

Regulatory Announcement

Go to market news section



Company Medusa Mining Limited
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Headline Funding of Expansion
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MEDUSA MINING LIMITED

CORNERSTONE INVESTOR JOINS MEDUSA TO FUND EXPANDING EXPLORATION PROGRAMME

Medusa Mining Limited ("Medusa" or the "Company"), the Australian based company operating and developing gold mines in the Philippines, is pleased to advise that Gallagher Holdings Limited ("Gallagher") has become a cornerstone investor in Medusa via the placement of 17,500,000 fully paid shares at A\$1.15 per share to raise A\$20,125,000 before costs. Gallagher will own approximately 12.32 per cent of the issued share capital of the Company following the placement. In addition 7,000,000 un-listed options exercisable by 1 February 2009 at a price of A\$1.60 will also be issued to Gallagher subject to shareholder approval at a meeting in August 2007.

Gallagher, the investment company of Mr Alisher Usmanov, holds strategic investments worldwide, including being a substantial shareholder in Mount Gibson Iron Limited. Mr Usmanov is also the principal shareholder in the unlisted Metalloinvest Group, which is Russia's largest iron ore producer with 39% of total concentrate, pellet and hot briquette production and the country's fifth largest steel producer, with two integrated steel operations.

The funds raised will be utilised as follows:

- Early repayment of the deferred vendor debt of A\$5 million which resulted from the completion of the Philsaga Transaction in December 2006;
- Fund the future porphyry copper drilling programme focusing initially on the Lingig discovery; and
- Fund expanding exploration activities which are expected to be proposed on completion of the Regional Exploration Initiative.

Lingig Porphyry Copper Discovery

The project is located to the east of the Company's main tenement block. It was delineated as a result of an aid program between Filipino and Japanese geologists and technicians in 1972 to 1974 over eastern Mindanao. An initial 3,000 km(2) prospective area was located by geological and geochemical surveys and this was subjected to additional geological mapping and geochemistry. A smaller 170 km(2) area was selected and subjected to detailed geological mapping and geochemistry followed by Induced Polarisation ("IP") geophysical surveys. Subsequently a programme of five holes was completed on five different targets with hole DDH1 intersecting quartz diorite porphyry containing:

- | | |
|--------------------|----------------------------------|
| • 0 - 100 metres | Altered rocks |
| • 100 - 200 metres | 100 metres @ 0.40 % Cu |
| • 200 - 248 metres | 48 metres @ 0.50 % Cu, 0.1g/t Au |

- 248 - 250 metres (End of Hole) 2 metres @ 4.93 % Cu, 0.5g/t Au

Finalisation of tenements over the Lingig prospect is being prioritised by the Company to enable drilling to commence as soon as possible.

Regional Exploration Initiative

For several months the Company has been undertaking an assessment of the northern section of its tenement portfolio. The assessment is utilising remote sensing techniques including satellite imagery, aerial photography and aeromagnetism, compilation of information from surveys conducted by previous explorers as well as field checking involving regional mapping and surface sampling where appropriate. Results from a large number of samples are expected in the coming weeks and results will be reported when available.

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