

MORNING STAR GOLD

RESOURCESTOCKS

NEW PRODUCER SHINES BRIGHTEST IN VICTORIA

Morning Star Gold may just be the great gold hope currently in Victoria after some recent well publicised misfires by its peers in Bendigo and Ballarat.

VICTORIA IS LITTERED with high grade resources that would be company makers in the western parts of Australia, but they come with technical challenges associated with the area's nuggetty deposits.

Morning Star is one emerging producer that hopes to tackle any challenges head-on.

It has concentrated its efforts over the past two years on upgrading infrastructure at its namesake mine in Woods Point, situated 120 kilometres east of Melbourne.

To restart production at the mine for the first time since 1962, Morning Star has funnelled more than \$20 million into the construction of an 80,000 tonne per annum gravity gold processing plant and the upgrade of its 850 metre deep main shaft and associated haulage equipment.

But chairman Nick Garling said the company was not getting carried away – with a strong focus on the potential of the resource.

"It's a story of ounces, not high throughput or tonnages," Garling said.

"We have worked hard to create a scaleable infrastructure at Woods Point to grow the company around the Morning Star Gold mine and its in situ resource.

"But we are fully cognisant that

exploration successes within the mine and over our underexplored 200 square kilometre tenements are the big kicker."

Morning Star's tenements contain hundreds of exploration opportunities, with historic mines dotted up and down the Woods Point Dyke Swarm, a very specific gabbroic and mafic geological formation.

"It forms part of the prodigious Lachlan Fold Belt, which has hosted more than 150 million ounces of gold production," Garling said.

"Only three mines of any consequence were historically worked beneath the water table near Woods Point.

"It provides a second to none opportunity in my view."

Garling said the company had accessed an old mine with an underground JORC resource of 2 million tonnes at 11.2 grams per tonne of gold.

"We've just started mining at Morning Star, we can already tell there will be numerous high-grade opportunities within cooe of Woods Point," he said.

Garling added that the project's location provided many benefits.

"Our set-up at Woods Point is handy to Melbourne and it is on the state power grid," Garling said.

Morning Star is budgeting for production costs of \$750/oz and expects to recover 85-90% of gold from simple gravity milling at the site.

A brand new purpose built mill was designed and installed by Gekko Systems of Ballarat and Morning Star has options of treating middling and higher grade concentrates offsite in Melbourne or Ballarat.

The mill or gravity processing plant is scaleable and Garling expects it can increase to about 120,000tpa with fairly simple tweaks. But the challenge is in the ground, he said.

"Morning Star is a classic narrow vein high grade system – it is not a bulk tonnage job, it's more of a technical dance to conquer dilution successfully and control grade."

"At Morning Star, we'll seek to open four or five high grade stopes between 100 to 270 metres depth over 2011-12.

"It's an airleg mine and our challenge is to mine what we need and move on."

Morning Star commenced mining the Maxwell reef at 265m depth last month – the same time it was completing development to the nearby Kenny prospect's ore lode, which is second cab off the rank production wise.

"Kenny is at about the same vertical depth but at the opposite end of the Morning Star dyke," Garling said.

Maxwell reef has given the company great hope for economic mining in the mine.

Very high diamond drill assays up to 1392gpt of gold at Maxwell's reef and an impressive 17,608gpt of gold drill intersection at Kenny are fuelling the move to gold production. The second half production will

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MORNING STAR GOLD



HISTORIC PRODUCTION

Morning Star	- 883,000ozs
All Nations	- 132,000ozs
Loch Fyne	- 109,000ozs
Comet	- 64,000ozs
Waverly	- 40,000ozs
Wallaby	- 40,000ozs
Rose of Denmark	- 34,000ozs
Dempsey	- 27,000ozs
Hunts	- 20,000ozs
Little Comet	- 12,000ozs



5,850,000

be the first gold production of any consequence at the mine since Western Mining pulled out in late 1959. Fortunately for Morning Star, they left behind 45,000 pages of microfilm records.

The company has used much of this information in planning its multi-million dollar redevelopment and refurbishment program at the mine.

Underground infrastructures at the Morning Star Goldmine are largely refurbished to the 10 Level of the mine (about 310m underground) and the company recently upgraded its electric circuitry to 1000 volts, to allow better operating expenses going forwards as the mining program intensifies.

Additionally Morning Star has installed a high speed electronic winder, which can lift more than 120,000tpa to the surface from the 10 Level.

Currently there is a 5600m diamond drill program underway into the gap zone of the mine.

"It's an underexplored area within the dyke bulge of some 60 million tonnes of host rocks," Garling said.

Given historic production in the mine ran up to 3000oz per vertical metre, Garling said he saw the exploration underfoot in the gap zone as a must.

"History shows the mine was rich at depths below our current focus and that Morning Star was Australia's biggest gold mine in the early World War Two years from famous zones such as Lancaster, Exeter and Achilles," Garling said.

Scant attention was paid to the upper levels after Western Mining pulled out.

But the Morning Star gold mine isn't the only feather in the company's

hat. It is also giving its attention to a project 14km away in Gaffneys Creek.

The Rose of Denmark prospect is being funded by Morning Star's Chinese joint venture partners who will spend \$4.5 million to earn a 51% share. To date the JV has redeveloped the 500m main adit into the prospect and is aiming to commence a resource drilling program above and below foot once it refurbishes an old internal winding chamber deep in the mountain.

"It's an exciting project, as the adit was driven in along the three metre wide dyke and the dyke bulge is throwing up grades of six to eight grams per tonne just in development ore," Garling said.

He added that the Rose of Denmark hadn't been looked at since its closure in 1925.

"More than 250 metres of vertical dyke hangs above the winding chamber," he said.

"It was mined below the adit over six levels and the main shaft has just been uncovered in the internal winding chamber – so it's one to watch."

Morning Star also considers the Waverly dyke – also located close to the Morning Star gold mine – as having great potential.

"Drilling at Waverly in 2008-09 comprised just six diamond holes, resulting in two visible gold strikes beneath existing shallow workings," Garling said.

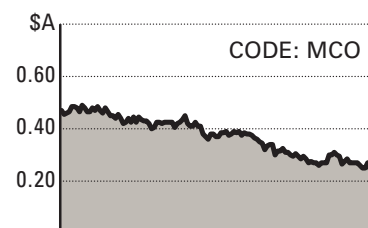
The company's key targets have all been ranked and prioritised and around \$5 million will be spent on drilling in the next three years.

"We have a roadmap now to keep us going for years and this is what we intend to do," Garling said.

– **Samantha Cairns**

Morning Star is Australia's newest gold producer

MORNING STAR GOLD AT A GLANCE



6 months ending June 22, 2011

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MARKET CAPITALISATION

\$A71.08 million (at press time)

QUOTED SHARES ON ISSUE

284,318,500

MAJOR SHAREHOLDERS

Nick Garling 12.8%
Chillee Ltd 12.5%
Yarandi Investments 10%
Shandong Tianye Group 10%