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Quarterly Report

MEDUSA MINING LIMITED
(AIM: MML)

QUARTERLY ACTIVITIES REPORT
PERIOD ENDED 31 MARCH 2009

Medusa Mining Limited ('Medusa' or the 'Company'), through its Philippines operating company Philsaga Mining Corporation ('Philsaga'), announces its Quarterly Activities Report for the period ending 31 March 2009.

Highlights:

Co-O MINE EXPANSION

- * Phase I expansion nearing completion to raise gold production to 60,000 ozs per year in Q3 2009. The 8E Shaft was completed to depth. The Agsao Shaft produced its first development ore.
- * Phase II expansion to raise gold production from 60,000 ozs to 100,000 ozs per annum in early 2010 is progressing on schedule (this is independent of Phase I expansion);
- * The Phase II Baguio Shaft is at a depth of 158 metres and on schedule.

Co-O MINE PRODUCTION

- * Gold production of 12,716 ozs (compared to 12,158 ozs in the previous quarter) at an average grade of 13.05 g/t gold and average cash cost of US\$211 per ounce.

Co-O RESOURCES DRILLING

- * Resource drilling is continuing at depth and along strike. Drilling is progressing to the east of the Agsao River and approximately 350 metres east of the Agsao Shaft.
- * A drilling update will be provided during the next quarter.

LINGIG PORPHYRY COPPER DISCOVERY

- * Drilling update included encouraging intersections of 125 metres at 0.26% copper, 267 metres at 0.62% copper and 224 meters at 0.77% copper. Drilling is continuing.

KAMARANGAN PORPHYRY PROSPECT

- * First pass drilling has been completed. A summary report will be provided during the next quarter.

CORPORATE

- * The Company on 6 March 2009, completed the placement of

20,300,000 shares at A\$1.21 per share to clients of Euroz Securities Limited, to raise gross proceeds of \$24,563,000.

Geoff Davis, Managing Director of Medusa, commented:

' The continuing increases in gold production and corresponding decreases in cash costs are a pleasing result of the Phase I expansion programme to 60,000 ounces annualised production. The Phase II expansion to 100,000 ounces annualised production is on track for completion in early 2010. The Co-O Deposit is continuing to exhibit its pedigree as a world class deposit in terms of potential financial returns.'

For further information, please contact:

Medusa Mining Limited	+61 8 9367 0601
Geoffrey Davis, Managing Director	
Roy Daniel, Finance Director	
Fairfax I.S. PLC	+44 (0)20 7598 5368
Nominated Adviser / Joint Broker	
Ewan Leggat / Laura Littley	
Mirabaud Securities Limited	+44 (0)20 7321 2508
Joint Broker	
Peter Krens	
Lothbury Financial	+44 (0)20 7011 9411
Michael Padley / Libby Moss	

PROJECT OVERVIEW

The locations of the Company's projects are shown on Figures 1 and 2 (please see the link at the end of this announcement).

Co-O MINE

GOLD PRODUCTION

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

Table I. Gold Production

Period	Gold produced (ozs)	Grade (g/t gold)	Cash costs (US\$ per oz)	Comments
Jul to Sep 2008	6,986	10.42	243	On-vein development and stoping
Oct to Dec 2008	12,158	15.84	215	On-vein development and stoping
Jan to Mar 2009	12,716	13.05	211	On-vein development and stoping
TOTAL	31,860	12.83	220	

Gold production increased by 4.6% during the quarter to 12,716 ozs at an average recovered grade of 13.05 g/t gold and average cash cost of US\$211 per ounce. The reduction in grade compared to the previous quarter is primarily due to the contribution of development ore from the Agsao Shaft.

The Company expects a further incremental increase in gold production

in the forthcoming quarter with the full benefits of the Phase I expansion to 60,000 ounces annualised production on track to flow through in the third quarter of 2009.

PHASE I EXPANSION

Expansion works continued on schedule during the quarter is approximately 1,665 metres of development completed (previous quarter 1,256 metres). The connection of the 8E (Beta) and Agsao Shafts is the last stage of the Phase I expansion. This development work is underway from the Agsao Shaft and will shortly be underway from the 8E Shaft.

(a) Agsao Shaft

Development along two veins on Level 5 westwards towards the 8E Shaft is underway.

(b) 8E (Beta) Shaft

The 8E Shaft was completed to an inclined depth of 120 metres (100 metres vertical). The sump and plat are completed with the construction of a water dam and installation of pumping systems and other services in progress. Driving towards the Agsao Shaft will commence shortly.

PHASE II EXPANSION

Work on the Phase II expansion is well advanced and on schedule.

(a) Baguio Shaft

The Baguio Shaft to approximately 204 metres inclined depth is currently at 158 metres and on schedule.

(b) Hillview Shaft

A decision on the position of this high capacity three compartment shaft is expected when sufficient deep drilling is completed.

(c) Mill Expansion

The construction of two new leach tanks at the mill was completed in February. Site works have commenced for the installation of an expanded crushing circuit to reduce the feed size to the ball mill and hence increase ball mill throughput to approximately 1,000 tonnes per day depending on rock characteristics.

(d) Tailings Dam

The raising of the wall of the current tailings dam has commenced and design work, geotechnical drilling and permitting of a new tailings dam are in progress.

ELECTRIC COMPRESSORS

Two electric compressors for the eastern end of the mine arrived in late March and are currently being installed.

The power line has been extended to the Baguio Shaft at the western end of the mine. Two electric compressors are expected to arrive during the next quarter for installation at the western end.

RESOURCE and RESERVE DRILLING

Drilling in and around the Co-0 Mine (Figs 3 and 4) (please see the link at the end of this announcement) testing the vein system at depth and along strike is continuing with six surface drill rigs.

Deep drilling of the Great Hamish Vein and other veins within the mine area continues to show vein continuity at depth.

Drilling east of the Agsao River (Figure 4) (please see the link at the end of this announcement) has intersected extensions of the main vein system approximately 350 metres east of the Agsao Shaft.

A drilling update should be available in June 2009.

A resource estimation update should be available during July 2009.

A reserve estimation update should be available during August 2009.

LINGIG PORPHYRY COPPER DISCOVERY

The Lingig prospect is covered by a Mines Operating Agreement ('MOA') over MPSA application number APSA 024-XIII comprising two parcels situated to the north and to the east (the Lingig porphyry copper prospect) of the Co-O Mine and millsite as shown on Figure 2 (please see the link at the end of this announcement).

GEOLOGICAL SETTING

Figure 5 (please see the link at the end of this announcement) shows the current interpretation of the regional geology and Table II contains drill hole results to date. Figure 6 (please see the link at the end of this announcement) shows a longitudinal projection of the drilling completed to date and the relevant historical drill holes.

Comparison with the Atlas Mine on Cebu Island shows there may be some similarities with the structural setting and styles of mineralisation. At Atlas, mineralisation is hosted predominantly in intrusive porphyry rocks at the Biga Barot and Carmen deposits, and predominantly in volcanic rocks (and associated with some intrusive and mineralised porphyry sills or dykes) at the Lutopan deposit where mineralisation is 120 metres thick and 900 metres long. The Biga and Carmen deposits are located between two steeply dipping regional scale faults (Bureau of Mines and Geosciences, 1986).

The Atlas deposits, including mined material, have total resources of 1.53 billion tonnes at 0.41% copper and 0.24 g/t gold (www.atlasphilippines.com).

MINERALISED THRUST ZONE

Since commencing drilling in June 2008, the Company has completed approximately 4,000 metres in 8 holes (angle and vertical) utilising one drilling rig. Drilling difficulties were experienced in several holes which led to the premature abandoning of LIN 1 and 4 drillholes. LIN 4, which was twinned by LIN 5, has not as yet been assayed. LIN 8 has just been completed and assays are awaited.

The mineralisation discovered by a 1974 aid programme in drill hole DDH 1 (the five DDH aid programme holes are now relabelled as JDH 1 to JDH 5, see the announcement dated 13 November 2007 and the December 2007 quarterly report dated 31 January 2008 for detailed descriptions) has now been shown to be contained within an extensive east dipping 200 to 300 metre thick thrust zone. The thrust footwall is an unmineralised quartz diorite which intruded the basaltic sequence (numerous basalt xenoliths are present near the diorite contact). The intrusive contact appears to have subsequently become the footwall of the regional thrust zone.

The mineralised porphyry intersected in the bottom of the discovery hole JDH 1 (and subsequently in several new holes) appears to be a north-plunging or dipping partly mineralised porphyry sill up to approximately 100 metres thick within the thrust zone. Some chilling has been noted in places on its contacts. This porphyry sill has also been found as a west-trending 60 metre long copper mineralised outcrop approximately 200 metres southeast of holes LIN 2 and 3. Its full extent, role in mineralisation and degree of mineralisation are not yet understood.

Within the thrust zone, and to a lesser extent above the thrust, there is widespread epidote alteration as epidote veins, epidote quartz-sulphide veins and disseminated epidote clots and disseminated grains. To date the epidote alteration has been ubiquitous in the area drilled. Magnetite as disseminations and veins is generally closely associated with the copper mineralisation.

Sulphide mineralisation within the copper mineralised zone comprises fairly ubiquitous pyrite up to 10% and lesser copper sulphides predominantly as chalcopyrite with some chalcocite and minor bornite, particularly in holes LIN 2 and 3.

Assaying of selected samples from hole LIN 6 indicates that the mineralising system is clean and does not contain arsenic, mercury or antimony above detection limits.

Roadways approximately 200 to 300 metres south of LIN 2 and 3 have exposed intensely sulphide (now limonite) veined and stockworked, argillically weathered basalt indicating that the mineralisation is likely to extend beyond these outcrops to the south.

The footwall of the thrust fault is interpreted to extend southwards at least as far as the quartz dacite intrusive complex. Mineralisation, possibly within or related to the thrust, located approximately 1,500 metres south of the current drilling was intersected by previous drill holes JDH 3 and 5 (Table II). Mineralisation controls and trends within the thrust will become clearer as drilling progresses over the coming months.

QUARTZ DACITE PORPHYRY INTRUSIVE COMPLEX

The extensive quartz dacite intrusive complex to the south of the current drilling covers an area of approximately 2km by 1.5km. In 1996-97 Barrick Gold (Phils) Inc. undertook extensive sampling of outcropping altered material targeting bulk gold mineralisation. An old report indicates that 16 outcrop samples returned gold values in the range from 0.2 to 1.5 g/t gold, however detailed sample location maps are not available.

Large areas of the complex are brecciated and commonly silicified and quartz vein stockworked. Many of the silicified rocks are cut by late fine quartz veining. Sulphides (now limonite) generally comprise 1 to 5% of the silicified rock. Argillic alteration is also present in some areas.

Other areas of sulphidic milled breccias with approximately 30 to 50% milled fragments in a 50 to 70% limonite matrix have been observed.

Some deeper creek exposures show common chalcopyrite and lesser covellite.

A comprehensive programme of mapping, outcrop sampling, and in some areas, soil sampling, is continuing.

WORK PROGRAMME

One drilling rig will continue working along the thrust zone and has commenced LIN 9 to the south of LIN 2 and 3, and will then work its way southwards.

Additional rigs will be added when they become available.

Table II. Summary of new Lingig drilling results and relevant 1974 drilling results for intersections >10 metres wide (including sub-grade material up to 10 metres wide).

Hole	East	North	Azimuth	Dip	Cut-off 0.1% copper				
					From (metres)	To (metres)	Width (metres)	Grade (% Cu)	Gold (g/t)
LIN 1	652072	896918	0	-90	71.00	196.10	125.10	0.26	0.03
LIN 2	652075	896844	0	-90	2.00	269.30	267.30	0.62	0.06

LIN 3	652075	896844	180	-60	0.00	224.00	224.00	0.77	0.11
LIN 6	651994	897150	166	-62	94.10	114.10	20.00	0.13	0.01
					280.40	294.40	14.00	0.14	0.01
					362.20	421.60	59.40	0.31	0.02
JDH 1	652073	896908	0	-90	52.00	250.00	198.00	0.34	0.01
JDH 3	651865	895926	0	-90	12.00	100.00	88.00	0.14	0.00
JDH 5	651828	895648	0	-90	18.00	100.00	82.00	0.18	0.00
					224.00	242.00	18.00	0.15	0.00

Hole	East	North	Azimuth	Dip	Cut-off 0.3% copper				
					From (metres)	To (metres)	Width (metres)	Grade (% Cu)	Gold (g/t)
LIN 1	652072	896918	0	-90	118.50	153.50	35.00	0.32	0.02
					161.50	196.10	34.60	0.35	0.04
LIN 2	652075	896844	0	-90	26.00	240.65	214.65	0.72	0.07
					Including				
					132.00	142.65	10.00	1.00	0.27
					172.00	240.65	68.65	1.03	0.08
LIN 3	652075	896844	180	-60	10.00	222.00	212.00	0.80	0.07
					Including				
					68.00	146.00	78.00	1.16	0.21
					180.00	190.00	10.00	1.02	0.06
					206.00	218.00	12.00	0.98	0.20
LIN 6	651994	897150	166	-62	364.20	400.20	36.00	0.37	0.03
JDH 1	652073	896908	0	-90	100.00	112.00	12.00	0.43	0.00

					134.00	146.00	12.00	0.40	0.00
					200.00	250.00	50.00	0.67	0.04
JDH 3	651865	895926	0	-90					
JDH 5	651828	895648	0	-90					

Notes:

(i) Holes LIN 1 and 4 were terminated prematurely due to bad ground conditions. No assays are currently available for LIN 4 which was subsequently twinned by LIN 5.

(ii) Assays are awaited for LIN 8.

TAMBIS-BAROBO AREA

The Tambis project, currently comprising the Bananghilig and Kamarangan prospects, is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement ('MPSA') application APSA-000022-XIII which covers 6,262 hectares.

BANANGHILIG

Interpretation work of the diatreme breccia hosted mineralisation is continuing.

KAMARANGAN PORPHYRY TARGET

A first pass drilling programme of ten holes has been completed. A drilling update should be available during the next quarter.

ANOLING

The Mines Operating Agreement ('MOA') with Alcorn Gold Resources Inc. covers Mining Production Sharing Agreement ('MPSA') application number 039-XIII situated approximately 8 kilometres north from the millsite as shown on Figure 2 (please see the link at the end of this announcement). Processing of the Anoling MPSA is progressing.

Diamond drilling has been temporarily suspended as the rig is currently undertaking geotechnical drilling on the new tailings dam site.

OTHER PROJECTS

* Abacus Project

The 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.

Following compilation and review of regional sampling and mapping, due to the lack of encouraging results and prospectivity and as only 45% of the tenement is available for exploration due to a watershed reservation and oil palm plantations, the Company has commenced proceedings to return this tenement to Abacus.

* Saugon Project

The Saugon regional ridge and spur soil sampling programme is under revision.

* Bunawan Joint Venture (Medusa earning 70%)

The Company, through its Philippines operating company, Philsaga Mining Corporation ('Philsaga'), signed a joint venture agreement ('JVA') with Bunawan Mining Corporation ('Bunawan') on 23 August 2007, the Philippine operating company of ASX listed Sierra Mining Limited ('Sierra'), whereby Philsaga will earn a 70% joint venture interest in Exploration Permit application ('EPA') 000037-XIII and

Mineral Production Sharing Agreement application ('APSA') 000003-XIII (together the 'Bunawan JV').

The Company through Philsaga Mining Corporation is continuing to fulfil its obligations under the JVA.

CORPORATE

On 6 March 2009 the Company raised gross proceeds of \$24,563,000 via the issue of 20,300,000 shares at A\$1.21 each to clients of Euroz Securities Limited.

JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

Medusa Mining Limited

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 mineralization 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.

Cube Consulting Pty Ltd

Information in this report relating to Mineral Resources has been estimated and compiled by Mark Zammit of Cube Consulting Pty Ltd. Mr Zammit is a member of The Australasian Institute of Mining & Metallurgy and has sufficient experience that 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 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Zammit consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Cube Consulting is an independent Perth based resource industry consulting firm specialising in geological modelling, resource estimation and information technology.

Golder Associates Pty Ltd

The information in this report that relates to Ore Reserves is based on information compiled by Peter Onley MBA, MSc, BSc (Hons), FAusIMM, CP. Mr Onley is a full-time employee of Golder Associates Pty Ltd.

Mr Onley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Onley consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Golder Associates is a global consulting group employing more than 5500 staff offering services in earth engineering and environmental sciences.

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