

MORNING STAR GOLD – MILL / PROCESSING UPDATE

KEY POINTS

- Mill (GPP) commissioning ongoing at Morning Star Goldmine
- Major mechanical issues of GPP affecting mill continuity have been addressed
- High grade concentrates taken offsite to enable initial gold pour – results this week
- Impure concentrates off Wilfley table not enabling onsite smelt at this stage
- Gekko working with MCO to refine concentrates for onsite smelting as per GPP design
- A full progress report will be available later this week

GRAVITY PROCESSING PLANT (GPP)

MCO has worked its way through a list of issues raised during the commissioning of the processing plant that are affecting the throughput and continuity of ore processing. The 3 major issues being:

- Throughput on conveyor 1 'CV1' to the primary jaw crusher.
- Effectiveness of the Vertical Shaft Impactor (VSI) (secondary crusher)
- Continual damage and need for replacement of the lower (1mm) vibrating screen.

CV1 (conveyor 1)

Due to high speed of the motor controlling CV1 the feed to the jaw crusher is too much for the crusher to operate efficiently and to overcome this MCO has had to stop-start CV1 to control the feed to the crusher which in turn has caused a pulsing effect in the crushing circuit which has led to problems with the screen and the VSI.

To overcome this problem a slower, higher quality gearbox has been ordered and is expected to be fitted this week.

Vibrating Screen

MCO is finding that a large amount of sharp oversize material is being produced by the jaw crusher and when this material passes over the vibrating screen it is causing the undersize fine screen to rip and fail continually.

Discussions between MCO, Gekko and the screen manufacturer has produced a list of possible solutions. A new tougher screen has been ordered and is being fitted currently.

VSI

Throughput and power issues (tripping out the electrical circuit) have been resolved with the VSI - most of these issues are thought to be related to problems with CV1 as discussed above.

Gold milling / gold pour and onsite concentrates

As continuity issues with the ore processing plant are still being sorted out MCO is feeding development ore into the plant. Development ore is a mixture of high grade Maxwell reef ore (quartz) and low grade (~5 g/t Au) gabbro dyke material. The low grade gabbro contains a mixture of gold and sulphide material which is causing separation problems in the gold room where it is difficult to separate the free gold from the sulphide material. A high grade concentrate has been shipped offsite to enable the first gold pour but it is stressed that this is not the long term plan, rather the short term plan while the end of gravity milling is sorted out by Gekko as per GPP design. To achieve separation of the two materials involves continually passing the gold/sulphide material over the table, with each pass removing more and more of the sulphide material. Each pass removes more sulphides, it also removes a percentage of the gold which means that the concentrate becomes cleaner (contains a greater percentage of gold) but contains less gold. It should be noted that the gold that is associated with the sulphides is not lost but just cannot be used in making a gold DORE bar onsite and should be considered as a high grade middling product, which may need to be treated off-site in the interim.

MCO's metallurgists in concert with Gekko are trialling different techniques to remove the sulphides without affecting the quantity of gold in the concentrate.

A full summary of amounts milled and gold recovered will be available middle of this week and will be released with a further progress report of the other site and offsite activities.

Yours Sincerely,



Nick Garling, Chairman

Competent Persons Statement

The information contained in this report was compiled Mr Greg Curnow BSc MAUSIMM who has over twenty years of relevant experience in relation to the mineralisation being reported on, to qualify as a Competent Person as defined in the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Curnow works on a full-time basis as a consultant to Morning Star Gold NL and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.