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ANNOUNCEMENT
 18 January 2010

Co-O MINE RE-INTERPRETATION & CONCEPTUAL TARGET SIZE

Medusa Mining Limited (ASX & AIM: MML; TSX: MLL) ("Medusa" or the "Company"), through its Philippines operating company, Philsaga Mining Corporation ("Philsaga"), advises that it has completed a re-interpretation of the resource model for the Co-O Mine with the sole purpose of correcting inconsistencies to the east of the Oriental Fault between previous drillhole based interpretations and the on-going development on Level 5 from the Agsao Shaft. The revised resource is JORC and NI 43-101 compliant. A large number of drill hole intersections are yet to be included in the re-interpreted resource model.

This re-interpretation has marginally decreased the Inferred Resources but maintained the Indicated Resources taking into account production and stockpiles. This now provides an accurate development based model for expanding the mine to the east. Thirty-five veins have now been modelled with resources and more are expected to be identified. Future resource updates will be done annually in June-July.

In addition, estimates of the conceptual potential target size** of the Co-O Mine using various parameters indicate a range from 3,000,000 ounces in 9,300,000 tonnes to 7,000,000 ounces in 22,000,000 tonnes using a grade range of 9 to 11 g/t gold with a preferred average grade of the current resources of 10 g/t gold.

Table I.

Mineral resource estimate at 9 December 2009.

Category	> 0 g/t gold		
	tonnes	g/t gold	contained ounces
Indicated	1,450,000	12.3	580,000
Inferred	2,290,000	9.0	660,000

Geoff Davis, Managing Director of Medusa, commented:

"This re-interpretation based on on-vein development now provides a solid foundation for growing the mineral resources on the east of the Oriental Fault. Estimates of the conceptual potential target size** of Co-O indicate 3 to 7 million ounces of gold. On-going drilling and development is continuing with the aim of unlocking this potential."

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The potential target size and grade is conceptual in nature

and there has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being defined as a mineral resource.

MINERAL RESOURCE MODEL

Discussion

The sole purpose of the re-interpretation was to correct inconsistencies to the east of the Oriental Fault between previous drillhole based interpretations and the on-going development on Level 5 from the Agsao Shaft.

Diamond drilling has continued since the resource model update announced on 1 July 2009 and focused on extending the Co-O vein system. A total of 52 drill holes have been completed (as announced on 10 December 2009) since the previous resource estimation and considered for inclusion in the re-interpreted resource model in conjunction with available underground sampling data, and excluding mined material.

Thirty five veins now have resources allocated to them, with a number of the new veins, particularly the East Agsao series of veins, being open in almost all directions. The vein system is open at depth.

It should be noted that a large number of drill holes in a number of areas shown on Figure 2 (please see the link at the end of this announcement)

are still to be included in resource estimates, and will be included as the confidence levels increase and demonstrated continuity improves through additional drilling and/or development.

As a result of extensive development from the bottom of the Agsao Shaft (Level 5) since the last resource estimate, this new wireframe model has corrected previously noted (see announcement of 1 July 2009) inconsistent vein orientations on the east side of the Oriental Fault. It is now clear from the underground development that the vein system continues in an easterly direction, disrupted in places by north-trending step-faulting, which generally down-throws the veins on the east side of each fault. Re-interpretation as straight veins has resulted in some inferred resources loss compared to the previous interpretation of curved veins which was based solely on drill hole data.

Figure 1 (please see the link at the end of this announcement)

shows the updated 3D resource model. The veins are open at depth and currently only limited by the depth and density of drilling.

Figure 2 (please see the link at the end of this announcement)

is the composite map of the Co-O Mine area showing the projection of veins onto Level 5. This also shows areas where additional drilling/development is required to complete the definition/extension of known veins and to increase definition around existing drill hole intersections which are not yet included in the model.

Figure 3 (please see the link at the end of this announcement)

shows all the current development in the mine and Table II is a summary of the major veins.

Table II.
Co-O Mine mineral resource estimates for the major veins.

Vein name	Category	> 0 g/t gold		
		tonnes	g/t gold	contained ounces
Central	Indicated	342,000	9.57	110,00

	Inferred	250,000	3.27	26,000
Jereme	Indicated	97,000	14.53	45,000
	Inferred	93,000	7.81	23,000
Jereme Footwall	Indicated	82,000	16.84	44,000
	Inferred	73,000	12.73	30,000
Great Hamish	Indicated	188,000	21.16	130,000
	Inferred	191,000	10.79	66,000
Great Hamish FW	Indicated	170,000	11.42	63,000
	Inferred	196,000	12.21	77,000
Roysan	Indicated	96,000	23.10	71,000
	Inferred	98,200	23.29	73,000
Catto 1	Indicated	56,000	18.28	30,000
	Inferred	54,000	18.99	33,000
East Agsao 4	Inferred	196,000	12.01	76,000
Other veins	Indicated	420,000	6.50	90,000
	Inferred	1,140,000	7.10	260,000
Total Indicated		1,450,000	12.3	580,000
Total Inferred		2,290,000	9.0	660,000

The resource estimations have been undertaken by Cube Consulting Pty Ltd , 2010.

Note: Rounding may result in some slight discrepancies in totals.

Resource drilling is continuing with the aim of increasing confidence levels for interpretation in some areas which will result in the inclusion of more drill hole intersections as well as extensions to the vein system.

Stockwork/stringer mineralisation

At the western end of the mine, preliminary work suggests the possible presence of a number of stockwork or stringer zones where narrow quartz veins over widths of 5 to 6 metres have been developed. One of these has been defined as approximately 40 metres long within the Great Hamish Vein. An Alimak rise within this zone has been completed between Levels 2 and 3 demonstrating continuity and that it is open above and below these levels. Two early bulk sampl

e
s tested through the mill returned head grades of 14 and 17 g/t gold. Alimak long-hole stoping (much cheaper than shrink stoping) is about to commence in this zone and will be employed if other similar zones are defined.

Other potentially similar stockwork or stringer zones may be present in parts of other veins and a similar zone outcrops near the Tinago Shaft which will be subject to additional exploration. A drive to connect the Baguio Shaft and the Tinago Shaft on Level 3 is underway and expected to allow underground assessment of previous drill hole TIN 3 with a similar interpreted style adjacent to the Central Vein and between Levels 2 and 3. It returned two close spaced intersections of 3.80 metres at 21.15 g/t gold and 6.60 metres at 2.45 g/t gold (see announcement dated 28 February 2007).

Specific gravity

A programme of specific gravity ("SG") measurements is underway for the lower levels of the mine. Initial results indicate that the currently used SG of 2.45 may be conservative. This programme should be completed before the next resource estimate.

Vein modelling

Cube Consulting Pty Ltd of Perth, Western Australia was contracted to undertake the resource estimations. A wireframe model of the vein system and the mine depletions were based on all available information as at 7 December 2009. A 2D longitudinal modelling approach was used and is based on an accumulation variable incorporating mineralised vein horizontal width and intercept grade.

Variography was used to analyse the spatial continuity of the horizontal width and accumulation variables within the mineralised veins and to determine appropriate estimation inputs to the interpolation process. The accumulation variables were interpolated into blocks using Ordinary Kriging. High grade limits were applied to gold prior to the calculation of the accumulation variable. Mineral resources have been reported in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code) and Canadian National Instrument 43-101.

Co-O MINE CONCEPTUAL TARGET SIZE **

Estimates (Table III) have been undertaken for the Co-O Mine conceptual target size** based on a drill-defined strike length of approximately 1,500 metres and up to 2,000 metres based on potential extensions.

Aggregate across-strike widths of the veins of 5 and 8 metres (ie, adding the width of each individual vein across strike to give an aggregate vein width) are regarded as possibly conservative. Depths of between 500 and 750 metres below Level 1 (adit level) in the mine are regarded as geologically reasonable as a few deeper drill holes below 400 metres below Level 1 have intersected good grade mineralisation.

The estimate used a grade range of 9 to 11 g/t gold with a preferred average grade of the current resources of 10 g/t gold.

Table III.
Co-O Mine conceptual target parameters and estimates **

Strike length (metres)	Depth below Level I (metres)	Aggregate Vein width (metres)	Conceptual tonnes	Gold grade (g/t)	Conceptual contained ounces
1,500	500	5	9,375,000	10	3,125,000
		8	14,700,000	10	4,725,000
		10	18,750,000	10	6,250,000
	750	5	15,000,000	10	5,000,000
		8	22,050,000	10	7,000,000
		10	30,000,000	10	10,000,000
	1000	5	18,750,000	10	6,250,000
		8	29,400,000	10	9,450,000
		10	37,500,000	10	12,500,000
2,000	500	5	12,500,000	10	4,160,000
		8	19,600,000	10	6,300,000
		10	25,000,000	10	8,125,000
	750	5	20,000,000	10	6,660,000
		8	29,400,000	10	9,450,000
		10	40,000,000	10	10,330,000
	1,000	5	25,000,000	10	8,125,000
		8	39,200,000	10	10,200,000
		10	50,000,000	10	16,250,000

Notes:

(i) SG of 2.45 used for all estimates;

(ii) Estimates rounded to nearest 1000; and

(iii) Highlighted cases indicate most geologically reasonable based on current knowledge

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The potential target size and grade is conceptual in nature

and there

has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being defined as a mineral resource.

Geoff Davis
Managing Director

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" and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators. 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.

Information in this report relating to
Mineral Resources
has been estimated

and compiled by Mark Zammit of Cube Consulting Pty Ltd of Perth, Western Australia. 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"

and is a "Qualified Person" as defined in "National Instrument 43-101" of the Canadian Securities Administrators

. 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.

Refer to the Technical Report which was filed on www.sedar.com

in November

2009 for further discussion of the Co-O Deposit's geology, structural controls, drilling, sampling and assaying information, and any known material environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issue.

A revised Technical Report will be lodged with Sedar within 45 days of this announcement.

ABOUT MEDUSA MINING LIMITED

Medusa Mining Limited

("Medusa" or the "Company"), a public company listed on the ASX, AIM and the TSX, is an Australian based gold producer, focussed solely on the Philippines.

With current mineral resources comprising Indicated 580,000 ounces of gold and Inferred 1,310,000 ounces of gold, Medusa's corporate strategy is to become a mid tier 300,000 to 400,000 ounce per year, low cost gold producer.

The Company is currently expanding its high grade Co-O Mine operations (Indicated Resources 580,000 ounces of gold inclusive of a Probable Reserve of 500,000 ounces of gold, and Inferred Resources 660,000 ounces of gold) to increase its forecast production to 100,000 ounces per year in 2010, and is conducting near mine exploration to assess the possibilities of further expansion to 200,000 ounces per year. Current cash costs at the Co-O Mine are approximately US\$200 per ounce.

A pipe-line of deposits is now being established with the Bananghilig Deposit (Inferred Resource of 650,000 ounces of gold) recently added and which is expected to expand, potentially in conjunction with nearby discoveries.

Further potential upside exists in the discovery of substantial copper deposits within the tenement holding of > 800km

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