of Mineral Production Sharing Agreement ("MPSA") application 084-XIII covering the Co-O Goldmine.

As anticipated, on 6 January 2007, Picop lodged a Motion for Re-consideration challenging the decision of the SC.

On 14 February 2007, the Supreme Court dismissed with finality the Motion for Reconsideration. Consequently the Company is finalising the updating of its MPSA application in preparation for granting of the Co-O MPSA.

The Special Mining Permit over the Co-O Mine has been renewed.

Co-O MINE

Effects of the landslide at Co-O adit entrance

As discussed in the December 2006 quarterly report, production recommenced from the intermediate 3100 metre level via the 10W shaft on 21 January. The bottom 3050 metre level of the mine achieved full operational status in late February following clean up of the mine post the flooding. Full development re-commenced at the 3050 metre level, however the new 3010 metre sublevel (40 metres below the mine bottom) was affected by flooding until mid-March when sustained pumping lowered the water level sufficiently to permit recommencement of development.

In late January, excavation of a new by-pass adit commenced to connect with the 3W shaft position providing an improved loop rail system, improved safety and a second adit access to the mine. Approximately 50% of the new 280 metre long adit is completed, however the excavation has encountered unexpected soft ground conditions over the entire length from the entrance to date requiring continuous timbering which has slowed progress. Completion of the adit should be achieved during Q2.

Deep drilling

Programme description

In December 2006 the Company commenced a drilling programme designed to intersect the Co-O Mine vein system at approximately 100 metres below the current bottom of the mine (i.e. at level 2950 metres) which is approximately 200 metres below the adit to the mine (level 3150 metres). Holes are being spaced at approximately 50 metre intervals along strike, but the intersection depth and position of each drill hole is dependent on topographic constraints. Two deeper drill holes at approximately 250 to 300 metres vertically below the adit level have also been completed. Each drill hole has been surveyed every 50 metres downhole using a multishot digital camera.

The first five holes have been completed and this first phase of drilling will continue for approximately another 3 to 4 months and further drilling may be conducted once the initial results are assessed. The next drilling update is expected to be available in late May.

Intersections of > 4g/t gold from the drilling are presented in Table II. The lower grade intersections are included because of the variability of grades within the veins and because they define gold mineralised veins requiring further investigation.

It is important to note that drilling of narrow epithermal veins at best generally provides only an indication of the presence of the gold mineralised vein and rarely provides 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 is commonly erratic, in shoots or controlled by structures within the vein; &
- Drill core recovery can be reduced because of the brecciation and soft unconsolidated material and hence the recovered material may not be representative of the material drilled.

Consequently, the Company regards the initial drilling as indicative only and operates the policy of using drilling to locate the extent of the mineralised veins. This is then followed by level development to support the drilling results, which provides a more accurate estimate of vein grades and facilitates the estimation of resources.

Table II: Summary of drilling results for holes MD 20 to MD 24 for intersection grades > 4 g/t gold

Hole	East	North	Dip (o)	Azimuth (o)	From (metres)	Width (metres)	Grade (uncut) g/t gold
MD 20	614099	913092	-51	214	230.10	1.50	16.75
					250.25	0.85	4.22
					265.90	0.45	7.19
					290.70	0.60	4.92

					311.40	4.70	57.66
					323.10	1.70	15.76
					333.10	1.50	4.65
					337.05	4.55	6.98
					352.20	0.80	11.41
					359.60	0.80	4.14
					361.55	1.55	15.23
					381.95	0.35	15.56
MD 21	614120	913134	-50	214	41.40	0.70	13.53
					185.90	1.80	5.04
	Hole	Stopped	At	268.10m			
MD 23	614120	913134	-56	214	45.20	1.70	8.30
					190.80	1.40	14.77
					349.10	0.40	7.98
MD 22	614025	913188	-45	210	135.50	0.55	30.95
					161.60	0.30	14.50
					324.15	0.65	8.78
					360.80	4.80	8.19
MD 24	614026	913190	-55	210	281.25	0.55	21.47
					357.75	1.25	12.38
					407.60	0.60	4.76

Note: McPhar Geoservices Inc. assays are quoted.

Co-O Vein System Discussion

The Co-O Mine vein system trends westerly and is truncated by a major north-trending fault (the Oriental Fault) which has vertically downthrown the vein system on the eastern side of the fault by an estimated 300 metres and moved the veins horizontally by approximately 20 to 40 metres, with the east side moved to the south. The effect of the downthrow is that the Co-O veins on the east side of the fault are not exposed at surface and the tops of the veins appear to commence approximately 160 metres below surface and below the adit level.

When the mine was originally developed in the late 1980s, the vein system had only been discovered on the west side of the Oriental Fault (despite exploration drilling on the east side) and all mine development was carried out on the west side over approximately 600 metres of strike length. Drilling, which commenced in late 2004 (holes MD 1 to 8), intersected the vein system on the east side of the Oriental Fault and subsequently delineated the vein system over a strike length of approximately 250 metres to east. Subsequent underground development has verified the intersection grades and widths in holes MD 1 to 4 over a strike length of 104 metres which is open to the east.

Development on veins within the mine on the west side of the Oriental Fault over a strike length of over 600 metres indicates the vein system is open to the west, and drilling and mapping to the east of the Oriental Fault have demonstrated that the Co-0 Vein system is still open to the east and is shown to be over 1.5 km in length.

New Drilling East of the Oriental Fault

Results are contained in Table II.

MD 20 intersected multiple veins hosted by altered micro-diorites, porphyritic andesites and andesitic volcanics. The high grade veins (up to 4.7 metres @ 57.66 g/t gold) are commonly colloform banded and vuggy, contain < 2-3% sulphides, generally as fine pyrite, and a minor overprint of calcite in fractures.

MD 21 intersected 2 new veins high in the hole and the hole was terminated due to excessive deviation.

MD 23 intersected the same new veins high in the hole as in MD 21 as well as a number of the same vein positions as in MD 20 before encountering a post vein orecciation - silicification overprint in the position of the Central and associated veins, resulting in dilution of the gold grades in this area. The oreccia contains fragments of the primary veins mixed with other lithologies and overprinted by later white and black silica. The extent of this overprint will be determined by future drilling and underground development

New Drilling West of the Oriental Fault

Results are contained in Table II.

Hole MD 22 intersected the Central Vein (4.8 metres at 8.19 g/t gold) approximately 100 metres below the current bottom of the mine. A feature of the Central Vein in this area is that it is intensely brecciated and returns averaged drill hole grades well below the grades mined around earlier drill holes. The material in MD 22 is very similar to material mined in the levels above it and is regarded as indicating potentially similar grade material. It is noteworthy that the four early drill holes in the late 1980s within the current resource estimation were rejected "because they consistently show considerably lower grades when compared with reconciled production data and face/stope sampling" (Cube, 2004). Potentially the grade of the drilled material will be similar to the mined material in stopes above the intersection, being a factor of between 2 and 4 times the drilled grade.

Table III: Summary of 1980s Central Vein drill results

Hole	East	North	Dip	Azimuth	From (metres)	Width (metres)	Grade (uncut) g/t gold
KD 44	613899	913038	-55(o)	200(o)	85.45	0.95	9.29
KD 45	613899	913038	-67(o)	200(o)	105.25	5.75	22.48
KD 46	613826	913076	-45(o)	200(o)	68.30	6.97	6.95
KD 47	613826	913076	-65(o)	195(o)	113.35	7.15	12.12

Hole MD 24 was drilled below MD 22 and intersected interpreted down dip positions of the veins approximately 235 metres below the bottom of the mine (approximately 480 metres below surface) and contained modest gold values. Further drilling will be required in this area at a later date.

Sampling and Assaying

All samples were taken from mainly HQ sized (65mm) and some NQ sized (45mm) drill core. The selected sample intervals were halved by diamond saw and the half 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 1/4 core re-submitted for assay.

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

The majority of samples which contained > 0.5 metres at > 2 g/t gold were re-assayed by McPhar Geoservices Phils Inc ("McPhar"), a NATA registered laboratory in Manila. The pulps were airfreighted to McPhar who fire assayed 30 grams of sample using AAS finish and a selected number of samples were checked using gravimetric fire assay techniques.

When reporting results, where available, the McPhar assays have given priority over the Company laboratory's results due to its independence.

3050 metre development assays

Compilation of the Central Vein assays from mine development on the 3050 metre level (currently the bottom of the mine at the bottom of the newly completed 3W shaft) shows that the combined continuous high grade mineralisation on each side of the Oriental Fault totals a strike length of 267 metres with an average grade of 35.37 g/t gold (uncut) and with an average width of 1.4 metres.

Over a considerable amount of the strike on the west side of the Oriental Fault, the development is completely within the vein and information from development above and below the level indicates that there is generally between one and two metres of vein still in the north wall of the 3050 metre level drive. The additional material in the north wall is not included in the average width of 1.4 metres.

Re-estimation of the resources is expected to be completed during the third quarter following the deep drilling and the availability of more underground information.

BANBANON (SINUG-ANG) PROJECT

The Sinug-ang Project, situated immediately north of the Co-0 Mine, comprises two prospects being the Banbanon Prospect in the area of current drilling which was explored in the 1980s by surface sampling and drilling, and the Sinug-ang prospect located further to the north on the same vein system which trends in a NNW direction parallel to the Philippine Rift Fault trend. Some small scale mining activities of selected parts of the Banbanon Vein and with limited lateral extent have been undertaken to a depth of approximately 130 metres below surface.

Drilling has been completed around the existing Cobra Shaft which has been chosen as a possible development position for the Banbanon Prospect. The intent, subject to positive interpretations, is to access the > 500 metre long zone of > 5g/t gold that has been outlined from surface to depths varying between 100 and 250 metres. The existing shaft could be refurbished to establish relatively quick and cheap access to the vein system for underground investigation.

Drilling has intersected the following results summarised in Table IV.

Table IV. Banbanon - Sinug-ang Project Drilling Results > 2 g/t gold

Hole	East	North	Azimuth	Dip	From (metres)	Width (metres)	Grade (uncut) g/t gold
BANBANON							
SNG 001	172337	915787	70 (o)	-50 (o)	374.20	0.70	2.70
					394.00	1.00	2.70
SNG 002	172438	916009	90 (o)	-60 (o)	298.45	0.20	2.83
					301.50	1.15	3.43
					304.70	4.35	2.77
SNG 003	172487	915726	70 (o)	-55 (o)	227.85	6.05	7.04
			including		229.40	2.90	10.25
SNG 004	172337	915787	68 (o)	-52 (o)	374.90	1.65	3.39
SNG 005	172487	915726	60 (o)	-55 (o)	222.65	9.15	9.46
			including		226.05	5.75	13.46
SNG 006	172487	915726	90 (o)	-55 (o)	242.63	0.97	2.30
SNG 008	172615	915647	70 (o)	-50 (o)	127.90	0.30	4.20
					138.30	0.75	7.03
SNG 010	172615	915647	90 (o)	-50 (o)			< 2g/t
SNG 012	172615	915647	110 (o)	-50 (o)			< 2g/t
SNG 015	172634	915685	70 (o)	-50 (o)			< 2g/t
SNG 017	172756	915551	110 (o)	-50 (o)			< 2g/t
SNG 019	172830	915366	70 (o)	-50 (o)			< 2g/t
SNG 021	172799	915576	105 (o)	-60 (o)			< 2g/t
SNG 022	172489	916179	90 (o)	-45 (o)	91.70	2.20	4.08
					105.40	0.45	9.39
SNG 023	172503	916139	90 (o)	-48 (o)	78.30	0.55	2.97
SNG 024	172505	916235	90 (o)	-49 (o)			< 2g/t
SNG 025	172474	916278	90 (o)	-48 (o)			< 2g/t
SINUG-ANG							
SNG 007	172371	916675	90 (o)	-55 (o)	Abandoned		
SNG 009	172380	916725	90 (o)	-50 (o)	107.40	0.50	2.67
SNG 011	172351	916776	90 (o)	-55 (o)			< 2g/t
SNG 013	172371	916678	100 (o)	-66 (o)			< 2g/t
SNG 014	172435	916549	60 (o)	-45 (o)	45.90	1.00	5.87
					50.40	2.65	3.27
SNG 016	172435	916549	30 (o)	-50 (o)	69.30	1.80	27.00

SNG 018	172435	916549	90(o)	-50(o)	88.55	0.15	25.00
SNG 020	172395	916581	70(o)	-60(o)	86.90	1.05	2.12
					91.00	2.70	4.73

Note: All assaying conducted by the Philsaga Laboratory using 30g fire assay charges with Atomic Absorption Spectrometry finish.

TAMBIS BANANGHILIG MINE

Background

The Tambis Bananghilig Mine is located approximately 35 km by the National Highway to the north of the Co-O Plant.

Development

Work on the North-South Vein adit on the north side of the Bananghilig River has continued at a low level where sub-levels below the adit are being established. Final results of the metallurgical testwork programme are expected during the June quarter.

Underground development targeting previous high grade reverse circulation ("RC") drill results has shown that some previous RC drill holes that had returned high grades over good widths had suffered severe downhole contamination resulting in exaggerated intersection widths through smearing down the drill hole of high grades from narrow veins and veinlets. A review and interpretation of all previous diamond drill holes in the data base is nearing completion, in conjunction with on-going underground and surface diamond drilling. Depending on progress, results should be available late in the September quarter.

NEW TENEMENT ACQUISITIONS

During the quarter the Company through Philsaga applied for 324 hectares immediately west and north of the Sinug-ang Mine.

In addition the Company through Philsaga completed two Memoranda of Agreement ("MOA") with Corplex Resources Incorporated ("CRI") on two separate parcels of ground immediately south of the Tambis Project, being an application for Financial and Technical Assistance Agreement ("FTAA") number 000004-XIII comprising approximately 162 hectares and application for Mineral Production Sharing Agreement ("MPSA") number 000077-XIII comprising approximately 810 hectares, and totalling approximately 972 hectares.

The essential terms for both agreements are:

- The Company has the right to explore and develop minerals on the tenements and will pay a 4% gross royalty on all minerals extracted;
- If the Company completes a scoping study for a major new discovery which demonstrates a minimum 5 year mining life for the deposit, CRI can:
 - (i) elect to buy back a 30% interest in the respective tenement by re-imbursing a sum equal to four times the expenditure to that time on the relevant tenement, and
 - (ii) contribute to 30% of all on-going costs to develop the project;
 - (iii) In the event that CRI elects not to contribute, CRI will:
 - (a) dilute to a 15% carried interest to commencement of production which will be funded by a loan from the Company, and
 - (b) repay the loan from production with 70% of CRI's share of cashflow

being used for loan repayment.

OTHER PROJECTS

• Abacus Project

The Mines Operating Agreement ("MOA") with Abacus Consolidated Resources and Holdings Inc. covers Exploration Permit ("EP") application number 000028-XIII situated to the north of the Co-O mine and millsite.

The granting process for the Abacus EP is now being pursued.

• Anoling Project

The MOA with Alcorn Gold Resources Inc. covers Mining Production Sharing Agreement ("MPSA") application number 039-XIII situated to the north of the Co-O mine and millsite.

The granting process for the Anoling MPSA is now being pursued.

The granting of two Small Scale Mining Permits was completed during the quarter. The Anoling Project consists of a large number of artisanal workings and old mines dating back to pre-World War II. The workings are generally located on westerly trending vein systems, with some indications of a conjugate northeast trending vein set. The veins generally consist of banded quartz-carbonate material within clay-chlorite-pyrite gauge zones with both types of material carrying gold values. Examination of old workings shows that the veins pinch and swell up to approximately 2 metres wide and appear to occur in shoots of between 50 to 100 metres in length. Typical grades are anticipated to be in the 8 to 12 g/t gold range although a 1980s mine to approximately 100 metres depth at the eastern end of the property is reported to have produced ore at approximately 30 g/t gold.

The Company has commenced mapping, trenching and sampling, underground exploration and drilling.

• Das-agan Project

The MOA covering MPSA application number 039-XIII comprising two parcels and situated to the north and east of the Co-O Mine and millsite. The granting process for the Das-Agan MPSA is now being pursued.

• Saugon Gold-Silver Project (Medusa 100%)

Application for re-newal of the Exploration Permit is in progress.

• Panaon Project (Medusa divesting 50%)

No field work was carried out during the quarter.

• Bunawan Project (Magnum Gold NL earning 50%)

The Bunawan Project is located south of the Co-O Mine and is a joint venture between Philsaga and Magnum Gold NL ("Magnum") whereby Magnum is earning a 50% interest through the expenditure of US\$1.5 million.

In 2006 one diamond drill hole was completed to test surface alteration and gold anomalism associated with narrow quartz veining. The drill hole intersected weak anomalous gold values of <1g/t gold within a silicified zone.

No field work was carried out during the quarter.

CORPORATE

The exercise of the 31 January 2007 options was successfully completed.

The information in the above announcement was compiled by Geoff Davis, who has sufficient experience which 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". Geoff 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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Note to editors:

Medusa Mining is an ASX and AIM-listed gold producer, focused on the Philippines. The Company controls over 700km² of tenements over a 70km strike length of the richly endowed East Mindanao ridge. Production, which will be sourced from a number of operating mines within trucking distance of the central plant, is currently heading for 40,000ozs per annum and is planned to increase to approximately 100,000ozs in late 2007 - early 2008. The main producer will be the Co-O Mine, which has returned grades as high as 29 g/t Au. Additional ore will be sourced in the near term from the Tambis Banaghilig and Anoling Mines, followed by the development of the Sinug-ang Mine area in mid 2007.

COMPANY PROFILE

- High grade mining inventory (195,000ozs @ 17.6 g/t gold) at Co-O Gold Mine set to increase;
- New resource figure expected Q3 2007;
- Centrally located mill, multiple mines;
- Production anticipated to reach an annualised 40,000 ounces Q2 2007.
- Production cash cost anticipated to decrease to US\$200 per ounce as production increases past 40,000 ounces per year ;
- Expanding production profile;
- Extensive exploration acreage of > 700 km² along 70 km strike of the richly endowed East Mindanao ridge;
- Regional assessment confirms excellent prospectivity with the definition of seven porphyry target areas.

Share capital as at 31 March 2007:

Shares: 124, 537,548 (ASX code :MML)

Unlisted options: 6,650,000

Listings

Australian Stock Exchange

Alternative Investment Market (London)

Frankfurt Stock Exchange

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