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Company [Medusa Mining Limited](#)
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Medusa Mining Limited ("Medusa" or the "Company")

Co-O MINE MINERAL RESERVE UPDATE

27 August 2012

Medusa Mining Limited ("Medusa" or the "Company"), through its Philippines operating company Philsaga Mining Corporation advises that it has completed the annual update of the JORC compliant Ore Reserve estimation for the Co-O Mine.

The Probable Reserve, as at 30 June 2012, now stands at 568,000 ounces contained in 1,820,000 tonnes at 9.7 g/t gold.

Conversion of resources during the year has increased the Probable Reserve contained ounces by 10% when compared to that announced on 21 June 2011 of 502,000 ounces at 10.1 g/t gold in 1,500,000 tonnes.

Carras Mining Pty Ltd of Perth, Western Australia was contracted to complete the reserve estimation based on the resource wireframe model provided by Cube Consulting Pty Ltd. Updated Indicated and Inferred Resources were announced on 6 August 2012.

The Probable Reserve was estimated from an Indicated Resource of 1,890,000 tonnes at 11.8 g/t gold containing 715,000 ounces of gold. The estimate was based on a gold price of US\$1000 per ounce, a minimum stope width of 1.2 metre and a stope cut-off grade of 3.0 g/t gold.

Peter Hepburn-Brown, Managing Director of Medusa commented:

"It is pleasing to report that we have increased our Probable Reserve in line with our stated

policy. We have again replaced the ounces mined during the last financial year through the conversion of Indicated Resources to Probable Reserves, primarily through underground development. This is consistent with the methodology of most narrow vein mines as described on our website."

DISCUSSION

Compared to the information available at the time of the previous reserve estimate at 21 June 2010, the reserve grade has reduced marginally due to:

- the reduction in Indicated Resource grade from 12.0 g/t gold as at 21 June 2011 to 11.80 g/t gold as at 30 June 2012, principally due to the increasing number of veins in the resource estimate, and
- some of the new veins added to the reserve estimate are narrower than the minimum stoping width of 1.2 metres assumed for the reserve estimate, hence additional dilution has been introduced, particularly during on-vein level development which has been increased to 2.0 metres wide from 1.8 metres for safety reasons.

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JORC COMPLIANCE - CONSENT OF COMPETENT PERSONS

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.

Carras Mining Pty Ltd

Information in this report relating to Ore Reserves is based on information compiled by Dr Spero Carras, FAusIMM of Carras Mining Pty Ltd. Dr Carras has 30 years of experience which 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". Dr Carras 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.

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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