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Co-O Mine New Shaft To Raise Production

10 April 2008

**MEDUSA MINING LIMITED**  
(AIM: MML)

NEW SHAFT TO RAISE PRODUCTION TO 100,000 OUNCES/YEAR FROM CO-O MINE

Medusa Mining Limited ('Medusa' or the 'Company'), the Australian based company operating and developing gold mines in the Philippines, announces that it is undertaking preparations for a second phase of expansion. This will target production of 100,000 ounces of gold per year from its expanded Co-O Mine resource of 713,000 ounces at 10.9 g/t gold.

To achieve this production, the Company has elected to sink a new vertical shaft to an initial depth of approximately 420 metres, with the capacity for it to be deepened to 600 metres in the future. The new shaft will be named the Hill View Shaft. The current timetable is for work to start on the shaft in July 2008 with a target date for ore haulage in the first quarter of 2010.

This Phase 2 expansion will not interfere with the current scheduled production of 60,000 annualised ounces following the Phase 1 expansion.

Please see the link at the end of this announcement for Figure 1, which shows a 3D diagram detailing the approximate position of the new shaft at the Co-O Mine.

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### Background

The current resource size, combined with on-going drill intersections indicating the deposit is still open along strike in both directions as well as at depth, justifies an expanded production profile to approximately 100,000 ounces per year.

The initial shaft target depth, as shown on Figure 1 (please see the link at the end of this announcement), is approximately 420 metres or 100 metres below (at the 2850 metre level) the 'in-progress' Agsao Shaft (which will bottom at the 2950 metre level). The shaft will have the capacity to be further deepened to 600 metres. The new deep shaft will have a double drum winder with the capacity to hoist up to 700 tonnes per day of ore, which, when combined with the Agsao Shaft, Beta, 3W and 10W shafts, will lift hoisting capacity from the mine to approximately 1,000 tonnes of ore per day. At the current reserve grade of 11.1 g/t gold, this equates to approximately 100,000 ounces of gold production per year.

If the resource increases continue with the on-going drilling, then further expansion phases may be considered at a later date.

The Company also canvassed, as an alternative, a decline but decided to opt for the deep shaft after taking into account the following factors:

#### 1. Climatic factors

- (a) The mine is situated in a high rainfall tropical environment requiring high capacity pumping equipment for routine pumping and emergency high flow periods.
- (b) A decline would likely significantly increase the required pumping capacity.

#### 2. Geological and structural factors and ground water

- (a) A recent broad scale tectonic study indicates the Co-O deposit sits in a regional scale north-trending fault corridor, as evidenced by numerous north-trending faults cross-cutting the veins in the mine. Some of these act as water conduits;
- (b) The tectonics study also indicates the Co-O vein system is controlled by a very prominent set of deep seated east-trending structures that host the veins. These also sometimes act as water conduits;
- (c) The general rock conditions encountered in the mine and in drilling to date can be described as reasonable to good, although low grade propylitic alteration is generally pervasive;
- (d) The general premise that large openings (as in declines with a minimum size of 4 metres by 4 metres) present more difficult ground support conditions is exemplified by the large diameter drives used for the initial access to the mine in the late 1980s. These original openings continue to require significant ground support maintenance as well as exemplifying the ground support problems that would have been encountered during their construction. Large openings also tend to act as more efficient traps for underground water collection than small openings.

#### 3. Workforce expertise factors

- (a) The Company currently has a work force experienced in rail and shaft mining.
- (b) A decline would require a new workforce to be engaged.

#### 1. Equipment, spare parts inventories and maintenance

- (a) For a shaft, the Company would require only to expand its current equipment, spare parts inventories and maintenance requirements with which its work force and suppliers are already familiar;
- (b) A decline would require the purchase of specific heavy duty mining equipment, a large spare parts inventory, construction of new, specifically equipped workshops and the hiring of qualified maintenance crews;
- (c) There are currently world-wide shortages of specialised heavy equipment for declines with long lead times on orders, problems in co-ordinating the arrival of a complete equipment fleet which will likely severely affect fleet functionality on setting up a new operation, as well as the availability of spare parts, in particular rubber tyres;
- (d) On-going equipment maintenance costs for a decline are estimated at approximately US\$400,000 per month and 30 to 40% of the cost of the decline.

#### 5. Energy inputs

- (a) The shaft will be able to be operated with power from the 'under-construction' power line to the mine using hydro-generated electricity;
- (b) A decline would use diesel equipment with resultant escalating costs as fuel prices continue to increase.

#### 5. Capital costs and time for completion for ore haulage

- (a) Whilst capital costs are being finalised, preliminary estimates indicate that the capital costs of the shaft will be significantly less than the decline;
- (b) Both options on preliminary estimates would be completed and hauling ore in a similar timeframe.

#### 7. Mobile surface equipment and mill upgrade

- (a) Both options will require the same increase in surface mobile equipment, such as front end loaders and haulage trucks;
- (b) Both options will require the progressive addition of new tankage capacity at the plant to match the crushing and grinding capacity of approximately 1000 tonnes per day.

#### 3. Tailings dam

- (a) Both options require the construction of a new tailings dam facility by approximately the end of 2009. The Company has recently finalised land purchases for this facility.

Based on the above, the Company has chosen the Hill View Shaft option as the most suitable for its future needs.

Information in this report relating to Exploration Results is based on information compiled by Mr Geoff Davis, who is a member of The Australian Institute of Geoscientists. Mr Davis is the Managing Director 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 'Australian 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.

- ---END OF MESSAGE---

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