

## Regulatory Story

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**Company** Medusa Mining Limited  
**TIDM** MML  
**Headline** Co-O Mine Drilling Update  
**Released** 08:01 29-Mar-2010  
**Number** HUG1398445

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### ANNOUNCEMENT

29 March 2010

### Co-O MINE DRILLING UPDATE

Medusa Mining Limited (**ASX** and **AIM** - **MML**; **TSX** - **MLL**) ("Medusa" or the "Company"), through its Philippines operating company Philsaga Mining Corporation ("Philsaga"), announces an update of the Co-O Mine surface drilling results for new holes MD 217 to MD 240 and some additional results from earlier holes received subsequent to the announcement of 17 December 2009.

#### Highlights include:

Hole Number	Intercepts	Grade
	(metres)	(g/t gold)
MD 214	1.70	99.63
	6.40	23.36
MD 218	0.65	58.66
MD 227	1.40	20.63
MD 228	1.60	22.48
MD 231	2.00	16.49
MD 232	1.15	35.18
MD 239	4.90	20.27

#### Geoff Davis, Managing Director of Medusa, commented:

*"On-going drilling results continue to confirm the quality of the Co-O Deposit. Drilling will continue at the current intensity until around July when some rigs will be diverted to the Bananghilig Deposit.*

*An updated resource followed by an updated reserve estimate is expected to be announced in the July-August period".*

**Co-O MINE DRILLING****Discussion**

Figure 1 (please see the link at the end of this announcement) shows all the new MD series diamond drill holes from MD 217 to MD 240 totalling 11,262 metres which have been completed around the Co-O Mine since 9 December 2009. Results are awaited for MDs 236 and 240.

The on-going drilling programme has concentrated on infill and extensional (up & down dip and lateral) drilling in and around the Co-O Mine.

**Drill results**

Table I lists the surface diamond drilling results greater than 3 g/t gold from the Co-O Mine for new drill holes from MD 217 to MD 240 as well as results not previously reported for some earlier holes. These drill hole results will be incorporated into a new resource estimate which is expected to be completed in July-August 2010. Other reports containing intersections for holes numbered below MD 217 were announced on 18 January 2010, 1 July 2009, 1 December 2008 and 12 August 2008. In 2007 the announcements are dated 9 July, 15 May and 28 February. The 2007 announcements also contain information regarding drilling and surveying techniques, comments on vein interpretation and methodologies and assaying protocols.

Results down to 0.2 metres wide are reported since underground development shows that in many cases as the veins approach cross-cutting faults, they narrow down on both sides of the fault over 5 to 10 metres before widening out, and hence the narrower intersections are important in defining vein continuity. There is also some pinching and swelling of veins along strike. Most drilling is sub-parallel to the fault direction and rarely intersects the faults, which are subsequently identified by underground on-vein development.

**Table I.** Drill hole results >3 g/t gold and >0.2 metres downhole for new holes MD 217 to MD 240 and complete assays for some previously partly reported holes designated \*

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
<b>MD 212*</b>	614329	913256	-53	180	301.80	0.70	3.09
					337.80	0.20	16.27
					387.15	0.95	9.67
					468.10	0.50	10.23
					486.30	1.30	3.46
					494.20	3.90	3.75
<b>MD 213*</b>	613320	912924	-80	180	58.80	2.25	3.06
					66.15	4.25	6.02
					72.55	1.15	3.53
					165.30	0.25	5.93
<b>MD 214*</b>	614532	913022	-60	160	427.65	0.65	23.50
					479.80	1.70	99.63
					590.10	6.40	23.36
<b>MD 215*</b>	614498	913211	-65	165	293.90	0.20	3.41
					612.50	1.00	4.85
					778.50	0.20	3.30
<b>MD 216*</b>	613551	912780	-45	220	126.80	0.45	15.07
<b>MD 217</b>	613284	912951	-74	121	96.60	2.55	5.14
					141.10	3.00	3.59
<b>MD218</b>	614331	913241	-45	177	377.10	0.50	13.83
					558.95	0.65	58.66
					626.70	1.70	4.42
<b>MD 219</b>	614048	913155	-60	192	190.65	0.30	3.99
<b>MD 220</b>	613286	912950	-77	162	87.40	3.80	8.34

					96.95	0.25	7.20
<b>MD 221</b>	613366	913038	-45	202	111.95	0.25	3.73
					151.45	2.45	6.33
					227.60	0.20	9.43
<b>MD 222</b>	613437	913229	-45	340	605.80	0.70	3.60
<b>MD 226</b>	614331	913243	-47	160	329.70	0.30	4.73
					436.50	1.05	3.05
					523.05	0.55	10.50
<b>MD 227</b>	614137	912987	-45	180	241.10	3.10	3.61
					322.25	0.50	25.63
					332.85	1.40	20.63
<b>MD 228</b>	613388	913227	-45	150	73.95	1.35	3.65
					108.20	1.00	3.83
					114.60	0.30	3.49
					118.10	4.75	3.03
					147.45	0.85	30.33
					189.10	2.50	3.44
					198.80	1.60	22.48
					393.65	0.30	5.17
					408.20	0.60	3.07
					411.70	1.85	3.97
<b>MD 230</b>	613836	913239	-46	170	218.80	0.20	8.10
					232.00	1.30	3.67
					266.60	1.95	3.34
					372.30	3.80	6.36
					380.10	1.85	7.38
					445.90	1.00	5.67
					468.45	1.55	3.43
					533.60	3.00	10.00
<b>MD 231</b>	613969	913099	-46	189	85.25	0.75	24.93
					112.45	0.20	30.16
					158.90	1.70	4.38
					166.10	0.25	5.40
					169.10	2.00	16.49
					235.60	1.65	6.25
					240.40	1.50	3.82
<b>MD 232</b>	614353	913191	-56	154	46.10	0.40	12.77
					350.20	1.30	17.59
					366.80	0.35	12.60
					456.20	0.20	5.97
					590.65	1.15	35.18
					704.80	1.00	6.27
<b>MD 233</b>	614137	912993	-60	175	256.20	0.25	8.23
					306.50	2.05	5.98
					310.35	0.20	18.83
					423.80	0.50	10.20
<b>MD 235</b>	614020	913156	-57	200	142.20	3.30	3.69
					158.60	0.30	8.97

					475.45	0.25	6.90
<b>MD 237</b>	613812	913203	-49	176	52.70	0.30	14.80
					299.40	1.20	13.16
					331.20	1.00	26.83
<b>MD 239</b>	613369	913037	-45	168	97.30	0.25	22.13
					110.90	4.90	20.27
					125.10	0.50	8.76
					156.80	1.30	4.84
					195.75	1.45	8.91
					233.00	1.00	10.70
					244.80	2.30	9.53
					281.25	0.25	8.57
					291.80	0.30	7.17
					374.70	0.30	19.30

**Notes:**

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) All assays are by Philsaga Mining Corporation's laboratory;
- (iii) Grid coordinates based on the Philippine Reference System 92.

**Co-O REGIONAL DRILLING****Discussion**

Using the Co-O Mine as a model, drill testing commenced in the September quarter of 2009 on veins in the vicinity of the Co-O Mine.

The Co-O vein system outcrops at surface on the western side of the Oriental Fault, where it was first discovered. The veins at surface rarely exceed 0.5 metres width and generally assay around 1 to 5 g/t gold (with possibly some supergene enrichment which is an increased concentration of minerals due to weathering of the near surface mineralisation). Gold values started to increase significantly approximately 80 metres below surface.

To date 22 drill holes (EXP 1 to 22) as shown on Figure 2 (please see the link at the end of this announcement) have been completed. Results for EXP 1 to 12 were announced on 17 December 2009. Subsequent drill holes have not achieved any significant results above 1g/t gold to date. Hole EXP 17 was re-drilled as EXP 18, and hole EXP 19 was re-drilled as EXP 21.

**ON-GOING DRILL PROGRAMME**

Drilling with six surface rigs is expected to continue on the Co-O Mine area until June 2010 when some of the rigs are planned to be transferred to commence feasibility study related drilling at the Bananghilig Deposit.

**DRILL HOLE SAMPLING AND ASSAYING PROCEDURES**

Samples were taken from mainly HQ (hole outside diameter 96mm, hold inside diameter 63.5mm) sized and some NQ (hole outside diameter 75.8mm, hold inside diameter 47.6mm) sized drill core. The selected sample intervals were halved by diamond saw and half the core was bagged, numbered and sent to the Company laboratory. In a small number of cases to confirm the geological logging, the selected interval was re-split and ¼ core re-submitted for assay.

Initial sample preparation and assaying was undertaken at the Company's on-site laboratory. Samples were dried at 105°C for 6 to 8 hours, crushed to less than 1.25 cm by jaw crusher, re-crushed to less than 3 mm using a secondary crusher followed by ring grinding of 700 to 800 grams of sample to nominal particle size of less than 200 mesh. Barren rock wash is used between samples in the preparation equipment. The samples were assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays over 5 g/t gold were re-assayed using gravimetric fire assay techniques on a 30 gram sample.

Prior to completion of the next resource estimate, the majority of samples which contain more than 0.5 metres at more than 2 g/t gold will be re-assayed by McPhar Geoservices Phils Inc ("McPhar"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps will be airfreighted to McPhar who will fire assay 30 grams of sample using AAS finish and a selected number of samples will be checked using gravimetric fire assay techniques. Duplicate samples and standards will be included in each batch of check samples.

When reporting results, where available, the assays of McPhar as an independent laboratory have been given priority over the Company laboratory's results.

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Information in this report relating to **Exploration Results** has been reviewed by and 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.

Refer to the Technical Report which was filed on [www.sedar.com](http://www.sedar.com) in March 2010 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.

**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, focused 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\$190 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<sup>2</sup>.

**DISCLAIMER**

This announcement may contain certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Medusa, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements.

Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based.

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#### Co-O Mine Drilling Update

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