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Company Medusa Mining Limited
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MEDUSA MINING LIMITED

BANANGHILIG GOLD DEPOSIT: STERILISATION DRILLING UPDATE

Medusa Mining Limited ("Medusa" or the "Company"), through its Philippine's operating company, Philsaga Mining Corporation, advises that a six hole sterilisation drilling programme completed southeast of the Bananghilig Gold Deposit to test a possible mill site has encountered significant gold mineralisation in the same host rocks as the adjacent Bananghilig Gold Deposit. All six drill holes have intersected numerous zones of gold mineralisation of ≥ 1 g/t gold over mineable widths. The tenor of mineralisation is, to date, similar to, if not better than, the Bananghilig Deposit, which contains in excess of one million ounces.

Drilling highlights >15 gram-metres include:

Hole Number	Width (metres)	Grade (uncut) (g/t gold)
TDH279	12.40	7.69
	8.00	3.16
TDH280	12.70	7.00
	8.85	1.54
TDH284	31.60	7.33
	13.05	2.24
	43.70	2.48
TDH285	13.30	2.20
	10.85	1.87
	12.00	5.47
TDH286	5.40	20.64

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

"It is quite exceptional to see every drill hole of the sterilisation programme encounter significant gold mineralisation proximal to the Bananghilig Gold Deposit, which is itself open in all directions.

The potential for significantly increasing the resource base for the Bananghilig Project is highly probable based on the number of gold mineralised zones encountered in each hole."

BACKGROUND

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

For additional information regarding regional geology, mineralisation and mineral resources, reference can be made to previous announcements released on 10 May 2011, 12 September 2011, 17 January 2012, 08 August 2012, 21 November 2012 and 29 January 2013.

STERILISATION DRILLING PROGRAMME

Drilling Programme

A sterilisation drilling programme was initiated in an area located between 400 metres to 1,000 metres to the southeast of the Bananghilig Gold Deposit. The area was selected as possibly hosting gold mineralisation beneath the limestone cover sequence, and if not, would provide suitable location for various infrastructure requirements associated with the development of the Bananghilig Gold Deposit.

During the period 13 November 2012 to 12 February 2013, six diamond drill holes (numbered TDH279, TDH280 and TDH283 to TDH 286) have been completed for a total advance of 2,214 metres.

Figure 1 (please see the link at the end of this announcement) shows the current Bananghilig resource block model and relative positions of the six sterilisation drill holes.

Due to all six sterilisation holes being mineralised, alternative sites for various infrastructure requirements are being investigated.

Drill Results

Assays have been received for all drill holes completed for this Phase 1 programme apart from 60 assay results pending for drill holes TDH285 and TDH286.

Drilling intersected predominantly andesitic diatreme breccia rocks similar to the diatreme breccias hosting the nearby Bananghilig Gold deposit. Other rock types include andesitic intrusives, which are also mineralised at Bananghilig and within the sterilisation drilling area. The mineralisation observed in the drill core is analogous to the Bananghilig mineralisation.

To date, there is no indication as to the limits of mineralisation which is currently open in all directions beneath the overlying limestone sequence, including at depth (Fig. 2 - please see the link at the end of this announcement). The diatreme complex appears much larger than initially interpreted and thus constitutes an extensive exploration target for defining additional resources to add to the current Bananghilig Gold Deposit's resource base.

Significant drilling results (>1 g/t gold) obtained to date are summarised in Table 1.

Figure 1 (please see the link at the end of this announcement) shows Bananghilig resource block model interpretation map and location of recently completed sterilisation drill hole locations.

Figure 2 (please see the link at the end of this announcement) shows Bananghilig resource block model and sterilisation drill holes projected onto section 10710Mn.

Table 1. Bananghilig sterilisation drill results ≥ 1 g/t gold.

Hole Number	East	North	Depth (metres)	Dip (°)	Azimuth (°)	From (metres)	Width (metres)	Gold Grade (uncut) (g/t Au)
TDH279	613838	944891	647.1	130	-60	125.40	6.05	1.03
						137.85	1.20	5.15
						143.05	4.00	1.47
						198.30	7.70	1.15
						288.55	5.60	2.11
						325.40	1.70	10.89
						422.70	12.40	7.69
						466.10	6.90	1.35
						554.10	6.00	2.03
						572.85	1.20	4.22
						599.70	1.00	5.85
						617.60	8.00	3.16
TDH280	613555	944594	317.6	130	-60	247.40	12.70	7.00
						251.40	1.30	25.84
						252.70	0.75	15.27
						253.45	1.00	23.40
						264.10	8.85	1.54
TDH283	613668	944503	308.6	130	-60	147.90	7.00	1.06
						229.10	5.00	1.17
						281.10	2.00	7.19

TDH284	613605	945083	309.3	130	-60	129.70	5.00	1.03
						138.75	31.60	7.33
						173.45	1.00	9.64
						178.45	13.05	2.24
						195.50	43.70	2.48
						289.50	13.30	2.20
TDH285 1	613727	944982	308.1	130	-60	117.65	6.45	2.11
						150.80	10.85	1.87
						175.10	12.00	5.47
						206.10	2.00	2.80
						228.60	4.00	2.74
TDH286 1	613939	944798	323.6	130	-60	273.80	8.10	1.73
						306.25	5.40	20.64
						318.70	2.00	3.51

Notes:

- Assays incomplete for holes TDH 285 and 286.
- Composited intercepts 'weighted average grades' calculated by using the following parameters
 - no upper gold grade cut-off applied, and
 - lower cut-off grade of 0.5 g/t gold, and
 - ≥ 5 metres down hole intercept width at ≥ 0.5 g/t gold, or
 - ≤ 5 metres down hole intercept width at ≥ 5 gram per metres, and
 - maximum of 3 metres of down hole internal dilution at ≤ 0.5 g/t gold.
- Intersection widths are downhole drill widths not true widths;
- Assays are by Intertek McPhar Mineral Services Inc. in Manila;
- Grid coordinates based on the Philippine Reference System 92.

DRILL HOLE SAMPLING AND ASSAYING PROCEDURES

Drilling Procedures

Drilling, sampling and analytical methodologies are of internationally acceptable standards. Drilling and analyses are carried out by independent contractors, SBF Philippines Drilling Resources Corp. ("SBF") and Intertek McPhar Mineral Services Inc. ("Intertek") respectively.

Drilling is carried out by SBF using wireline diamond coring techniques, with the core being predominantly HQ triple-tube (HQ3) diameter (OD 61 mm). The holes are initially collared using PQ drill bits (OD 123 mm) to recover PQ3 core (OD 83 mm) until the drill bit encounters competent ground, then the coring bit is reduced to HQ3 for the remainder of the drill hole. If difficult conditions are encountered, then the drill bit is changed to NQ3 (core OD 45 mm) and the hole continued until the planned depth or bad ground conditions prevent further drilling, whichever occurs first. Core recovery is generally better than 95% and is considered to be good.

Drill Core Sampling

Drill core is recovered from the inner tube and handled carefully to preserve the integrity of the drill core. Structural measurements are taken including Rock Quality Determinations ("RQD") and Fracture Densities. The core is then placed in plastic core trays, aligned, photographed and marked up for sampling.

The drill core is then cut in half by diamond core saw and sampled at one metre intervals or at lithological boundaries. The samples are placed in individually labelled plastic sample bags, a sample number ticket included, and then sealed for despatch to Intertek's Sample Preparation laboratory in Surigao City. The integrity of the core samples is supervised at all times by the geologists until despatch to the laboratory, when they are accompanied by company personnel until receipt by Intertek.

One Certified Reference Material ("CRM"), one Blank and if possible, one Duplicate is included within each successive group of twenty samples that are submitted to the laboratory. QA/QC monitoring of the drilling program and the laboratory's results is conducted as an on-going process.

Analytical Procedure

Sample preparation is undertaken by Intertek at their Surigao City laboratory, where each sample is registered, dried at 105°C for 6 to 8 hours and crushed to 95% passing 2 mm by jaw crusher, before a 1kg split is taken for fine pulverising, using a riffle splitter or rotary sample divider. Pulverised sample is nominally pulverised to 95% passing 75µm (200 mesh).

Quality control procedures include a 1 in 15 re-split after crushing for partial preparation and after pulverising for total preparation. These re-splits are also analysed and included in the analysis report. Sizing tests are carried out on 1 in 20 assay pulps at 75µm (200 mesh) to monitor the pulverising stage. Four 250 gram splits are obtained, one for sample analyses and the remaining three for storage for future reference.

Pulverised samples are analysed by classical fire assay technique on a 50 gram charge with Atomic Absorption Spectrometer ("AAS") finish by Intertek's Manila Laboratory.

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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 Messrs Geoff Davis and Gary Powell who are members of The Australian Institute of Geoscientists. Mr Davis is the Non-Executive Chairman of Medusa Mining Limited and Mr Powell is a Non-Executive Director and both have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are 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". Messrs Davis and Powell consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DISCLAIMER

This report 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.

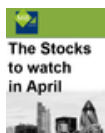
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