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Medusa Mining Limited
 ("Medusa" or the "Company")

Co-O MINE MINERAL RESOURCE UPDATE

6 August 2012

Medusa Mining Limited ("Medusa" or the "Company"), through its Philippines operating company, Philsaga Mining Corporation ("Philsaga"), advises that it has completed the annual resource estimate for the Co-O Mine.

In line with the mine expansion, the FY 2012 drilling has focused on infill drilling to increase confidence levels in key mining areas as well as stepout drilling along strike and at depth to demonstrate the excellent upside of the deposit. Whilst, the strike length has been increased by 400 metres to 2,000 metres, and is still open in all directions continuing to demonstrate excellent potential to add more resources in future years, many drill intersections undertaken in the FY 2012 drilling campaign are not incorporated into the resource model as the spacing of the drilling is still too wide along strike and down dip.

A 3 g/t gold lower cut-off has been applied to the resource (previously a 0 g/t gold cut-off), resulting in total resources of 6,215,000 tonnes containing 2,019,000 ounces at a grade of 10.1 g/t gold (compared to 1,960,000 ounces at 9.6 g/t gold in FY2011 and after taking into account gold produced of 60,595 ounces since 30 June 2011). The Indicated Resource has increased by 16% to 715,000 ounces at 11.8 g/t gold (from 616,000 ounces at 12.0 g/t gold).

Table I. Co-O Mine mineral resource estimate at 30 June 2012

| Category | > 3 g/t gold | | |
|------------------------|------------------|-------------|------------------|
| | tonnes | g/t gold | ounces |
| Indicated resources | 1,890,000 | 11.8 | 715,000 |
| Inferred resources | 4,325,000 | 9.4 | 1,304,000 |
| TOTAL RESOURCES | 6,215,000 | 10.1 | 2,019,000 |

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

"This increase in Indicated Resources is pleasing as confidence levels have been significantly improved in key areas of the mine. The step-out drilling strongly supports future resource additions as the mineralised system remains open in all directions including at depth where the deepest ore grade intersection achieved to date is at 1,073 metres below surface. The current wide spacing of many step-out surface drill holes prevents incorporation of their corresponding intersections into the resource model.

Drilling is planned to continue with 6 surface and 3 underground rigs during FY 2013 with the aim of raising the resource level to approximately 2,500,000 ounces following which the on-going drilling programmes will be tailored to replace at a minimum, mined ounces each year to maintain the resource base."

MINERAL RESOURCE MODEL**Discussion**

Drilling has continued since the 27 July 2011 resource model update and this new resource model is based on data available as at 30 June 2012.

In line with the mine expansion, surface and underground diamond drilling has focused on infilling in key mining areas to increase confidence levels for detailed mine planning and expanded production. It has also demonstrated considerable upside to the Co-O vein system at the eastern end of the mine, at depth and recently to the west of the Tinago Fault.

The step-out drilling along strike has increased the strike length of mineralisation by 400 metres from 1,600 metres to 2,000 metres which is still open east and west and at depth. It should be emphasised that a significant number of step-out drill hole intersections reported since 7 July 2011 cannot be incorporated into the resource estimate as the spacing of drilling is still too wide along strike and down dip.

The number of veins in the Co-O Vein system is expanding and, due to the increasing diversity of vein types and grade variability between veins, a 3 g/t lower gold cut-off has been introduced (compared to FY 2011 where a 0 g/t gold cut-off was used). This has increased the global resource grade to 10.1 g/t gold from 9.6 g/t gold. The ounces below the 3 g/t gold cut-off total 60,000 ounces. In addition, level and stope development on some veins during the year showed less continuity of grades than predicted which required some changes to previously estimated grades, and faulting has affected some veins until the offsets are re-located.

Table II is a summary of the resources for the major veins. A total of 66 veins have been modelled.

Table II. Co-O Mine mineral resource estimates for the major veins at 30 June 2012 with $\geq 50,000$ ounces

| Vein name | Category | tonnes | > 3 g/t gold | |
|----------------------|-----------|---------|--------------|------------------|
| | | | g/t gold | contained ounces |
| Central Vein | Indicated | 324,000 | 10.3 | 106,800 |
| | Inferred | 150,000 | 3.9 | 19,000 |
| Jeremy Vein | Indicated | 122,000 | 12.4 | 48,700 |
| | Inferred | 10,000 | 4.3 | 1,400 |
| Great Hamish | Indicated | 251,000 | 17.5 | 140,900 |
| | Inferred | 258,000 | 14.6 | 120,800 |
| Great Hamish East FW | Indicated | 39,000 | 12.3 | 15,400 |
| | Inferred | 241,000 | 8.6 | 66,600 |

| | | | | |
|--|-----------|------------------|-------------|------------------|
| Great Hamish FW2 | Indicated | 293,000 | 13.7 | 128,800 |
| | Inferred | 432,000 | 10.5 | 145,100 |
| Catto 1 | Indicated | 59,000 | 12.6 | 23,800 |
| | Inferred | 75,000 | 24.5 | 59,400 |
| Roysan | Indicated | 66,000 | 21.6 | 46,100 |
| | Inferred | 88,000 | 14.1 | 39,900 |
| East Agsao 1 | Inferred | 206,000 | 11.2 | 73,900 |
| East Agsao 2 | Indicated | 51,000 | 9.3 | 15,300 |
| | Inferred | 197,000 | 9.2 | 58,200 |
| East Agsao 7 | Indicated | 97,000 | 8.3 | 25,900 |
| | Inferred | 274,000 | 8.7 | 76,900 |
| East Agsao 14 | Indicated | 20,000 | 6.3 | 4,000 |
| | Inferred | 411,000 | 7.4 | 97,800 |
| East Agsao 15 | Indicated | 28,000 | 6.9 | 6,100 |
| | Inferred | 596,000 | 8.5 | 162,400 |
| East Agsao 3 | Inferred | 133,000 | 15.4 | 65,800 |
| Other veins | Indicated | 541,000 | 8.8 | 153,000 |
| | Inferred | 1,253,000 | 7.9 | 316,500 |
| Total Indicated Resources (rounded) | | 1,890,000 | 11.8 | 715,000 |
| Total Inferred Resources (rounded) | | 4,325,000 | 9.4 | 1,304,000 |
| TOTAL RESOURCES (rounded) | | 6,215,000 | 10.1 | 2,019,000 |

Notes:

- A lower cut-off of 3 g/t gold has been applied
- Variable upper cuts up to 300 g/t gold have been applied to different veins
- Rounding to the nearest 1,000 may result in some slight discrepancies in totals.

The increase in confidence levels in key mining areas has boosted the Indicated Resource by 16% to 715,000 ounces from 616,000 ounces. The Indicated Resource will now be used to estimate the new Probable Reserve.

It should be noted that 1,252,000 ounces or 62% of the resources are located above level 8, the bottom level to be accessed by the Saga Shaft.

Figure 1 (please see link at the end of this announcement) shows the updated 3D resource model. The veins are open at depth, to the east and to the west. The resource model now stretches over a strike length of approximately two kilometres demonstrating excellent potential to add more resources in future years.

Figure 2 (please see link at the end of this announcement) is the Level 6 map of the Co-O Mine area showing the veins in the 3D resource model at Level 6.

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 30 June 2012. A Specific Gravity value of 2.62 was used in the estimations. 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 Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

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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 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" and is a "Qualified Person". 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 Mr Mark Zammit of Cube Consulting Pty Ltd of Perth, Western Australia. Mr Zammit is a member of the Australian Institute of Geoscientists 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 "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". 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.

Please click on or paste the following link in your browser to view Figures 1 and 2

http://www.rns-pdf.londonstockexchange.com/rns/3570J_-2012-8-6.pdf

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