

## Regulatory Story

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**Company** [Medusa Mining Limited](#)  
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28 August 2012

## **BANANGHILIG DEPOSIT MINERAL RESOURCE UPDATE**

(ASX & LSE: MML)

Medusa Mining Limited ("Medusa" or the "Company"), through its Philippines operating company Philsaga Mining Corporation announces the update of the JORC compliant Mineral Resource estimation for the Bananghilig Gold Deposit.

The new Inferred Resource is estimated at 1,100,000 ounces at a grade of 1.63 g/t gold contained in 21,000,000 tonnes of ore using a lower cut-off of 0.8 g/t gold. This represents an increase of 69% from the previous resource announced on 12 August 2009 of 650,000 ounces at a grade of 1.3 g/t gold, applying a cut-off of 0.6 g/t gold.

Infill drilling is nearing completion and following receipt of all outstanding assays and

completion of updated interpretations, an Indicated Resource estimate will be undertaken. The Indicated Resource will be used for pit optimisation and subsequent feasibility studies.

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

*"It is pleasing that since July 2011, drilling has achieved our objectives of initially validating historical data and then increasing the resource to our target of 1 million ounces. Infill drilling is now nearing completion with the aim of converting the Inferred Resources to Indicated Resources.*

*Whilst this drilling has been in progress, we have actively been consulting with our host communities, undertaking land title and land usage surveys and studies, investigating possible plant sites and also advancing our metallurgical test work.*

*On completion of the infill drilling programme, two rigs will begin sterilisation drilling on selected sites and four rigs will be withdrawn. Our aim is to be well advanced with feasibility studies by the end of this calendar year.*

*The Bananghilig resource increase takes the Company's total resources to over 3 million ounces, a major milestone"*

## **Background**

The Bananghilig Gold Deposit within the Tambis District is operated under a Mining Agreement with Philex Gold Philippines Inc. over Mineral Production Sharing Agreement ("MPSA") MPSA-344-2010-XIII which covers 6,262 hectares.

In the 1980s and 1990s a large amount of diamond and reverse circulation drilling totalling 29,477 metres in 344 holes was undertaken by various explorers to investigate a large area of known mineralisation.

From 2005 to 2007, Philsaga undertook underground exploration through a 50 metre deep shaft and development, adits, and underground and surface drilling totalling 7,715 metres in 31 holes.

From July 2010 to 31 July 2012, the Company has completed 235 holes for 74,522 metres of diamond drilling.

## **Resource estimation**

A global Inferred Resource estimation for Bananghilig was undertaken by Cube Consulting Pty Ltd of West Perth, Western Australia. The estimation was based on historical drilling and new drill hole data since July 2010.

Table I summarises the resource at various cut-offs with 0.8 g/t gold being taken as the base case resource estimate.

**Table I.** Inferred Resource estimate as at 31 July 2012

<b>Cut-off (g/t gold)</b>	<b>tonnes</b>	<b>g/t gold</b>	<b>ounces</b>
0.5	44,200,000	1.10	1,500,000
0.6	33,400,000	1.28	1,300,000
0.7	26,100,000	1.46	1,200,000
0.8	21,000,000	1.63	1,100,000
0.9	17,300,000	1.80	1,000,000

1.0	14,800,000	1.94	900,000
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Note: Tonnes and ounces rounded down to nearest 100,000

The Bananghilig Mineral Resource estimate is based on a number of factors and assumptions, some of which are listed below:

- All available drilling data as at 31 July 2012 was used for the Mineral Resource estimate.
- Wireframes were generated on plan and cross sectional interpretations based on available geology and assay data available. A lower cut off of approximately 0.3 g/t gold was used to define 4 mineralised envelope domains.
- Upper cuts were applied to the 2 metre composites prior to grade estimation. Top cuts used included 30 g/t gold for Domains 1 and 2, 10 g/t gold for Domain 3 and 5 g/t gold for Domain 4.
- The bulk densities used range from 1.80 to 2.76 t/m<sup>3</sup> depending on the modelled lithology. A total of 2,562 bulk density measurements have been completed.
- The Resource has been estimated using Ordinary Block Kriging and Uniform Conditioning (UC). UC is a mathematical method that allows the discrimination of ore and waste at an assumed selective mining unit size within an estimated panel of significantly larger size. In theory, this provides a more correct prediction of estimated resource grade and tonnes above a cut off than an Ordinary block Kriging alone. The method draws information from the composite data variogram model and Krige's Relationship.
- The application of the (UC) technique at Bananghilig is based on the premise that mining would be by open pit extraction. A Selective Mining Unit ("SMU") of 5 metres by 5 metres by 2 metres was evaluated within Ordinary Kriged panels Y = 25 metres; X = 25 metres and Z = 4 metres for the purposes of reporting recoverable resources.

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**JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS**

**Medusa Mining Limited**

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.

**Cube Consulting Pty Ltd**

Information in this report relating to **Mineral Resources** has been estimated and compiled by 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.

**DISCLAIMER**

This announcement contains 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. You should not place undue reliance on forward-looking statements and neither Medusa nor any of its directors, employees, servants or agents assume any obligation to update such information.

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