

# MORNING STAR GOLD NL

ACN 003 312 721

## PROSPECTUS

For a pro-rata non-renounceable rights issue of up to 123,779,734 New Options on the basis of one (1) New Option for every one (1) Share held on the Record Date of Wednesday 4 February 2009 at an issue price of 1 cent per New Option, to raise up to \$1,237,797.34.

Each New Option is exercisable at 10 cents on or before 31 March 2010.

**The Rights Issue closes at 5.00pm AEDT on 23 February 2009.**

### IMPORTANT NOTICE

*This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser.*

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### Summary of Important Dates

Announcement of Rights Issue	2 December 2008
Lodge Prospectus with ASIC	19 January 2009
Shares quoted ex-rights	29 January 2009
Record Date to determine Entitlements	4 February 2009
Opening Date and dispatch of Prospectus	6 February 2009
Closing Date*	23 February 2009
Notification to ASX of under subscriptions	26 February 2009
Allotment of New Options and dispatch of holding statements*	3 March 2009
Normal (T+3) trading resumes	4 March 2009

\*These dates are indicative only. The Directors reserve the right to vary the key dates, without prior notice and subject to compliance with the Listing Rules.

### IMPORTANT NOTICE

Shareholders should read this Prospectus in its entirety and, if in doubt, should consult their professional advisers before deciding whether to accept their Entitlements. This Prospectus is dated 19 January 2009 and a copy of this Prospectus was lodged with the ASIC on that date. No responsibility for the contents of this Prospectus is taken by ASIC or the ASX. No applications for New Options will be accepted nor will New Options be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult. No person is authorised to give any information or to make any representation in connection with the Rights Issue described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## **CORPORATE DIRECTORY**

### **DIRECTORS**

Mr Max Michael Garling (Chairman)  
Mr Nicholas Mark Garling (Managing Director/CEO)  
Mr Jeffrey Wayne Williams (Independent Director)  
Mr Malcolm Harvey Bird (Non-Executive Director)  
Dr Peter Gilbert Jackson (Executive Director)

### **SECRETARY**

Mr Maxwell James Davis

### **REGISTERED OFFICE**

Davis & Benson  
Level 6  
350 Kent Street  
SYDNEY NSW 2000  
Telephone: +61 2 9279 3711  
Facsimile: +61 2 9279 4711

### **BUSINESS ADDRESS**

Level 4 Floor  
20 Loftus Street  
SYDNEY NSW 2000  
Telephone: +61 2 9252 3699  
Facsimile: +61 2 9252 3797

### **AUDITORS**

Graham Abbott Associates  
Chartered Accountants  
10 Crown Street  
SYDNEY NSW 2011

### **SOLICITORS TO THE RIGHTS ISSUE**

Blakiston & Crabb  
1202 Hay Street  
WEST PERTH WA 6005

### **SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
60 Carrington Street  
SYDNEY NSW 2000  
Telephone: +61 2 8234 5033

ASX Code for Shares: MCO

## **BRIEF INSTRUCTIONS**

### **For Current Shareholders**

#### ***What You May Do***

The number of New Options to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. You may:

- Accept your Entitlement in full or part; or
- Allow the whole of the Entitlement to lapse.

#### ***If You Wish To Take Up All or Part Of Your Entitlement***

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in the form. Forward your completed Entitlement and Acceptance Form, together with your cheque for the amount shown on the form or for such lesser amount as you wish to apply for, so as to reach the Company's Share Registry (Computershare) no later than 5:00pm AEDT on 23 February 2009.

#### ***Entitlements Not Taken Up***

Any New Options not taken up by Existing Shareholders will be placed in accordance with the Listing Rules at the sole discretion of the Directors within 3 months of the Closing Date on the same terms and price as in the Rights Issue.

## **Section 1     DETAILS OF THE OFFER**

### **1.1   The Offer**

Pursuant to this Prospectus, the Company invites subscriptions for New Options by the following offer:

#### **The Rights Issue**

##### ***Existing Shareholders***

The Company is inviting Existing Shareholders to subscribe for New Options at an issue price of \$0.01 each, on the basis of one (1) New Option for every one (1) Share held as at the Record Date of 5:00pm AEDT on 4 February 2009.

The Rights Issue will raise approximately \$1,237,797 (less expenses of the Rights Issue estimated to be \$28,010).

As at the date of this Prospectus, 123,779,734 Shares are on issue.

##### ***Holder of Options***

The Company does not currently have any Options on issue.

##### ***Holder of Partly-Paid Shares***

The Company currently has on issue 500,000 Partly-Paid Shares which each have an issue price of 10 cents paid up to 1 cent. If holders of Partly-Paid Shares wish to participate in the Rights Issue, they need first to pay up the unpaid amount of the issue price on the Partly-Paid Shares. This is achieved by the holders sending a notice to the Company requiring the Directors to call the unpaid amount of the issue price on the Partly-Paid Shares on a date to be specified by the holders.

If all of the Partly-Paid Shares currently on issue are fully paid up to the Record Date, the number of New Options that are offered pursuant to this Prospectus will be 124,279,734. If none of the Partly-Paid Shares currently on issue are fully paid up prior to the Record Date, 123,779,734 New Options will be offered pursuant to this Prospectus.

##### ***Shortfall***

Any New Options not taken up by Existing Shareholders will be placed in accordance with the Listing Rules at the sole discretion of the Directors within 3 months of the Closing Date on the same terms and price as in the Rights Issue.

### **1.2   Purpose of the Rights Issue**

The purpose of the Rights Issue is, after meeting the expenses of the Rights Issue, to fund mining and exploration activities at the Company's Woods Point Gold Project in Victoria. Initial funds will advance the Maxwell Pilot Mining Program in the Morning Star mine as the Company moves towards trial production. Secondly, funds will then be allocated towards regional exploration activities on the Company's tenements.

Next, funds will be used by the Company to target the Waverly dyke structure through a series of deep diamond drill holes into that dyke. Further funds in the event of a full subscribed issue, will be allocated towards mapping and sampling other proximal dykes on the Company's tenements including Rose of Denmark, Shamrock, Loch Fyne and All Nations.

The following table illustrates the proposed application of funds raised from the Rights Issue:

<b>Description</b>	<b>Amount (\$)</b>
Costs of Rights Issue	28,010
Advance Maxwell Pilot Mining Program	450,000
Regional Exploration Activities	250,000
Drilling at Waverly Dyke Structure	320,000
Mapping and Sampling of Other Proximal Dykes	120,000
Administration and Tenements	69,787
<b>Total</b>	<b>1,237,797</b>

If the Company raises less than the full amount under the Rights Issue, funds raised will be applied in order of the table above.

### 1.3 No Entitlement Trading

The offer under the Rights Issue is non-renounceable and accordingly, Existing Shareholders may not dispose of or trade any part of their Entitlement.

### 1.4 Opening and Closing Dates

The Rights Issue will open for receipt of acceptances at 9:00am AEDT on 6 February 2009 and will close at 5:00pm AEDT on 23 February 2009, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 6 Business Days prior to the Closing Date.

### 1.5 Brokerage and Commission

No brokerage or stamp duty will be payable by investors.

### 1.6 Entitlements and Acceptance

In determining Entitlements, any fractional Entitlement will be rounded up to the nearest whole number.

### ***Acceptance of Entitlement in Full***

If you wish to take up **all** of your Entitlement under the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form. Please ensure the completed Entitlement and Acceptance Form, together with your cheque, is received by the Company's Share Registry at:

**By Delivery:**

Computershare Investor Services Pty Ltd  
60 Carrington Street  
SYDNEY NSW 2000

**By Post:**

Computershare Investor Services Pty Ltd  
GPO Box 253  
SYDNEY NSW 2001

**not later than 5.00pm AEDT on 23 February 2009** or such later date as the Directors advise. Cheques should be made payable to "**Morning Star Gold NL – Rights Issue Account**" and crossed "Not Negotiable".

### ***Partial Acceptance of Entitlement***

If you wish to take up **part** of your Entitlement pursuant to the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form and insert the number of New Options for which you wish to accept the offer (being less than your Entitlement as specified on the Entitlement and Acceptance Form). Please ensure the completed Entitlement and Acceptance Form and your cheque is received by the Company's Share Registry at:

**By Delivery:**

Computershare Investor Services Pty Ltd  
60 Carrington Street  
SYDNEY NSW 2000

**By Post:**

Computershare Investor Services Pty Ltd  
GPO Box 253  
SYDNEY NSW 2001

**not later than 5.00pm AEDT on 23 February 2009** or such later date as the Directors advise. Cheques should be made payable to "**Morning Star Gold NL – Rights Issue Account**" and crossed "Not Negotiable".

### ***Non-Acceptance of Entitlement***

If you do not wish to take up any part of your Entitlement under the Rights Issue, you are not required to take any action. If you decide not to accept all or part of your Entitlement, the New Options not accepted will be dealt with in accordance with Section 1.1.

### ***Enquiries***

If you have any queries regarding your Entitlement, please contact Computershare Corporate Actions Team by telephone on 1300 850 505, Morning Star Gold on (02) 9252 3699 or your stockbroker or professional adviser.

## **1.7 Issue and Allotment of New Options**

The New Options are expected to be issued and allotted by no later than 3 March 2009. Until issue and allotment of the New Options under this Prospectus, the acceptance money will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the acceptance money will

be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Options takes place.

### **1.8 ASX Listing**

The Company will make application to ASX within 7 days following the date of this Prospectus for official quotation of the New Options offered pursuant to this Prospectus.

If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot or issue any New Options and will repay all application monies (where applicable) as soon as practicable, without interest.

A decision by ASX to grant official quotation of the New Options is not to be taken in any way as an indication of ASX's view as to the merits of the Company or the New Options now offered for subscription.

### **1.9 No Issue of New Options after 13 months**

No New Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

### **1.10 Underwriting**

This Rights Issue is not underwritten. Any New Options not taken up by Existing Shareholders will be placed in accordance with the Listing Rules at the sole discretion of the Directors within 3 months of the Closing Date on the same terms and price as in the Rights Issue.

### **1.11 Overseas Investors**

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Existing Shareholders outside of Australia and New Zealand having regard to:

- (a) the number of Existing Shareholders registered outside of Australia and New Zealand;
- (b) the number and value of the securities to be offered to Existing Shareholders registered outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to make offers under the Prospectus to Existing Shareholders registered outside of Australia and New Zealand.

For any enquiries, please contact Morning Star Gold on +612 9252 3699.

### **1.12 Market Prices of Shares on ASX**

The highest and lowest closing market sale prices of Shares on ASX during the

3 months immediately preceding the date of this Prospectus and the respective dates of those sales were \$0.18 on 6 November 2008 and \$0.09 on 4 December 2008. The latest available market sale price of Shares on ASX immediately before the date of issue of this Prospectus was \$0.14 on 16 January 2009.

There are currently no listed Options on issue.

### 1.13 **Shortfall**

Any New Options not taken up by Existing Shareholders will be placed in accordance with the Listing Rules at the sole discretion of the Directors within 3 months of the Closing Date on the same terms and price as in the Rights Issue.

## Section 2 CAPITAL STRUCTURE & EFFECT OF THE RIGHTS ISSUE

### 2.1 Principal Effects

The principal effects of the Rights Issue (assuming the Partly Paid Shares are not paid up on or before the Record Date) are:

- (a) the Company's cash funds will increase by approximately \$1,237,797 less expenses of the Rights Issue, which are estimated to be approximately \$28,010; and
- (b) the total number of New Options on issue will be 123,779,734.

### 2.2 Consolidated Balance Sheet and Capital Structure

#### Capital Structure of the Company

The pro-forma capital structure of the Company following the Rights Issue pursuant to this Prospectus is set out below:

<b>Issued Capital</b>	<b>Number</b>
Existing Ordinary Shares*	123,779,734
<b>Total Shares on issue after completion of Rights Issue*</b>	123,779,734
Existing Partly-Paid Shares	500,000
<b>Total Partly-Paid Shares on issue after completion of the Rights Issue (unless fully paid up)</b>	500,000
New Options offered pursuant to this Prospectus (assuming no Partly-Paid Shares fully paid up)	123,779,734
<b>Total Options on issue after completion of Rights Issue</b>	123,779,734

\* Assumes the Partly-Paid Shares are not fully paid up. If all the Partly-Paid Shares currently on issue are fully-paid up on or before the Record Date, an additional 500,000 Shares will be on issue, and therefore an additional 500,000 New Options will be offered under this Prospectus, making a total of 124,279,734 New Options offered pursuant to this Prospectus. For further information regarding the Partly-Paid Shares, see Section 1.1.

The Company does not currently have any Options on issue.

#### Balance Sheet

Set out as follows is an audited Balance Sheet of the Company as at 30 June 2008 and the proposed capital structure of the Company after the Rights Issue, adjusted for the following assumptions:

- (1) the Partly Paid Shares have not been paid up on or before the Record Date;
- (2) the proceeds of the Rights Issue totals \$1,237,797;

- (3) the expenses of the Rights Issue totals \$28,010; and  
(4) there have been no material changes to the balance sheet since 30 June 2008.

## BALANCE SHEET

### PRO-FORMA REFLECTING PROPOSED RIGHTS ISSUE

	Note	30 June 2008 Audited (\$)	30 June 2008 Pro-forma (\$)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,242,856	2,452,643
Receivables		38,332	38,332
Financial assets		313,000	313,000
<b>TOTAL CURRENT ASSETS</b>		<b>1,594,188</b>	<b>2,803,975</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment		404,124	404,124
Mining Properties		716,858	716,858
Mine Security Bond		2,000	2,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,122,982</b>	<b>1,122,982</b>
<b>TOTAL ASSETS</b>		<b>2,717,170</b>	<b>3,929,967</b>
<b>CURRENT LIABILITIES</b>			
Payables		536,911	536,911
<b>TOTAL CURRENT LIABILITIES</b>		<b>536,911</b>	<b>536,911</b>
<b>TOTAL LIABILITIES</b>		<b>536,911</b>	<b>536,911</b>
<b>NET ASSETS</b>		<b>2,180,259</b>	<b>3,390,046</b>
<b>EQUITY</b>			
Issued capital		15,418,316	15,418,316
Reserves		655,790	1,868,587
Retained Profits (Accumulated Losses)		(13,893,847)	(13,893,847)
<b>TOTAL EQUITY</b>		<b>2,180,259</b>	<b>3,390,046</b>

### **Section 3 RISK FACTORS**

The New Options offered under this Prospectus are considered speculative. The Directors strongly recommend investors examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for New Options pursuant to this Prospectus. In addition, investors should be aware there are risks associated with investment in the Company. There are certain general risks and certain specific risks which relate directly to the Company's business and are largely beyond the control of the Company and the Directors because of the nature of the business of the Company.

The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware.

#### **3.1 Exploration Risks**

The future viability and profitability of the Company as an exploration company will be dependent on a number of factors, including, but not limited to, the following:

- commodity prices and exchange rates;
- risks inherent in exploration and mining including, among other things, successful exploration and identification of reserves, satisfactory performance of mining operations and competent management;
- risks associated with obtaining grant of any mining tenements which are applications or renewal of tenements upon expiry of their current term;
- risks arising because of native title and aboriginal land rights which may affect the Company's ability to gain access to prospective exploration areas to obtain production titles. Compensatory obligations may be necessary in settling native title claims lodged over any of the tenements held or acquired by the Company. The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company;
- the risk of material adverse changes in the government policies or legislation of Australia affecting the level of mining and exploration activities;
- environmental management issues with which the Company may be required to comply from time to time;
- poor weather conditions over a prolonged period which might adversely affect exploration activities and the timing of earning revenues; and
- unforeseen major failures, breakdowns or repairs required to key items of plant and equipment or infrastructure resulting in significant delays, notwithstanding regular programs of repair, maintenance and upkeep.

#### **3.2 Investment Risks**

Investors should regard the New Options to be issued pursuant to this Prospectus as speculative because of the nature of the Company's business. The Directors have identified factors that are most likely to affect the Company and the value of its

securities, as presented below. However, this is not an exhaustive list and investors should seek professional advice for further clarification of the risks involved before deciding whether to apply for New Options offered for subscription in this Prospectus.

### **3.3 Valuation of Tenements**

The Company makes no representation in this Prospectus with regards to a valuation of the tenements. Intending investors and their advisors should make their own assessment as to the value of the Company's tenements.

### **3.4 Exploration**

Exploration is a high risk endeavour with the potential for high returns.

Exploration is costly and involves exacting techniques which must be applied over extended periods of time. Most of the Company's projects are at an exploration stage and the Company cannot foresee whether the planned exploration programs will generate positive results. Furthermore, there is no guarantee that the Company's exploration activities will succeed in the discovery of a commercially viable ore deposit.

Company risks include the uncertainties associated with projected continuity of an ore deposit, fluctuations in grades and values of the product being mined, and unforeseen operational and technical problems.

Exploration may be adversely affected or hampered by a variety of non-technical issues such as limitations on activities due to seasonal changes, industrial disputes, land claims, heritage and environmental legislation, mining legislation and many other factors beyond the control of the Company.

The cost of maintaining exploration and mining properties, which depends on the Company having access to sufficient development capital, poses another form of risk.

If exploration or mining programs prove to be unsuccessful, this could result in a diminution of the value of the tenements which could have a negative impact on the Company's share price. In the event that programs yield negative results, tenements may be relinquished either in total or in part thereof and/or the Company may withdraw from a joint venture, even though a viable mineral deposit may be present, but undiscovered.

The Company may also be exposed to risks associated with the financial failure or default by a participant in any of the joint ventures or other contractual relationships to which the Company is, or may become, a party.

### **3.5 Security of Tenure**

All tenements in which the Company may earn an interest are subject to renewal conditions, which will be at the discretion of the relevant Ministry in Victoria. The maintaining of tenements, obtaining renewals, or getting tenements granted, often

depends on the Company being successful in obtaining required statutory approvals for proposed activities.

### **3.6 Native Title and Land Access**

The Company's activities in Australia are subject to the Native Title Act, and its interpretation. The Company has negotiated and executed final landmark Indigenous Land Use Agreements (ILUAs) with the relevant native peoples, but as always in mining and exploration, uncertainty associated with native title issues may impact on the Company's future plans.

### **3.7 Aboriginal Sites of Significance**

Commonwealth and State Legislation in Australia allow for the protection of sites of significance to Aboriginal custom and tradition. The Company proposes to carry out "clearance surveys" prior to conducting any exploration work that would cause a disturbance to the land surface. The Company's tenements are likely to contain some such sites of significance which would need to be avoided when carrying out field programs. It is possible that such areas where sacred sites exist may contain mineralisation or an economic resource which would therefore remain unexploited.

### **3.8 Environmental Risk**

The Company's projects are subject to Australian laws and regulations regarding environmental matters, which mean there are potential liability risks. The Company proposes to operate fully in accordance with applicable laws and conduct its programs in a responsible manner with regard to the environment.

### **3.9 Development Capital**

Exploration and mining costs will reduce the cash reserves of the Company, which may not be replaced. The Company would then be dependent on seeking development capital elsewhere, through equity, debt or joint venture financing, to support long term exploration and evaluation of its projects.

### **3.10 Market Conditions**

The price of the New Options, if and when quoted on the ASX, will be influenced by international and domestic factors. Should these produce a negative effect on the New Option price, this may also affect the Company's ability to raise development capital.

### **3.11 Commodity Price and Demand, and Exchange Rates**

The price of minerals is influenced by demand and supply factors.

The sale of commodities produced by the Company, in the event of a successful mining venture, will expose the Company's potential earnings to commodity price and exchange rate risks. The international price of gold is denominated in United States Dollars, whereas the income and expenditure of the Company are, and will be, accounted for in Australian currency. The potential revenues of the Company will be exposed to the fluctuations and volatility of commodity prices and the rate of

exchange between the United States Dollar and the Australian Dollar, as determined in international markets.

### **3.12 General Economic Factors and Investment Risks**

General economic conditions may affect inflation and interest rates, which in turn may impact upon the Company's operating costs and financing. Other factors that may adversely affect the Company's activities in Australia, or overseas, include changes in government policies, natural disasters, industrial disputes, and social unrest or war on a local or global scale.

### **3.13 Other Risks**

The future viability and profitability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- currency exchange rate fluctuations;
- the strength of the equity and share markets in Australia and throughout the world;
- general economic conditions in Australia and its major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- financial failure or default by a participant in any of the joint ventures or other contractual relationships to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- industrial disputation in Australia and overseas.

### **3.14 Speculative Nature of Investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Options offered under this Prospectus.

## **Section 4 ADDITIONAL INFORMATION**

### **4.1 Legal Framework of this Prospectus**

The Company is a "disclosing entity" under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its securities.

### **4.2 Applicability of Corporations Act**

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are options to acquire quoted enhanced disclosure ("ED") securities and the securities are in a class of securities that were quoted ED securities at all times in the 3 months before the issue of this Prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 12 months before the issue of this Prospectus.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Sydney during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

The New Options to be issued under this Prospectus are Options in respect of a class of shares that were continuously quoted securities at all times in the 3 months before the issue of this Prospectus.

### **4.3 Information Available to Shareholders**

The Company will provide a copy of each of the following documents, free of charge, to any investor who so requests during the application period under this Prospectus:

- (a) the Annual Report for the Company for the period ending 30 June 2008; and
- (b) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Report of the Company for the period ending 30 June 2008 and before the issue of this Prospectus:

<b>Date</b>	<b>Description of ASX Announcement</b>
12/12/08	Notice of Expiry of Options
5/12/08	Amended Results of Annual General Meeting
5/12/08	Results of Meeting
2/12/08	Webcast with MD on Capital Raising
2/12/08	Capital Raising
11/11/08	Boardroom Radio Webcast – Nick Garling, MD
11/11/08	Change of Director's Interest Notice
11/11/08	Woods Point Gold Project - Update
3/11/08	Quarterly Activities and Cash Report
9/10/08	Change of Director's Interest Notice
2/10/08	Annual Report

#### 4.4 Terms and Conditions of New Options

The terms and conditions of the New Options are:

- (a) Each Option entitles the holder to subscribe for one Share upon the payment of \$0.10.
- (b) The options will lapse at 5.00 pm AEDT on 31 March 2010 ("**Expiry Date**").
- (c) The Options are transferable and will be quoted for trading on the ASX.
- (d) There are no participating rights or entitlements inherent in the Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Options.
- (e) Optionholders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least five Business Days before books close to exercise the Options.
- (f) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (g) The Options shall be exercisable at any time during the period commencing on the date of issue and ending on or before the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the optionholder to exercise all or a specified number of Options held by him accompanied by an Option Certificate and a cheque made payable to the Company for the subscription monies for the shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the optionholder to the balance of the Options held by him.

- (h) There is no right to change the exercise price of Options or the number of underlying Shares over which the Options can be exercised, if the Company completes a bonus or entitlements issue.
- (i) The Company shall allot the resultant Shares and deliver a statement of shareholding with a holders' identification number within five Business Days of exercise of the Options.
- (j) The Shares allotted shall rank, from the date of allotment, equally with the existing Shares in all respects.

#### 4.5 Rights Attaching to Shares

Full details of the rights attaching to the Shares are set out in its Constitution, a copy of which can be inspected at the Company's registered office.

The following is a summary of the principal rights which attach to the Shares:

##### (a) Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her, and a proportionate vote for every partly paid share, registered in such shareholder's name on the Company's share register.

A poll may be demanded by the chairman of the meeting, by any five shareholders present in person or by proxy, attorney or representative, or by any one or more shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the Shares of all those shareholders having the right to vote at that meeting.

##### (b) Dividends

Dividends are payable out of the Company's profits and are declared by the Directors.

##### (c) Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors may refuse to register any transfer of Shares (other than a market transfer) where the Company is permitted or required to do so by the Listing Rules or the ASTC Settlement Rules. The Company must not prevent, delay or interfere with the generation of a proper market transfer in a manner which is contrary to the provisions of any of the Listing Rules or the ASTC Settlement Rules.

(d) Meetings and Notice

Each shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

(e) Liquidation Rights

The Company has only issued one class of shares, which all rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of shareholders divide among the shareholders the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company's shareholders vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

(f) Shareholder Liability

As the shares issued an exercise of the New Options are Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(g) Alteration to the Constitution

The constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days' written notice, specifying the intention to propose the resolution as a special resolution must be given.

(h) Listing Rules

If the Company is admitted to the Official List, then despite anything in the Constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

#### 4.6 Interests of Directors

##### *Directors' Holdings*

At the date of this Prospectus the relevant interests of each of the Directors in the Shares are as follows:

Director	Shares	Held	Partly-Paid Shares	Held	Options	Held
Malcolm Bird	1,435,080	Directly	500,000		Nil	NA
Max Garling	8,566,747	Directly/ Indirectly	Nil	NA	Nil	NA
Jeffrey Williams	700,000	Directly	Nil	NA	Nil	NA
Nicholas Garling	21,790,306 <sup>1</sup>	Directly/ Indirectly	Nil	N/A	Nil	NA
Peter Jackson	Nil	NA	Nil	NA	Nil	NA

Notes:

1. Mr Max Garling holds 500,081 Shares in his personal capacity, 1,900,000 Shares are held by York Place Securities Pty Ltd in which Mr Garling has a 50% interest, 5,166,666 Shares are held by Ridgeview Nominees Pty Ltd in which Mr Garling has a 50% interest and 1,000,000 Shares are held by Rygarl Investments Pty Ltd in which Mr Garling has a 50% interest.
2. Mr Nicholas Garling holds 9,878,631 Shares in his personal capacity, 7,160,277 Shares in his capacity as trustee for Crooked River Capital of which he is a 100% beneficiary, and 4,751,398 Shares are held by Jerrymara Investments Pty Ltd in which Mr N Garling has a 100% interest.

### ***Remuneration of Directors***

The constitution of the Company provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting (which is currently \$100,000 per annum).

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Details of remuneration provided to Directors and their associated entities during the past two financial years are as follows:

### **Financial year up to 30 June 2008**

Directors	Directors'/Consulting Fees (\$)	Superannuation (\$)	Options (\$)	Total (\$)
Timothy Allen (retired 26/11/07)	Nil	21,800	Nil	21,800
Malcolm Bird	19,900	21,800	Nil	41,700
Max Garling	57,201	21,800	Nil	79,001
Jeffrey Williams	10,000	11,800	Nil	21,800
Nicholas Garling	36,000	21,800	Nil	57,800
Peter Jackson	62,268	0	Nil	62,268

Remuneration provided since 1 July 2008 comprises \$10,000 paid to Mr Bird, \$27,000 paid to Mr M Garling, \$10,000 paid to Mr Williams, \$36,000 paid to Mr N Garling, and \$20,888 paid to Mr Jackson.

#### **Financial Year up to 30 June 2007**

Directors	Directors'/Consulting Fees (\$)	Superannuation (\$)	Options (\$)	Total (\$)
Timothy Allen	20,000	1,800	Nil	21,800
Malcolm Bird	22,778	10,000	Nil	32,778
Max Garling	Nil	10,000	Nil	10,000
Jeffrey Williams	Nil	19,503	Nil	19,503
Nicholas Garling	Nil	Nil	Nil	Nil

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Rights Issue.

#### **4.7 Interests of Named Persons**

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any expert,

promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Rights Issue.

Graham Abbott Associates are the auditors to the Company. They have provided audit services to the Company during the last two years totalling approximately \$16,000.

Blakiston & Crabb have acted as solicitors to the Company in relation to this Prospectus. In respect of their work on this Prospectus, the Company will pay approximately \$11,000 for these professional services.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

#### **4.8 Expenses of the Rights Issue**

The approximate expenses of the Rights Issue are \$28,010, comprising:

ASIC lodgement fee	\$ 2,010
Legal Fees	\$11,000
Share Registry Fees	<u>\$15,000</u>
<b>Total</b>	<b><u>\$28,010</u></b>

These expenses are payable by the Company.

#### **4.9 Consents**

Each of the parties referred to in this Section 4.9:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 4.9; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 4.9.

Graham Abbott Associates consent to the reference in this Prospectus to the audited balance sheet of the Company as at 30 June 2008 in the form and context in which that statement is included, and have not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Each of the following has consented to being named in this Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- (a) Graham Abbot Associates as auditors of the Company;

- (b) Blakiston & Crabb as solicitors to the Rights Issue; and
- (c) Computershare Investor Services Pty Ltd as share registry of the Company.

## Section 5      **DEFINED TERMS**

"**AEDT**" means Australian Eastern Daylight Time;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASTC**" means the ASX Settlement and Transfer Corporation Pty Ltd;

"**ASTC Settlement Rules**" means the settlement rules of the ASTC as amended from time to time (formerly known as the SCH Business Rules);

"**ASX**" means the Australian Securities Exchange;

"**Business Day**" means every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day;

"**Closing Date**" means 5.00pm AEDT on 23 February 2009;

"**Company**" means Morning Star Gold NL ACN 003 312 721;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Directors**" means the directors of the Company;

"**Entitlement**" means the entitlement of an Existing Shareholder to apply for New Options;

"**Entitlement and Acceptance Form**" means the Entitlement and Acceptance Form accompanying this Prospectus;

"**Existing Shareholder**" means those shareholders of the Company whose details appear on the Company's register of shareholders as at the Record Date;

"**Listing Rules**" means the Listing Rules of ASX;

"**New Option**" means an option to acquire one Share, each exercisable at \$0.10 on or before 31 March 2010, the full terms of which are set out in Section 4.4;

"**Opening Date**" means 9.00am AEDT on 6 February 2009;

"**Option**" means an option to acquire one Share;

"**Partly-Paid Share**" means a partly-paid share in the capital of the Company with an issue price of 10 cents paid up to 1 cent;

"**Prospectus**" means this prospectus;

"**Record Date**" means 5.00 pm AEDT on 4 February 2009;

"**Rights Issue**" means the issue pursuant to the Prospectus of 123,779,734 New Options on the basis of one (1) New Option for every one (1) Share held on the

Record Date of 4 February 2009 at an issue price of 1 cent per New Option, to raise \$1,237,797;

**"Share"** means an ordinary fully paid share in the capital of the Company; and

**"Shortfall"** means a shortfall in subscription of New Options pursuant to this Prospectus.

## **Section 6 DIRECTORS' RESPONSIBILITY STATEMENT & CONSENT**

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Options pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 19 January 2009

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N.M. Garling  
Director