

## Regulatory Story

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### ANNOUNCEMENT

30 June 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 previous hole MD 237 and new holes MD 241 to MD 260, results from underground drilling and an update on regional drilling around the Co-O Mine.

#### Highlights include:

Hole Number	Width (metres)	Grade (uncut) (g/t gold)
MD 237	1.00	26.83
MD 241	2.00	23.35
MD 244	1.00	22.13
MD 252	1.20	28.74
L4-005	1.70	54.41
L5-001	1.95	36.39
	1.25	23.76
	4.00	64.54

Several drill holes on the north side of the vein system to the north of the Royal Vein indicate the possible discovery of a new vein(s) with intersections including 0.40 metres at 17.30 g/t gold, 0.25 metres at 16.87 g/t gold, 0.20 metres at 16.11g/t gold, 0.35 metres at 10.59 g/t gold and 3.10 metres at 15.37 g/t gold.

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

*"These excellent surface and underground drilling results are being incorporated into a new resource estimate expected to be completed and announced in the latter part of July 2010. As an increasing amount of*

*resource drilling will be undertaken from underground at the Co-O mine some of the surface rigs will be allocated to other projects. An updated reserve estimate is expected to be announced in August 2010."*

## **Co-O MINE DRILLING**

### **Discussion**

Figure 1 (please see the link at the end of this announcement) shows all the new Co-O Mine MD series diamond drill holes from MD 241 to 260 totalling 13,993 metres completed since 29 March 2010, and Figure 2 (please see the link at the end of this announcement) shows the recently completed underground holes totalling 4,865 metres. Both sets of drill results are being incorporated into a new resource estimation expected to be completed in the latter part of July 2010. Results are awaited for drill holes MD 258 and 259. A number of underground holes (L2-001 to 10) were drilled for geological/pre-development purposes and are not included in this report.

A significant amount of the drilling has been undertaken in the vicinity of and east of the Tinago 3 - compartment shaft which is undergoing rehabilitation and is expected to be connected with the Level 3 workings. The purpose of this drilling is to determine if there is mineralisation nearby that can be accessed from this shaft.

A possible new vein(s) discovery is indicated by intersections to the north of the Royal Vein which have been returned from MED 244 (0.40 metres at 17.20 g/t gold and 1.00 metre at 3.14 g/t gold), MED 252 (0.25 metres at 16.87 g/t gold and 0.20 metres at 16.11 g/t gold), and EXP 028 (0.35 metres at 10.59 g/t gold, 1.00 metre at 1.37 g/t gold and 0.20 metres at 2.39 g/t gold) in conjunction with a deep intersection in MD 68 which intersected 3.10 metres at 15.37 g/t gold at approximately 500 metres below Level 1 (announced 3 June 2008).

### **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 241 to MD 260 as well as results not previously reported for some earlier holes. Drill hole MD 246 was terminated early due to drilling difficulties.

Table II lists underground drill hole results. In Table II, hole L5-006 is the siter hole for the new 6W inclined internal shaft which is expected to be completed to a depth of 60 metres early in the next quarter.

Previous reports containing intersections for holes numbered MD 217 to 240 were published on 29 March 2010, for holes 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.

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.

Drill hole collar positions are surveyed by a qualified surveyor and surface drill holes are surveyed downhole at regular intervals using a digital multi-shot downhole camera.

It is important to note that the drilling of narrow epithermal veins generally provides an indication of the presence of the gold mineralised vein but may not always provide good quantitative data with respect to accurate grade and volume estimations for some or all of the following reasons:

- Veins commonly pinch and swell and may be brecciated or displaced by faults;
- Gold distribution may be erratic; and
- Drill core recovery may be reduced because of the brecciation and soft unconsolidated material and hence the recovered material may not be representative of the material drilled.

Consequently, the Company regards the initial drilling as indicative only and operates the policy of using drilling to locate the position and extent of the mineralised veins. This is then followed by on-vein development to support the drilling results and to provide a more accurate estimate of vein grades which can result in the upgrading of the resource category from Inferred to Indicated. The on-vein development supports the estimation of resources and facilitates the conversion of resources to reserves.

**Table I.** Surface drill hole results >3 g/t gold and >0.2 metres downhole for new holes MD 241 to MD 260 and complete assays for a previously partly reported hole designated \*

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
MD 237*	613812	913203	-49	176	52.70	0.30	14.80 (*)
					299.50	1.15	14.10 (*)
					331.20	1.00	26.83 (*)
MD 241	614136	912992	-45	193	278.10	2.00	23.35
					308.90	0.60	35.45
					351.90	0.30	46.08
					404.80	0.65	7.16
MD 243	613498	913330	-64	180	629.40	0.25	4.59 (*)
MD 244	614130	913231	-60	180	65.90	0.40	17.20
					77.75	1.00	3.14
					143.00	0.20	3.82
					198.70	0.25	11.80
					205.20	0.50	4.52
					256.40	0.75	17.95
					276.80	1.00	7.60
MD 245	613721	913204	-47	180	130.60	0.20	17.73 (*)
					298.60	0.95	8.82 (*)
					469.00	0.35	4.50 (*)
					502.70	0.25	8.82 (*)
MD 247	613640	913131	-45	191	376.00	1.15	5.50 (*)
MD 248	613392	913196	-45	190	481.30	0.30	98.03 (*)
MD 251	613704	913778	-47	179	231.70	0.40	89.17 (*)
MD 252	614292	913157	-45	200	65.75	0.25	16.87
					77.10	0.20	16.11
					220.90	1.50	5.86 (*)
					441.70	0.60	4.23 (*)
					495.30	1.20	28.74 (*)
MD 254	613644	913082	-46	184	434.80	0.45	3.87 (*)
					443.20	0.30	9.47 (*)
					498.05	0.35	22.60 (*)
MD 260	613450	913207	-67	148	413.50	1.00	6.57 (*)

**Notes:**

- (i) Intersection widths are downhole drill widths not true widths;  
(ii) Assays denoted by (\*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;  
(iii) Grid coordinates based on the Philippine Reference System 92.

**Table II.** Underground drill hole results >3 g/t gold and >0.2 metres downhole.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
<b>LEVEL 2</b>							
L2-011	613875	913054	3	72	46.30	0.25	12.53 (*)

					92.20	0.40	29.30 (*)
					103.30	0.30	10.60 (*)
<b>L2-014</b>	613350	912801	3	0	69.75	0.40	28.27 (*)
					86.00	0.70	38.16 (*)
					152.05	0.65	18.33 (*)
<b>L2-015</b>	613368	912785	3	10	86.00	0.70	29.00 (*)
					89.65	0.30	13.10 (*)
					159.70	0.35	7.80 (*)
<b><u>LEVEL 3</u></b>							
<b>L3-003</b>	613258	912846	3	59	3.20	1.55	4.31 (*)
					121.00	0.25	7.25 (*)
<b>L3-004</b>	613376	912985	3	327	21.20	0.90	3.09 (*)
<b>L3-005</b>	613477	912930	3	42	87.25	1.35	7.20 (*)
<b>L3-006</b>	613475	912929	3	322	8.10	0.25	21.83 (*)
<b>L3-008</b>	613913	913028	3	23	87.70	0.20	4.00 (*)
					103.10	4.20	4.98 (*)
<b><u>LEVEL 4</u></b>							
<b>L4-002</b>	613923	912905	3	157	56.25	0.75	5.03 (*)
					98.30	0.30	7.53 (*)
<b>L4-003</b>	613924	912905	3	167	95.70	0.35	18.80 (*)
<b>L4-004</b>	613923	912905	3	157	Wait		
<b>L4-005</b>	613758	912749	3	32	22.30	1.70	54.41 (*)
					27.70	0.90	10.07 (*)
<b>L4-006</b>	613760	912748	3	47	31.50	1.10	11.53 (*)
					137.20	1.20	5.41 (*)
<b>L4-007</b>	613757	912749	3	352	12.60	1.00	10.22 (*)
<b><u>LEVEL 5</u></b>							
<b>L5-001</b>	613880	912749	-60	346	28.00	0.30	9.67 (*)
					29.95	1.95	35.39 (*)
					34.50	0.20	33.80 (*)
					39.45	1.25	23.76 (*)
					44.80	4.00	64.53 (*)
					51.45	1.25	5.36 (*)
<b>L5-003</b>	613888	912794	3	0	57.40	2.30	12.40 (*)
					82.15	0.25	11.60 (*)
					99.00	2.00	3.70 (*)
<b>L5-004</b>	613885	912794	3	342	90.50	3.10	14.61 (*)
					116.00	0.40	5.60 (*)
<b>L5-005</b>	613883	912793	3	330	55.80	2.05	6.43 (*)
					58.50	0.60	14.37 (*)
					258.90	1.40	3.20 (*)
<b>L5-006</b>	613885	912789	-70	168	48.20	0.70	56.87 (*)
					50.45	2.80	18.11 (*)
<b>L5-007</b>	613885	912789	-56	168	37.75	6.50	12.24 (*)

**Notes:**

- (i) Intersection widths are downhole drill widths not true widths;  
(ii) Assays denoted by (\*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;

(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 start to increase significantly approximately 80 metres below surface.

Figure 3 (please see the link at the end of this announcement) shows the positions of the 28 holes completed to date. Results for EXP 001 to 012 were announced on 17 December 2009 and an update to EXP 022 was provided on 19 March 2010. A total of 5,189.6 metres have been completed in the seven holes EXP 022 to 028. Table III shows the results >1g/t gold for holes EXP 022 to 028.

**Table III.** Regional drill hole results >1g/t gold and >0.2 metres downhole for holes EXP 22-28.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)
EXP 024	613551	914075	-47	270	547.40	1.00	2.48 (*)
EXP 027	613941	913554	-55	155	683.00	0.25	2.12 (*)
EXP 028	614180	913559	-56	157	704.70	0.35	10.59 (*)
					707.80	1.00	1.37 (*)
					724.90	0.20	2.39 (*)

### Notes:

- (i) Intersection widths are downhole drill widths not true widths;
- (ii) Assays denoted by (\*) are by Philsaga Mining Corporation's laboratory, all other assays are by McPhar Geoservices Inc. in Manila;
- (iii) Grid coordinates based on the Philippine Reference System 92.

## ON-GOING DRILL PROGRAMME

It is intended that the number of rigs which will continue drilling on the Co-O Mine and surrounding area will be rationalised to four or five rigs over the next few months as some of the rigs are planned to be transferred to commence feasibility study related drilling at the Bananghilig Deposit.

An increasing amount of resource drilling in the vicinity of the Co-O Mine will be undertaken using the four underground drill rigs as drill stations and positions are opened up.

## DRILL HOLE SAMPLING AND ASSAYING PROCEDURES

Samples were taken from mainly HQ sized (hole outside diameter 96mm, hole inside diameter 63.5mm) and some NQ sized (hole outside diameter 75.8mm, hole inside diameter 47.6mm) drill core. The selected sample intervals were halved by diamond saw and half the core was bagged, numbered and sent to the Company's 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.

Check assaying of the majority of samples used in the resource estimate update and which contain more than 0.5 metres at more than 2 g/t gold have been undertaken by McPhar Geoservices Phils Inc ("McPhar"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps were airfreighted to McPhar who fire assayed 30 grams of sample using AAS finish and a selected number of samples were checked using gravimetric fire assay techniques. Duplicate samples and standards are 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 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 "Australasian 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.

**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.

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