

ASX Release

Weds 9 July 2008

DRILLING UPDATE – WOODS POINT GOLD PROJECT

HIGHLIGHTS

- SIGNIFICANT 7 METRE WIDE ZONE INTERSECTED IN MS444 (45M-52M DEPTH) AT MAXWELL REEF
- NEW VISIBLE GOLD INTERCEPT ON MAXWELL REEF AT 48M DEPTH (MS446 IN PROGRESS)
- 'GAP' DRILLING FROM 10L INTERCEPTS 3 MINERALISED QUARTZ REEF ZONES (MS443, 445, 447)
- FIRST 9L NORTH DOWN-HOLE DRILLED (MS459). SEVERAL ZONES OF MINERALISED QUARTZ VEINS INTERCEPTED (LOGGING IN PROCESS)
- CONTINUED DRILLING SUCCESS IN MAXWELL ZONE SUPPORTS PILOT MINING COMMENCEMENT
- ~4800M OF UNDERGROUND DRILLING COMPLETED

SUMMARY OF INTERSECTIONS

- 16.8g/t over 1.05m (includes 18.00g/t over .70m) (MS444) Maxwell Reef
- 26.7g/t over .93m (MS424) Maxwell Reef
- 11.2g/t over .30m (MS420) Maxwell Reef
- 9.36g/t over 1.45m (MS431) ** New Reef A - 7m above 9L North
- 7.59g/t over .70m (MS438) Maxwell Reef
- 6.93g/t over 1.35m (includes 8.28g/t over .75m) (MS417) ** New Reef B - 5m below 9L North

Underground Drilling of 'Gap Zone' Continues

Diamond drilling of up-holes from two separate areas underground on Level 9 (~278 metres depth) at the Morning Star mine has continued since the last progress report. The company's focus since January 2008 has been resource targets in the upper portion of the Morning Star gold mine's 'Gap Zone'. MCO has two Kempe rigs operational on 9L of the mine, approximately 200 lineal metres apart. The 'K1' rig & crew at Cuddy #1 is sited at **10172 N; 4821.5 E**, and has been drilling an area to the northeast and northwest of the historically rich Whitelaw reef. (*See Diagram 1 below*)

The 'K2' rig & crew has been drilling from Cuddy #2 to the southeast of Tills Reef, closer to the main vertical shaft of the mine at **10009 N; 5019 E**. (*See Diagram 2 below*)

The 'Gap Zone' of the Morning Star Mine, is best identified as an area of dyke hosted rocks beneath Whitelaws Reef (production ~66,000ozs Au.) and above the Achilles Floor (production of ~200,000ozs Au.) The average production grade of Whitelaw's & Achilles Floors was ~28g/t Au.

The company has drilled a total of ~4,780 metres underground from 55 diamond drill holes to date. Initial drilling focus has been two-fold; First is to achieve an up-hole reserve drill-out on newly discovered reef systems near the historically prodigious Whitelaws floor at the north of the Morning Star dyke (Kenny Reef and Whitelaws extensions are current targets). Second is the up-hole extension drilling near the Tills Reef and No. 8 Level East Reef at the southern/central part of the dyke (the recently discovered Maxwell and Sydney Reefs are primary targets).



Maxwell Zone Very Encouraging

The Maxwell Reef Zone drilling has been very favourable to the point that the company has announced it is carrying out a pilot mining program named the Maxwell's Project (**announced to ASX 10 June 2008**) along with a concurrent further mining feasibility study on the area containing Maxwell and Sydney Reefs. The expected inferred head grade at the Maxwell Reef is at least 12 grams per tonne. Preparations for rising and ore pass development are in progress from the 9L, not far from the main shaft at and existing crosscut location (**10055 N; 5024 E**). The Maxwell Mining work plan is being assessed currently by WorkSafe Victoria (DPI Victoria)

Drilling of targets on the Sydney Reef will be suspended during the mining program at the Maxwell Reef as Sydney sits immediately above this zone. The 'K2' drilling crew will assist with the mining development on Maxwells. Drilling of Stage 1 of the Kenny and Whitelaw Reefs has been completed. The holes are currently being logged and sampled. Whilst MCO has had a good run with turnaround of assays over Q1, delays have been experienced at the assaying labs in Victoria as more drilling programs come on line across the state.

Further up-holes targeting a northern extension of Whitelaw and Kenny Reefs have been designed. This will require some drive development on 9L north, in order to follow the mineralisation along the contact. It will enable reef extensions to be intercepted in not too oblique a fashion. Planning for this new development is underway.

Down-holes Commenced in the Gap Zone

The abovementioned drilling has been largely aimed at overhead resource targets in the upper area of the Gap Zone of the mine between the 7th and 9th Levels Underground. In addition to these initial overhead targets, the company has commenced drilling down-holes into deeper areas of the Gap Zone. A series of short holes was designed from 10L plat area (~**310 metres depth**) with some specific historic GMA target extensions in mind. Three preliminary holes (MS443, 445, 447) have been completed from this position near the main mine shaft from Cuddy #3 at **10000.5 N, 5007.5 E**. (*See Diagram 3*)

In addition to these 10L down-holes, a radial fan of down-holes from 9L north was designed for the Cuddy #1 position. Drilling deeper into the Gap Zone at that 9L north position has recently commenced (MS459 in progress). Initial visual logging and sampling of the first drill-hole has indicated several zones of mineralised quartz veins, which appear related to an historic drill hole MS113 (done by GMA) that had intersections of high-grade gold. No core has been dispatched for assay as yet.

Snapshot of Drilling to Date

- ~4,780 metres drilled from 55 diamond drill holes in three underground locations
- Knowledge gained will be applied to MCO's interim JORC Resource statement later in July
- Drill core intercepts indicate an increase in the proportion of mineralised dyke from ~5% up to 10%
- Kenny Reef relates to the eastern footwall dyke contact and fault and provides new knowledge of a dyke extension to the northeast beyond the limits of the historical underground workings.
- The extension to Whitelaws Reef zone is similarly strongly developed along the intersection between a host reverse fault and the eastern contact. The Whitelaw & Kenny reefs are sub-parallel and approximately 7 to 12 metres apart.
- The drilling from Cuddy #2 has properly identified the Maxwell and Sydney Reefs now with 4 drill core intersections showing coarse visible gold. Recent drill-holes have confirmed that extra reef intercepts are on the same plane. Visible gold intercepts have been noted on and proximate to the eastern contact between the dyke and sediments.
- The Sydney Reef has now been identified with a high-grade zone approximately 20m into the hanging wall above Maxwell Reef. Although early in defining the Sydney Reef, it has a structural configuration, which can be likened to the Burns Floor with an interpreted junction intersection with Maxwell similar to the high-grade Burns-Whitelaw Junction Zone.

- The presence of gold enrichment on the eastern contact may be a conjugate reef to the historic No. 8 Level East Reef development. This prevalence of visible gold may be associated with a new extension/offset of the Morning Star dyke to the southeast.
- Significant drill core intercepts have extended the known host dyke body to north and south of existing historical knowledge.
- MCO has confirmed the geological continuity of structural reef zones with repetitive intercepts showing coarse visible gold at both the northern and southern strike extremities.
- The drill-holes from 10L (MS443, 445, 447) were designed to seek extensions to known historic gold bearing quartz vein exposures in the wall of the main shaft. Two independent quartz vein zones have been intersected in each of the three drill holes at approximate depths of 8 metres and 15 metres below 10L (both above 11L). Logging and sampling in progress.
- A radial fan program from 9L north (Cuddy #1) has commenced with the first drill hole (MS459) nearing completion. Logging to date has shown several mineralised quartz zones. These mineralised zones appear related to planar extensions of historical drill hole MS113 (GMA)
- The size of the Maxwell Reef Zone continues to be extended with current drilling. Four (4) intercepts of visible gold have now been encountered and a 7 metres wide mineralised zone has been intersected in MS444. This zone is currently being retested in another drill hole (MS446).
- Confidence has grown in the Maxwell Reef Zone culminating in MCO's decision to commence pilot mining.

Metallurgical Studies / Plant Review

Independent metallurgical test work and a processing plant prefeasibility options study has been completed and issued to Morning Star. MCO's plant options are currently being considered. Recent vertical shaft impactor amenability test work on Morning Star ore processed during June 2008 has been completed and results appear encouraging with ~40% passing 1.18mm and ~30% passing 600um on a single pass. This equates to a recirculating load of ~350%, which is a very good result, in that in a preliminary sense, it indicates Morning Star ore may not need to be initially processed through a ball mill (reducing CAPEX & OPEX). Further plant prefeasibility tests are ongoing.

Surface Drilling Program Underway at Waverly Dyke

This program has commenced and four preliminary diamond-drill holes have been completed and are being logged and sampled. The rig is currently being positioned for further exploration drilling. Weather has been poor in the past 2 weeks or so but we are ready to progress the drill program weather permitting. Complete and detailed information on progress at the Waverly Dyke will be covered fully in an upcoming announcement during July.

Comments by the Managing Director

Morning Star's MD Nick Garling commented, "The underground drilling results to date have increased our confidence that payable gold exists in the Gap Zone of the Morning Star mine. Our belief has been enhanced after the discovery of several new reefs at historically known extremities of the Morning Star dyke, which are open in all directions in addition to an extension of the prodigious Whitelaws structure, which was channel sampled at an average of 41 grams per tonne last year in the 7Sub-Level of the mine".

"New zones of mineralisation have been encountered from recent drilling in three locations within the Gap. The first of these has appeared in three short holes from 10L, which had specific high-grade targets between 10L and 11L near the main shaft. Another has been encountered during the first 9L down-hole in a seven-hole radial fan program we just commenced. Finally four up-holes at 9L north have also indicated a new mineralised quartz vein structure. They all give us cause for optimism in the success of MCO's current underground drilling program".

Morning Star Gold NL
Assay Results to June 08

Hole ID and Down-hole Depth	Grade g/t	Reef Name	Comments
MS415 85.65-85.95	9.14	Kenny	<i>Drilled Q1 Sampled Q2</i>
MS417 24.15-24.90	8.28	New **	Drilled Q1, Sampled Q2
MS417 24.90-25.50	5.24	New	Drilled Q1, Sampled Q2
MS420 45.10-45.40	11.20	Maxwell	Drilled Q1, Sampled Q2
MS422 45.60-46.10	5.29	Maxwell	Drilled Q1, Sampled Q2
MS423 9.25-10.00	7.19	New	Drilled Q1, Sampled Q2
MS424 44.68-45.61	26.70	Maxwell	Drilled Q1, Sampled Q2
MS424 59.85-60.10	7.65	Sydney	Drilled Q1, Sampled Q2
MS425 11.30-11.60	7.56	New	Drilled Q1, Sampled Q2
MS425 48.55-49.05	5.17	New	Drilled Q1, Sampled Q2
MS429 47.20-47.75	5.22	Kenny	Drilled Q1, Sampled Q2
MS431 16.10-16.80	9.70	New	Drilled Q1, Sampled Q2
MS431 16.80-17.55	9.05	New	Drilled Q1, Sampled Q2
MS438 49.86-50.56	7.59	Maxwell	Drilled Q1, Sampled Q2
MS444 45.00-45.40	4.02	Maxwell	<i>Drilled Q2, Sampled Q2</i>
MS444 48.65-49.50	3.16	Maxwell	Drilled Q2, Sampled Q2
MS444 49.50-49.70	4.63	Maxwell	Drilled Q2, Sampled Q2
MS444 49.70-50.40	18.00	Maxwell	Drilled Q2, Sampled Q2
MS444 50.40-50.75	13.60	Maxwell	Drilled Q2, Sampled Q2
MS451 53.66-53.90	3.08	Whitelaw	Drilled Q2, Sampled Q2
MS451 55.11-55.41	4.34	Whitelaw	Drilled Q2, Sampled Q2
MS451 55.41-55.90	4.06	Whitelaw	Drilled Q2, Sampled Q2
MS451 62.24-62.59	3.43	Kenny	Drilled Q2, Sampled Q2
MS451 62.59-62.82	5.14	Kenny	Drilled Q2, Sampled Q2
MS451 93.87-93.91	3.90	Campbell	Drilled Q2, Sampled Q2
MS451 117.73-117.96	4.44	Burns	Drilled Q2, Sampled Q2

** New unnamed reef



Diagram 1 – Diamond-Drilling of Upper Gap Zone (Northern Extensions)

This plan view graphic depicts an area near to the historically known northern limits of the 9L drives, approximately 200 lineal metres from the main shaft of the Morning Star mine. Two significant reef zones have been found in up-hole drilling and a further two reefs (unnamed as yet) have been intercepted recently. Further drive development will be done to enable resource drilling along the open strike to the north. A radial fan of down-holes has been commenced from this position into virgin dyke underfoot.

Plan View of K1 Drill Fan
 9 Level North (-278m RL)
 Whitelaw & Kenny Reef Intercepts
 (20m Grid Spacing)

LEGEND

VG = coarse visible Au

17,608.000 = 17,608g/t Au Assay

↗ ↘ ↙ ↚ = June 2008 Drillholes (logging In progress)

○ = 7SubLevel Bulk Sample ~41g/t Au

■ Quartz Veins

■ Host Dyke

■ Sediments

↓ = New dyke fault offset /extension

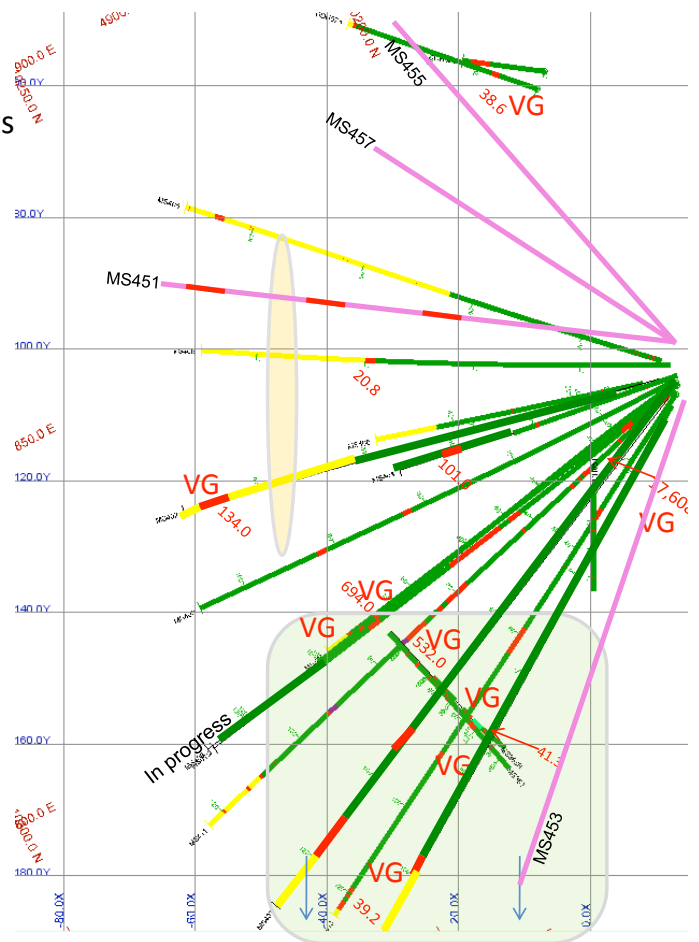




Diagram 2 – Diamond-Drilling of Upper Gap Zone (Southern Extensions)

This plan view graphic depicts an area close to the main shaft of the Morning Star mine, where two new reefs have been discovered in close vertical proximity and one, Maxwell Reef, will be subject to a +3,000T pilot mining program, preparations for which commenced recently. This extraction will see the first gold production at the Morning Star mine since 1963. The Maxwell and Sydney Reef zones are open in all directions.

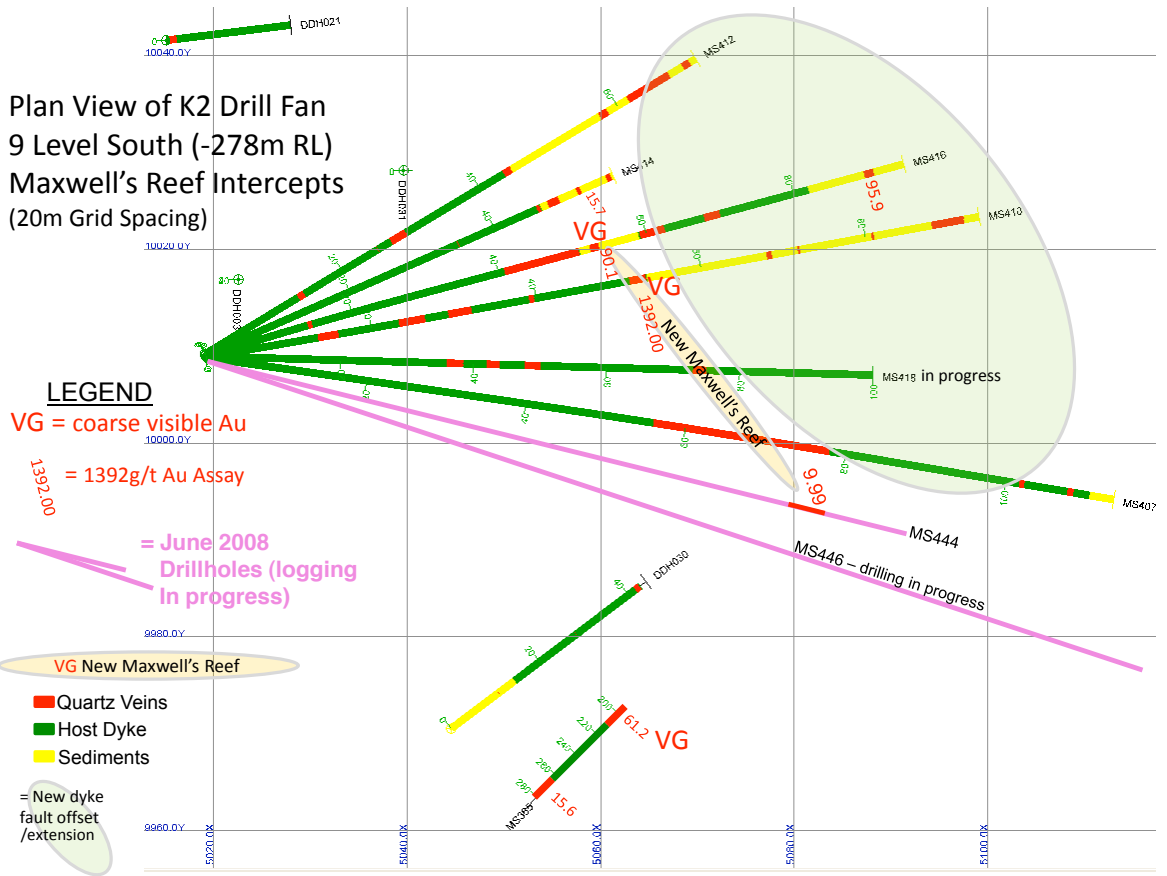
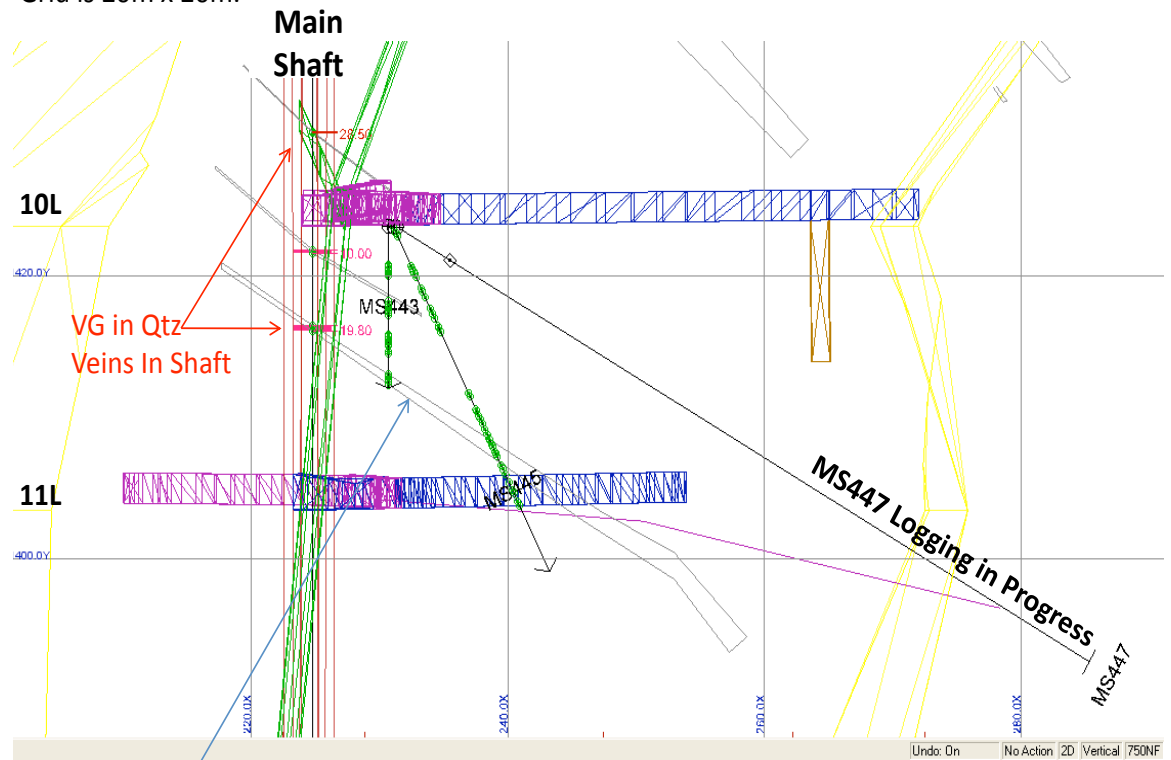


Diagram 3 – Diamond-Drilling of Upper Gap Zone (10th Level South)

This cross-sectional graphic depicts exploration drilling, which has recently taken place from the 10th Level of the Morning Star mine. Drilling in this area is intended to extend knowledge of zones around several proximate visible gold intercepts recorded by Gold Mines of Australia (GMA). The area is very close to the operational main shaft of the mine.

No. 10 Level Preliminary Drill Section (holes MS443, 445, & 447 (in progress logging/sampling)).
Grid is 20m x 20m.



Outlines showing significant quartz filled sulphide-enriched structures carrying gold.

The information contained in this report was compiled Morrie D. Goodz who is a Corporate Member of the Australasian Institute of Mining and Metallurgy, and has twenty-three years of relevant experience in relation to the mineralisation being reported on. This qualifies Mr. Goodz as a Competent Person as defined in the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Goodz is a fulltime consultant with Goodz & Associates GMC Pty Ltd. He consents to the inclusion of all the matters in this report, based on his information in the form and context in which they appear. Morrie D. Goodz MSc, MBA, Cert Mine Manager, M AusIMM, M CanIMM

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