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Company [Medusa Mining Limited](#)
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Co-O DRILLING UPDATE

(ASX & LSE: MML)

Medusa Mining Limited ("Medusa" or the "Company"), through its Philippines operating company Philsaga Mining Corporation, announces an update of the Co-O Mine surface and underground drilling undertaken from 31 March 2012 to 30 June 2012.

Highlights include:

Hole Number	Width (metres)	Grade (uncut) (g/t gold)
EXP 144	1.00	21.70
EXP 145	2.15	52.06
EXP 146	1.20	21.40
EXP 156	1.35	185.21
EXP 157	2.90	78.94
L5-092	2.05	18.76
L5-20W-004	1.15	24.75
L6-028	1.10	25.60
L6-23E-031	1.55	31.33
L6-23E-033	1.20	45.03

Surface drilling since 31 March 2012 continues to provide resource infill and extension information for mine planning mainly to the east of the Oriental Fault, including the multiple East Agsao Veins and veins associated with the Roysan Vein. Two surface drill rigs are drilling to the west of the Oriental Fault and four on the east side of the fault.

Underground drilling continues to confirm vein continuity. Recent statistical studies indicate that 3 to 5 holes out of every 10 holes in a particular vein are required to return ore-grades to indicate that the vein will be mineable.

Peter Hepburn-Brown, Managing Director of Medusa, commented:

"The Co-O Mine drilling continues to deliver high grade intersections. These drill results are the last set of results for this financial year that will be incorporated into the annual resource estimate.

I am pleased to report that for the first time we are achieving significant vein intersections to the west of the Tinago Fault which truncates the known veins at the western end of the mine. Whilst assays are awaited, in EXP 167 the veins are identical to the veins in the mine area. Continued success in extending the vein system westwards may have a significant positive impact on the future mine plans.

Drilling at the current *rate will continue for the foreseeable future.*"

Co-O MINE DRILLING

Discussion

This report lists the surface and underground drill holes with new assay results returned from 31 March 2012 to 30 June 2012.

Previous detailed drilling reports for Co-O Mine are available on the Company's website: www.medusamining.com.au

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 cross-cutting fault direction (and perpendicular to the strike of the veins) and rarely intersects the faults, which are subsequently identified by underground on-vein development or underground drilling.

It should also be emphasised that drilling of vein systems rarely provides ore-grade intersections in every intersection in a vein. A recent statistical assessment of the percentage of ore-grade drill hole intersections required in each vein to indicate the vein will be mineable shows that 3 to 5 holes out of every 10 holes is required to intersect ore grades. This is consistent with other large vein systems in the Eastern Goldfields of Western Australia.

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.

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 results in the upgrading of the resource category from Inferred to Indicated. The development supports the estimation of resources and facilitates the conversion of resources to reserves.

Further information on narrow veins and the Company's policies regarding exploration, development and resources-reserves is contained on the Company's website, www.medusamining.com.au

Drilling Results

Figure 1 (please see the link at the end of this announcement) shows the locations of the recently completed and in progress surface drill holes EXP146 to EXP175. Completed holes (excluding EXP169, EXP170, and EXP172 to EXP175 in progress) comprise 25 holes for a total of 16,315 metres. Assay results are awaited for holes EXP 154, EXP161, EXP163 and EXP165 to EXP175 and will not be included in the resource estimate.

Table I shows the results ≥ 3 g/t gold over ≥ 0.2 metres for holes EXP138 to EXP164. The locations of holes EXP138 to EXP145 were shown in the announcement of 16 April 2012.

Figure 2 (please see the link at the end of this announcement) shows the locations of the recently completed underground drill holes totalling 7,932 metres in 46 holes. Table II lists underground drill hole results ≥ 3 g/t gold over ≥ 0.2 metres received since 31 March 2012 as well as some previously completed holes whose locations were shown on Figure 2 in the announcement dated 16 April 2012. Assays are awaited for holes L2-

2E-001, L5-35W-109, L5-43E-012, L5-20W-008 and L6-23E-034 and will not be included in the resource estimate.

Table I. Surface drill hole results ≥ 3 g/t gold and ≥ 0.2 metres downhole for previously completed holes EXP138 to EXP145 and new holes EXP146 to EXP164.

Hole number	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t gold)	
EXP 140	614659	913216	-54	180		309.20	1.00	3.07*
						421.20	0.25	3.01*
						484.35	1.20	15.73*
						488.05	1.00	6.08*
						499.90	1.45	6.91*
						504.20	0.20	24.60*
						604.60	0.50	27.93*
						609.45	1.45	7.76*
						640.15	1.35	5.94*
						732.40	0.30	4.75*
EXP 141	614550	912992	-69	180		266.30	0.35	7.23*
						344.20	1.00	4.30*
						397.50	0.20	101.60*
						472.60	0.45	4.50*
						481.20	0.25	3.79*
						568.85	0.55	4.77*
						656.10	0.35	69.50*
						746.00	1.00	3.75*
EXP 142	614604	913032	-55	180		391.50	0.20	11.33*
						593.75	1.00	4.22*
						637.65	3.00	3.79*
EXP 144	614519	913082	-51	180		219.00	1.00	3.87*
						231.60	0.30	3.70*
						459.00	1.00	8.93*
						496.85	1.00	21.70*
						531.15	0.35	8.03*
						532.70	0.90	7.19*
						633.85	0.20	7.67*
						634.45	1.00	8.47*
EXP 145	614442	912987	-69	180		397.30	2.15	52.06*
						489.50	0.20	21.00*
						618.35	0.25	3.13*
						620.00	2.25	3.25*
						765.30	0.25	8.35*
						800.50	0.20	4.93*
EXP 146	614550	913122	-66	180		370.80	1.60	3.27*
						432.90	1.20	21.40*
						494.10	0.40	3.71*
						527.50	0.75	60.46*
						571.70	0.35	3.46*
						582.30	0.30	8.50*
						620.50	1.00	3.53*
						735.05	1.35	16.66*
						746.40	0.25	4.87*

EXP 147	614394	913026	-67	180	381.15	0.20	6.03*
					394.85	0.40	3.87*
					415.75	0.20	53.23*
					418.80	0.20	5.23*
					520.60	1.00	9.70*
					773.65	0.45	3.53*
EXP 149	61439	913101	-64	180	141.20	1.40	3.41*
					362.55	1.45	6.12*
					385.95	0.30	17.40*
					528.25	0.50	8.43*
					675.70	0.20	7.00*
					682.05	2.00	3.15*
					742.25	2.10	3.32*
					766.10	0.20	55.19*
EXP 150	614129	913260	-51	180	154.45	0.55	3.28*
					234.60	0.30	16.37*
					517.10*	1.00	4.73*
EXP 151	614442	912987	-57	180	349.60	2.70	5.67*
					384.40	1.20	3.82*
					423.00	0.45	13.77*
					535.30	1.85	5.20*
					602.90	2.75	6.60*
					644.15	0.90	52.33*
EXP 153	614195	912789	-58	180	153.70	0.30	44.67*
					169.45	0.35	5.53*
EXP 156	614199	913138	-55	180	187.05	0.75	15.33*
					193.10	0.55	7.07*
					303.00	1.00	3.86*
					377.60	1.45	3.33*
					423.85	1.00	3.32*
					483.45	0.90	31.84*
					536.05	1.35	185.21*
EXP 157	614510	913158	-49	180	246.10	0.40	7.00*
					283.40	0.35	8.83*
					310.30	1.00	4.19*
					441.45	2.90	78.94*
					468.85	0.20	20.15*
					474.05	0.20	523.07*
					543.90	3.00	10.20*
					701.10	0.45	52.87*
					779.10	0.40	3.67*
					792.60	0.25	6.50*
EXP 160	614354	912823	-52	180	226.60	1.50	8.17*

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 Intertek McPhar Mineral Services 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 for new holes and previously completed holes designated †.

Hole	East	North	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Grade (uncut) (g/t)
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number							gold)	
LEVEL 2								
L2-057†	613275	912928	0	61	20.90	1.00	4.41*	
LEVEL 3								
L3-027†	613737	912900	3	195	53.70	0.20	3.50*	
					96.30	0.30	11.22*	
L3-028†	613733	912898	3	143	83.45	0.55	3.138	
LEVEL 5								
L5-087†					25.50	0.70	4.80*	
					82.75	0.90	16.50*	
					85.80	0.50	17.41*	
					127.55	0.70	3.32*	
					134.80	0.40	4.67*	
					136.35	0.45	4.33*	
L5-091†	613615	912851	0	63	4.95	0.45	3.66*	
					47.95	1.05	17.57*	
					288.80	0.90	3.47*	
L5-092†	613951	912921	-60	226	14.20	2.05	18.76*	
					57.65	0.35	3.40*	
					97.65	1.05	3.42*	
					121.30	1.35	4.34*	
					129.35	0.25	3.43*	
					240.45	1.70	4.50*	
					243.60	0.70	3.59*	
					358.60	0.45	8.29*	
L5-096†	613613	912853	0	27	0.00	0.80	3.84*	
					30.00	0.20	32.60*	
					32.80	0.40	4.80*	
					46.20	0.25	57.30*	
L5-105†	614196	912960	0	202	2.15	0.65	15.17*	
					67.15	0.95	9.37*	
L5-20W-003	613760	912853	0	177	5.30	0.55	26.40*	
L5-20W-004	613759	912853	0	204	6.45	1.15	24.75*	
					97.60	0.45	12.87*	
L5-20W-005	613758	912854	0	219	90.85	0.20	6.57*	
L5-20W-007	613764	912855	-18	133	5.00	2.30	10.01*	
L5-35W-107	613608	912813	0	134	1.23	0.37	6.10*	
					30.52	0.33	15.20*	
L5-35W-108	613606	912814	0	171	1.10	0.90	5.34*	
					18.80	0.25	6.70*	
					74.15	0.20	34.00*	
					86.70	0.20	18.66*	
L5-35W-109	613605	912814	0	189	6.50	0.50	3.62*	
L5-35W-110	613604	912814	0	215	2.60	0.40	3.74*	
					61.00	0.60	29.33*	

L5-35W-111	613602	912814	0	230	34.50	0.80	10.18*
					60.80	0.60	8.50*
L5-35W- 112	613606	912814	0	243	67.50	0.40	3.27*
					90.90	0.20	5.59*
L5-42E-013	614377	912690	-22	305	27.35	0.95	45.18*
					70.05	0.75	13.25*
					74.00	2.10	12.59*
					246.80	1.60	26.85*
					268.00	0.40	46.87*
					397.20	2.00	6.02*
L5-42E-014	614378	912690	-22	314	137.60	1.60	10.92*
					159.50	2.30	17.44*
					184.70	1.00	4.61*
					275.70	0.35	6.20*
L5-42E-015	614379	912691	0	321	22.50	0.50	7.50*
					130.85	0.75	3.57*
					156.30	1.60	10.71*
LEVEL 6							
L6-024†	614212	912729	3	204	3.55	0.35	39.90*
					30.60	0.30	5.27*
L6-025†	614209	912724	3	24	72.00	0.25	12.20*
					80.10	0.40	11.00*
					90.00	0.30	9.57*
L6-026	614213	912728	3	38	23.00	0.30	64.33*
L6-027	614213	912727	3	71	77.80	0.50	13.40*
L6-028	614213	912727	3	68	79.40	1.10	25.60*
L6-029	614213	912726	3	139	10.80	0.45	23.23*
					29.90	1.35	3.81*
L6-23E-030	614212	912724	0	167	5.30	1.20	23.37*
L6-23E-031	614208	912725	0	206	5.65	1.55	31.33*
L6-23E-032	614207	912727	0	251	24.00	0.40	3.60*
L6-23E-033	614207	614207	0	225	8.40	1.20	45.03*
					10.70	2.50	23.47*

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 Intertek McPhar Mineral Services in Manila;
- (iii) Grid co-ordinates based on the Philippine Reference System 92.

DRILL HOLE SAMPLING AND ASSAYING PROCEDURES

Samples are taken from mainly HQ sized (hole outside diameter 96 mm, hole inside diameter 63.5mm) and some NQ sized (hole outside diameter 75.8 mm, hole inside diameter 47.6 mm) drill core. The selected sample intervals are halved by diamond saw and half the core is 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 is undertaken at the Company's on-site laboratory. Samples are dried at 105°C for 10 to 16 hours, crushed to less than 1.25 cm by jaw crusher, re-crushed to less than 50 mm using a secondary crusher followed by ring grinding of 1kilogram of sample to nominal particle size of less than 200 mesh. Barren rock wash is used after every five samples in the preparation equipment. The samples are assayed by fire assay with Atomic Absorption Spectrometer (AAS) finish on a 30 gram sample. All assays

over 5 g/t gold are re-assayed using gravimetric fire assay techniques on a 30 gram sample. Duplicate samples are inserted every 10 samples and standard samples are included in every sample batch.

Check assaying of approximately 50% of samples used in the yearly resource estimates is undertaken by Intertek McPhar Mineral Services ("Intertek"), a NATA and ISO 9001/2000 accredited laboratory in Manila. The pulps are airfreighted to Intertek who fire assay 30 grams of samples using AAS finish and a selected number of samples are 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 Intertek as an independent laboratory have been given priority over the Company laboratory's results.

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Click on, or paste the following link into your web browser, to view the associated PDF document.

http://www.rns-pdf.londonstockexchange.com/rns/2009H_-2012-7-9.pdf

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 Non-Executive Chairman 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". 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.

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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