

Regulatory Story

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ANNOUNCEMENT

05 May 2010

NEW PORPHYRY COPPER-GOLD TARGET

Medusa Mining Limited (**ASX** and **AIM - MML**; **TSX - MLL**) ("Medusa" or the "Company"), through its Philippines operating company Philsaga Mining Corporation ("Philsaga"), advises that it has discovered a new outcropping porphyry copper-gold target named Usa.

The target has so far been defined by reconnaissance outcrop sampling over an area of approximately 500 metres by 500 metres with possible extensions. Rock chip values range up to 0.59% copper and 0.42 g/t gold.

Geoff Davis, Managing Director of Medusa, commented:

"The discovery of new mineralised outcropping copper-gold porphyry at Usa highlights the unquestioned prospectivity of our large tenement area. This discovery brings the total of copper targets to seven.

The Company has no doubt that on-going exploration will uncover other targets, and with our aggressive drilling programmes, we will continue to add considerable value to our asset base".

Background

The Usa prospect is predominantly contained within Mineral Production Sharing Agreement application ("APSA") XIII-00077. The Company has a Memorandum of Agreement with Corplex Resources Inc. ("Corplex") whereby:

- Corplex will receive a 4% gross royalty on all production, or
- in the event of a major discovery and completion of a scoping study which demonstrates at least a five year mine life, Corplex can elect to:
 - a. buy back a 30% interest by re-imbursing to the Company a sum equal to four times the expenditure on the tenement; and
 - b. contribute to 30% of all on-going expenditure from the point of buy-back forwards.

Or,

- c. should Corplex elect not to contribute to all on-going expenditure, then Corplex can elect once only to dilute to a 15% non-contributing free carried interest to commencement of production, at which point the Company shall provide a loan to Corplex to fund its 15% interest; or
- d. in the event that Corplex does not exercise the buy-back, then Corplex will maintain its 4% gross royalty on production.

There are indications that the prospect extends eastwards into APSA XIII-00098 which is owned by Mindanao Philcord Mining Corporation which will receive a 1% net profits interest from any production.

Regional Setting

Figure 1 (please see link at the end of this announcement) shows the Usa prospect location and regional geology, Figure 2 (please see link at the end of this announcement) shows the detailed geology and geochemistry contours and Figure 3 (please see link at the end of this announcement) shows an aeromagnetic image overlain by the geochemistry contours.

The Usa prospect is located adjacent to the west side of the Barobo Fault corridor. This fault is parallel to the Philippine Rift Fault located approximately 30 kilometres to the west of the Usa prospect. The Barobo Fault corridor has numerous gold prospects already located along or adjacent to it, including Guinhalinan, Umbon, Matanog, Alikway and Usa.

The Company interprets the Barobo Fault corridor as being prospective for intrusive and structurally controlled styles of copper and gold mineralisation. Old grey limestone and calcareous sediments are intruded by multiple phases of dacite, diorite and andesite porphyry.

Styles of mineralisation exposed along the corridor include pyrite and base metal sulphide bearing hydrothermal and tectonic breccias; skarn related magnetite, pyrite, base metal sulphide and gold bearing veins; pyrite, base metal sulphide gold bearing quartz-carbonate veins and vein breccias; and disseminated, fracture controlled pyrite and base metal sulphide in intrusive bodies and surrounding host rocks. Skarn related magnetite, pyrite, copper and gold mineralisation are also noted.

Local Geology and Mineralisation

The geology consists of a mineralised and altered diorite complex which is intruding andesitic volcanics, older limestone and calcareous sediments. The setting and style of mineralisation are very similar to that at the Kamarangan copper-molybdenum porphyry prospect to the north where chalcopyrite and magnetite bearing diorite was intersected over several hundred metres in two holes during a scout diamond drilling completed in late 2008 to early 2009 (see announcement dated 29 May 2009).

The fine- to medium-grained diorite is variably but strongly phyllic altered (white clay, sericite and pyrite) with variably dispersed hairline veinlets of fine-grained magnetite. Chlorite alteration is rare proximal to the diorite, but increases to moderate intensity in volcanic units distal to the diorite. North east trending fractures and veinlets within and on the edges of the diorite are often lined with fine-grained pyrite and magnetite. The diorite has variably distributed weak pervasive grey silica alteration, and is locally stockwork veined with fine 2 to 3 mm thick clear and grey quartz veins; the veins often have fine-grained pyrite, magnetite and occasional bornite disseminated along the selvages.

Mineralisation is predominantly pyrite occurring as fracture filling grains disseminated grains and vein infill. The pyrite is accompanied with bornite, and with occasional chalcopyrite. Malachite stained limestone and calcareous sediments with sphalerite, pyrite and bornite veins, and weakly mineralised pyrite and chalcopyrite magnetite have been noted in drainage float samples to the north of the diorite.

Contouring of the rock chip copper results (>700 ppm Cu) and gold results (>0.1 g/t Au) are shown on Figure 2 (please see link at the end of this announcement). The gold and copper contours are in close spatial proximity.

The anomalous copper and gold values also overlie three magnetic high features, visible in the 1st vertical derivative of airborne magnetic data shown on Figure 3 (please see link at the end of this announcement). The magnetic features appear to reflect zones of strong magnetite alteration in the diorite.

The relationship of the diorite body to the surrounding rocks suggests that it has been recently uncovered and is not deeply eroded.

Artisanal mining activity with small but consistent recoveries is common in the drainages overlying and downstream of the mineralised altered diorite. Less active artisanal mining activity is noted to the north where chlorite and clay altered, sulphide veined andesitic units occur.

A large grid based soil sampling program designed to delineate the extent of the gold and copper mineralisation is expected to commence in May 2010.

ASSAYING PROCEDURES

Rock chip samples were prepared and assayed for base metal content at the Philsaga Laboratory using internal laboratory procedure "Al Block". The scheme allows for copper, lead and zinc determinations via a three acid digest with conventional Atomic Absorption Spectrometry ("AAS") finish. The scheme is graded at geochemical grade detection levels only (not ore grade). Gold content determinations were via internal laboratory procedure "FA-30". The procedure uses a conventional 30 gram sample charge fire assay with AAS finish; gravimetric finish is conducted on high grade results.

Rock chip sample pulps were submitted to McPhar Geoservices Inc. in Manila for check assaying. The samples were submitted with the appropriate number of blanks, duplicates and Certified Reference Materials. The pulps were assayed for copper, lead and zinc determinations by laboratory scheme AA1. The procedure uses a three acid digest with conventional AAS finish. The procedure is graded at ore grade detection levels. Gold content determinations were by conventional 30 gram fire assay with AAS/GTA finish (McPhar procedure PM5).

A review of the quality assurance and quality control measures from the original samples, and subsequent check samples, produced results that can be considered acceptable and within industry standard.

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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 "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 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, 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 has completed the expansion of 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 a production level 100,000 annualised ounces, and is currently conducting near mine exploration to assess the possibilities of further expansion to 200,000 ounces per annum. 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 for the discovery of substantial copper deposits within the tenement holding of more than 800 km².

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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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Acompanying Images

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