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Company Medusa Mining Limited
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Medusa Mining Limited
 ('Medusa' or the 'Company')

(AIM: MML)

650,000 OUNCES MAIDEN RESOURCE AT BANANGHILIG

Medusa Mining Limited ('Medusa' or the 'Company'), through its Philippines operating company Philsaga Mining Corporation ('Philsaga'), announces a JORC compliant maiden Inferred Resource of 650,000 ounces of gold in 15,000,000 tonnes at a grade of 1.3 g/t gold for the Bananghilig Gold Deposit located in the Tambis District.

Drill hole intersections in the deposit include 205.90 metres at 2.42 g/t gold, 182.00 metres at 2.13 g/t gold, 116.50 metres at 3.96 g/t gold, 64.00 metres at 8.40 g/t gold and 569.90 metres at 0.64 g/t gold. The main zone of mineralisation, which is open in all directions, is defined over 850 metres by 550 metres and to variable depths of 100 to 150 metres.

This new resource will boost the Company's total resource inventory to approximately 2.03 million ounces of gold.

The Company will now focus on expanding this resource and establishing other disseminated gold deposits along the Barobo Fault Corridor for 18 kilometres to the southeast where mineralisation is associated with favourable calcareous host rocks from which scout drill hole results include 7.30 metres at 2.72 g/t gold, 8.15 metres at 1.30 g/t gold and 6.70 metres at 2.08 g/t gold.

Geoff Davis, Managing Director of Medusa, commented:

'This maiden 650,000 ounce resource at Bananghilig has the potential to grow and propel the Company to upper mid-tier gold producer status through the development of a second mine. It also further strengthens the Company's belief in the enormous prospectivity of its substantial tenement package.

Management believes that Bananghilig is the first of a number of potential disseminated deposits that may be found either in the

northern section of the Company's tenements and/or to the south of Bananghilig in the favourable 18 kilometre long corridor of carbonate-rich host rocks along the Barobo Fault. Strong indications of disseminated mineralisation have already been discovered at a number of locations.

Together with the highly profitable Co-O Mine, with its resource base of 1.38 million ounces (and expanding) and the exciting copper potential of Lingig, the Company is very well positioned for future growth.'

12 August 2009

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Background

The Tambis project, currently comprising the Bananghilig Gold Deposit and the Kamarangan copper porphyry prospect, 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.

In the 1980s and 1990s a large amount of diamond and reverse circulation drilling totalling 29,477 metres in 344 holes was undertaken by various explorers to investigate a large area of known mineralisation.

From 2005 to 2007, Philsaga undertook underground exploration through a 50 metre deep shaft and development, adits, and underground and surface drilling totalling 7,715.50 metres in 31 holes.

Figure 1 (please see the link at the end of this announcement) shows the location of the Bananghilig Deposit and Figure 2 (please see the link at the end of this announcement) shows the surface geology. Table I summarises some of the more significant drillhole intersections from the Bananghilig drilling.

Table I. Summary of significant Bananghilig intersections

Hole	East	North	Dip (*)	Azimuth (*)	From (metres)	Length (metres)	Gold (uncut) (g/t gold)
DD34-3	612486	945509	-45	130	0.00	170.10	2.09
DD34 -46A	612515	945493	-45	130	0.00	182.00	2.13
DDH-G1	612541	945476	-80	90	0.00	116.50	3.96

DDH-G3	612541	945476	-80	30	0.00	108.81	2.03
RC38-35	612680	945409	-60	130	0.00	64.00	8.40
RC40-16	612515	945493	-45	130	0.00	55.00	4.14
TDH 10	612827	945226	-50	135	10.50	106.00	1.60
TDH 11	612808	945224	-55	320	0.00	569.90	0.64
TDH 12	612848	945259	-50	327	0.00	137.80	0.94
TDH 18	612765	945263	-45	324	0.00	256.20	1.30
TUG 05	612748	945247	-1	153	0.00	205.90	2.42

Notes:

- (i) Holes pre-fixed TDH and TUG are Philsaga surface and underground diamond drill holes
(ii) All other holes pre-date Philsaga.

Resource estimation

A global Inferred resource estimation for Bananghilig was undertaken by Cube Consulting Pty Ltd of West Perth, Western Australia. The estimation was based on historical and more recent Philsaga drillhole data.

Table II summarises the resource at various cut-offs with 0.6 g/t gold being taken as the base case resource estimate. The majority of the resource is contained within a 0.2 g/t gold domain (Domain 1) which measures 850 metres east to west and 550 metres north south, with the mineralisation defined to variable depths of 100 to 150 metres due to drill hole density constraints. The mineralisation is also open in all other directions. A smaller domain (Domain 2) to the northeast is approximately 375 metres long in a northeasterly direction, approximately 100 metres wide and open beyond 75 metres depth and has increasing grades towards the northeast.

Table II. Resource estimate as at August 2009

Cut-off (g/t gold)	tonnes	g/t gold	ounces
0.50	20,000,000	1.1	730,000
0.60	15,000,000	1.3	650,000
0.70	12,000,000	1.5	580,000
0.80	10,000,000	1.7	530,000
0.90	8,000,000	1.9	480,000
1.00	7,000,000	2.1	440,000

The Bananghilig Mineral Resource estimate is based on a number of factors and assumptions, some of which are listed below:

- * All available drilling data was used for the Mineral Resource estimate.
- * There is no available Quality Assessment/Quality Control (QA/QC) information (sample duplicates, blanks and certified reference materials) for the historical drilling data. Drilling completed by Philsaga undergoes internal QA/QC and assays greater than 1 g/t gold are checked by an independent laboratory (McPhar). The average grade for drilling completed by Philsaga supports the

average grade for the historical drilling data within the mineralised domains.

- * A theoretical bulk density of 2.6 t/m³ was used throughout the model, based on average bulk densities for the modelled lithologies.
- * The mineralisation has been defined using gold only assay data at a plus 0.2 g/t gold lower cut off. This interpretation has resulted in two broad domains, the principal one, domain 1 and a smaller domain 2 to the northwest. High grade assay cuts (30 g/t gold in domain 1 and 2 g/t gold in domain 2) have been applied to 2.5 metre downhole composite data.
- * The Resource has been estimated using Ordinary Block Kriging and Uniform Conditioning (UC). UC is a mathematical method that allows the discrimination of ore and waste at an assumed selective mining unit size within an estimated panel of significantly larger size. In theory, this provides a more correct prediction of estimated resource grade and tonnes above a cut off than an Ordinary block Kriging alone. The method draws information from the composite data variogram model and Krige's Relationship.
- * The application of the (UC) technique at Bananghilig is based on the premise that mining would be by open pit extraction. A Selective Mining Unit ('SMU') of 5 metres by 5 metres by 2.5 metres was evaluated within Ordinary Kriged panels Y = 25 metres; X = 25 metres and Z = 5 metres for the purposes of reporting recoverable resources.

BANANGHILIG DEPOSIT

Regional Geology

The Bananghilig Gold Deposit is located on the northern edge of a large aero-magnetically defined alteration zone measuring approximately 9.5 kilometres by 7.3 kilometres and which also contains the Kamarangan copper porphyry target. The Tambis District is generally underlain by fine to coarse-grained andesitic and dacitic flows of probable pre-Tertiary age that constitute the basement rocks. Locally, the basement rocks show agglomeratic features and in places are cut by andesite to dacite porphyry dykes and bodies of hydrothermal breccias of various shapes and sizes.

The southeastern part of the Tambis District is covered by a younger bedded sedimentary formation comprising basal mudstone, sandy clastics and agglomerates with massive white limestone to approximately 60 metres thick as the uppermost member. The limestone bounds the Bananghilig area along the southeast and extends and possibly dips to the southeast.

Structurally the Bananghilig Deposit is located near the intersection of the Barobo Fault (parallel to the Philippine Rift Fault) and the Lianga Bay Fault system.

Local Geology and Mineralisation

The Bananghilig Deposit is located partly within an elliptical-shaped diatreme breccia body measuring approximately 1,000 metres long and 750 metres wide within a larger interpreted caldera measuring approximately 10 kilometres by 6 kilometres.

The diatreme breccia is open to the south beneath the younger massive white limestone rocks.

The gold mineralisation styles in the diatreme are generally associated with pyrite and sphalerite along and around vein-like zones, in fractures and/or breccia in-fill in milled/ fluidised muddy

matrix breccia bodies and coarsely brecciated/fractured andesitic-dacitic wallrock. The mineralisation is also contained in intensely altered coarse-grained porphyritic (colloquially 'peanut brittle') andesitic intrusive rocks located mainly on the northern margin of the diatrema breccia.

Widespread silica-clay-sericite-pyrite hydrothermal alteration affects the volcanic wallrocks, the various breccia bodies and the hypabyssal intrusives associated with them. The alteration assemblage typifies that found in advanced argillic alteration systems.

Rock hardness

Observations from the underground exploration activities conducted by the Company, and observations from recent drilling, both indicate that the deposit is likely to be 'free dig' to well beyond 50 metres from surface. The softness of the ore is due to the ubiquitous argillic alteration. Further work is required to ascertain the extent of these favourable characteristics.

Future work

Future work at Bananghilig will involve:

- * Extensional drilling to increase the deposit size and determine its boundaries,
- * Infill drilling to upgrade the resource categories, extend and define higher grade zones,
- * Detailed metallurgical studies.
- * Detailed geotechnical studies, and
- * Preliminary engineering studies.

MINERALISATION POTENTIAL - BAROBO FAULT CORRIDOR

Figure 3 (please see the link at the end of this announcement) shows the regional structure and geology highlighting the mineralisation potential in favourable limestone and calcareous clastic rocks along the Barobo Fault Corridor. Mineralisation has been located in numerous outcrops and in drill holes which are summarised in Table I. The mineralisation located to date is generally associated with silica and sphalerite-galena replacement of the host rocks.

The calcareous sequence along the Barobo Fault Corridor is the same sequence that has been extensively skarned and mineralised at the Kamarangan copper porphyry prospect. This sequence is interpreted as the oldest calcareous sequence known to date in the district and may be up to 1,600 metres thick.

The sequence is regarded as favourable for hosting large disseminated bodies of gold mineralisation.

Table III summarises some of the more significant drill hole intersections from scout drilling (four holes at Guinhalinan, seven holes at Saguisuilan and six holes at Alikway). The focus of this scout drilling was on potential high grade mineralisation, not potentially open-pit targets. All show that gold mineralisation is contained within this calcareous sequence. It should be noted, as also shown in soil sampling on Figure 3 (please see the link at the end of this announcement), that zinc is commonly associated with gold in this environment

Table III. Summary of scout drilling on Barobo Corridor limestone hosted prospects

Hole	East	North	Dip (*)	Azimuth (*)	From (metres)	Length (metres)	Gold (uncut) (g/t gold)	Zinc (%)

Guinhalinan									
DGN 002	615640	936325	-55	315	22.60	7.30	2.72	0.62	
DGN 003	615639	936323	-50	275	27.55	8.15	1.30	0.27	
DGN 004	615593	936377	-45	140	15.40	6.00	0.67	0.02	
					27.40	6.70	2.08	0.38	
					41.10	17.60	0.81	0.05	
Saguilsilan									
SAG 006	613277	939478	-45	230	36.60	24.00	0.52	No	
								assay	
Alikway									
ALK 001	616646	934544	-50	180	116.40	1.90	21.20	0.85	

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.

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