

ASX Release

Friday 31 July 2009

QUARTERLY REPORT FOR PERIOD ENDED 30th JUNE 2009

**MORNING STAR MINE READY FOR RETURN
TO GOLD PRODUCTION**



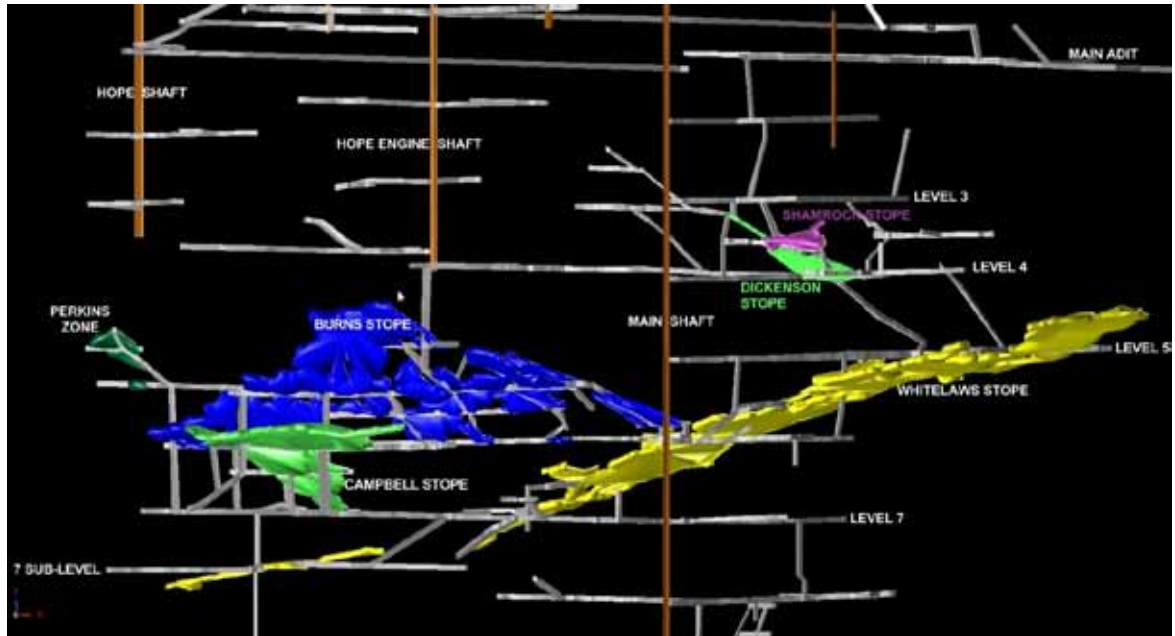
- § Preparations for ore extraction finalised at underground stopes between 120 metres and 240 metres from surface.
- § High Grade Samples returned in Dickenson and Burns Reef Zones up to 1,155 g/t Au.
- § Geological modelling of upper zones in the Morning Star mine continues to identify additional targets and tonnage.
- § The Regional Exploration Program is continuing to prioritise targets for the upcoming warmer months.
- § Grab Sample from the Wallaby Mine (EL 5079) returned an assay of 79 g/t Au.

Report of Activities

The June 2009 Quarter, as with the March Quarter, was largely occupied with preparations across the board for a return to gold production at the Morning Star mine – the first significant production planned since WMC quit the mine in 1959.

Gold mining and gold production at the Morning Star mine will certainly recommence in the second half of the current calendar year.

Over many years Morning Star Gold NL (MCO) have spent more than \$20 million refurbishing the main mine shaft at the Morning Star mine, which originally extended to the Level 25 (~800 metres depth).



Overview of the current area of focus at the Morning Star mine

As reported in prior quarterlies, the refurbishment program at the Morning Star mine has reached the 10L of the mine (~310m depth) and development has been concentrated on the areas above this level.

During the quarter, MCO's focus was to refurbish and prepare for ore extraction, a number of existing areas between the 4L and 9L of the mine. Extensive works were completed over the June Quarter including:

- § Laying of rail on 4L to Dickenson's Stope
- § Refurbishment of Plats between 3L and 9L
- § Establishment of air and water services between the 3L and 7 Sub-Level
- § Re-opening of the 7 Sub-Level for mapping and sampling
- § Safety audit of the headframe and winder, including rope stress testing
- § Re-lining of timber shaft skids
- § Preparation of the Dickenson Zone for ore extraction (see photos below)

To assist in the works completed during the quarter, the workforce at the mine site was strengthened with the re-hiring of local staff across areas ranging from administration, OH&S, maintenance and underground mining.

The company is now ready to recommence mining in the upcoming quarter.

Technical Management Update

As reported in the previous quarter, Peter Hepburn-Brown an experienced mining engineer accepted the role of Technical Director for MCO. In addition to this, **Greg Curnow has been appointed as the company's Chief Geologist.**

Greg's main focus will be on the geological modelling of the Morning Star mine and facilitating the recommencement of gold production. Greg's experience spans 25 years of gold mining and exploration in Australia and overseas. Greg has previously worked for Dominion Mining and WMC in various capacities, in projects ranging from exploration to open pit and underground production.

Dr Peter Jackson will continue in his joint roles of Director of Geology and as a Board member of Morning Star Gold. Peter will focus on managing the company's Regional Exploration Program, while continuing to assist the technical management of the Morning Star mine.

The technical team continued over the June Quarter to spend time preparing the Morning Star mine for the return to production.



Construction of Ore Chute at base of the Dickenson's Stope (4L).

Work has also focused on independently reconstructing the geological model with a view to locating the most accurate sites within the mine to recommence production.

Part of this work included having the Morning Star mine comprehensively resurveyed by registered surveyors. This work has now been completed and has aided the reinterpretation of the geological model.

Morning Star Gold has also engaged an experienced Victorian based consultant, Mr Noel Laidlaw, for advice on regulatory issues and other matters. For many years, Noel served as Victoria's Mining Warden and he is a Mining Engineer intimately acquainted with the Victorian gold mining industry.

Morning Star Mine

As reported recently, **preliminary feasibility and costing work on a stand-alone treatment plant for the Morning Star mine has been completed.** MCO's focus is to remove the cost and risks associated with toll milling and build its own gravity gold plant on site. An on-site milling operation could also serve Morning Star's regional dykes and mines, which are being explored and assessed currently.

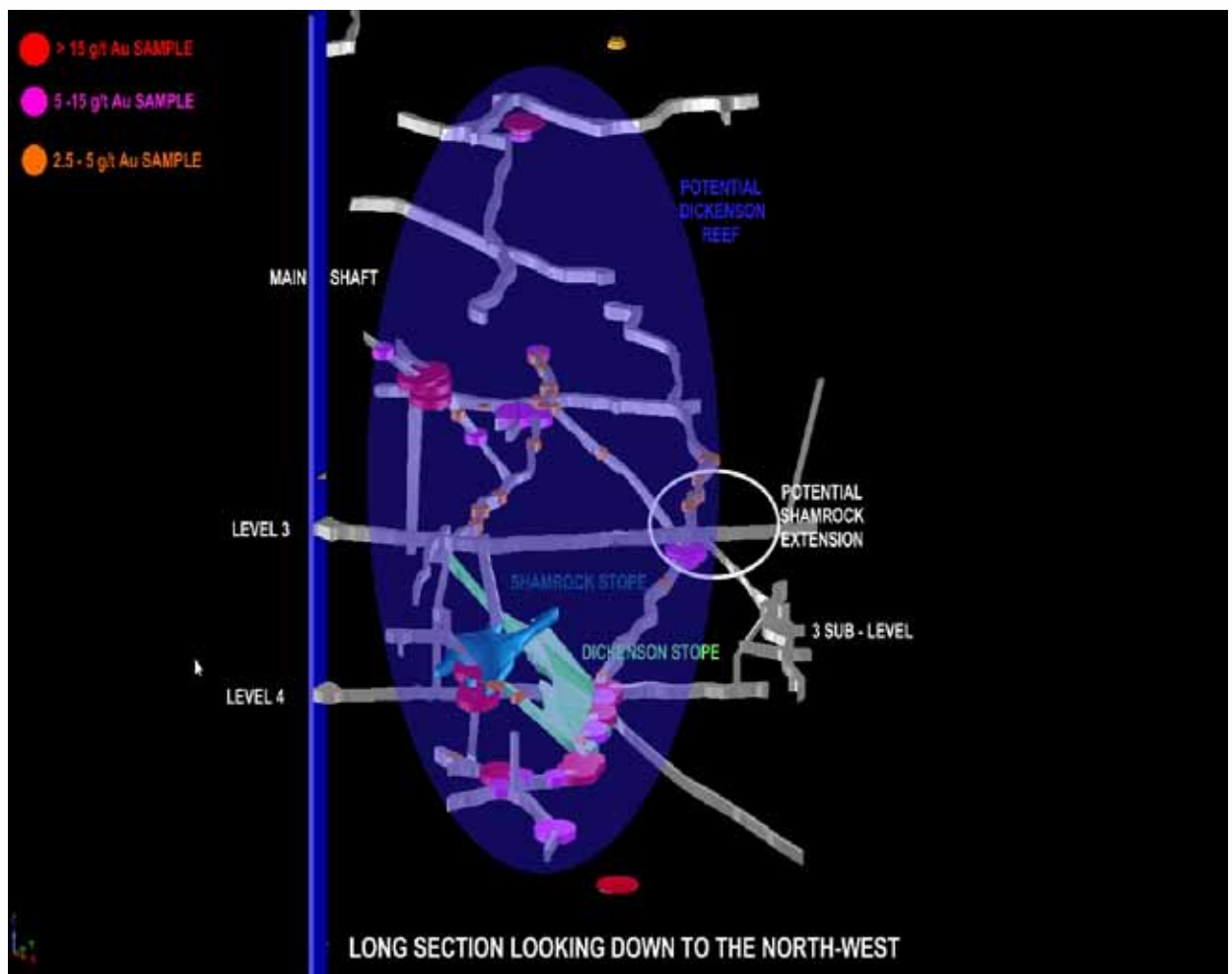


View of Dickenson's Reef at stope edge (4L)

The company has moved to the tender stage with various parties on a range of gravity plant options, which are being considered.

Samples of mineralised rock mined during underground development along Maxwell's reef have been sent for NAG testing. The NAG (Net Acid Generation) test provides a measure of the acid potential of overburden and waste rock as well as the sample reactivity and lag period.

This will give MCO an indication as to what measures (if any) are required to prevent acid drainage from waste rock storage. It is likely that the NAG testing will show the waste rocks to be acid neutral with the high carbonate content in the altered wall rocks neutralizing the effect of the oxidation of iron sulphides.



View of Dickenson & Shamrock zones & assay grades

Recent Sampling in the Dickenson & Burns Reef Zones

Two bulk-sampling programs with each sample of 5kgs were completed during the Quarter from the Dickenson and Burns Reefs. The intention of these initial bulk samples in the mining zone is to gain understanding of the best areas to commence mining and to re-validate previous samples.

Nine (9) samples were taken from the Dickenson Zone. The samples were taken from the Dickenson reef along the face of an existing stope. The samples returned an average grade of 19.46 g/t Au and ranged between 0.13 and 170 g/t Au.

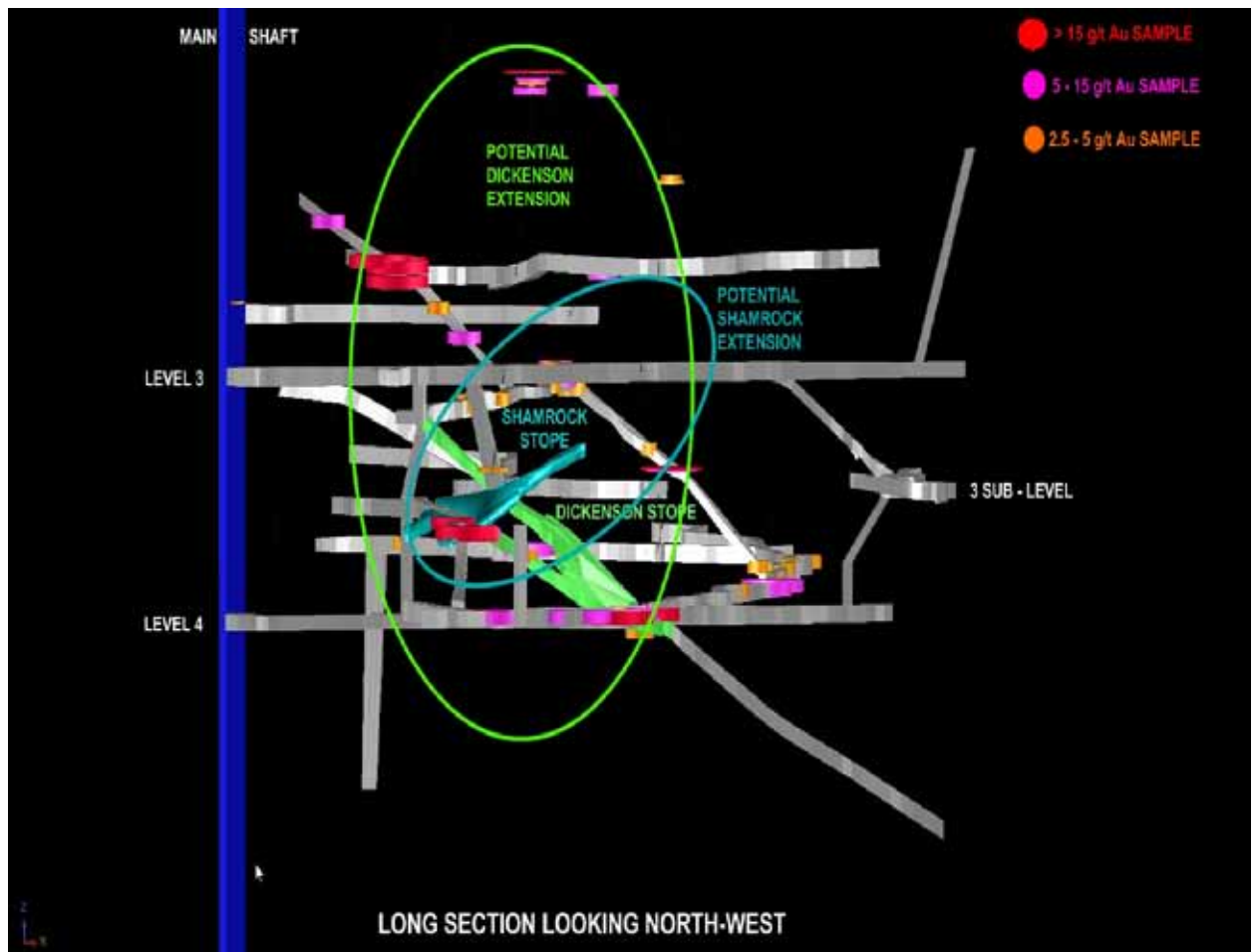
Once mining re-commences on the Dickenson reef MCO's intention is to continue the existing stope and head upwards towards the intersection of the Dickenson and Shamrock reefs, an area of much higher grade. Previous sampling of a drive through the intersection zone returned an average grade of 54.08 g/t Au from 7 samples that ranged from 2.52 to 210.98 g/t Au.

At the Burns reef on the 6 Sub-Level, five samples were taken from the unmined side of the development drive and twenty-three samples were taken from the edge of the existing stope (opposite the unmined section). The five samples from the unmined portion of the Burns reef averaged 43.92 g/t Au (ranging between 2.01 & 152 g/t Au) and the twenty-three samples from the stope face averaged 83.79 g/t Au (ranging between 0.36 & 1,155 g/t Au).

MCO intends to recommence mining in the Burns Reef zone by continuing the mining of the existing stope. The company also intends to increase the number of samples taken from the unmined side of the development as the initial sampling indicates it is an area of high grade and it can be stoped out without further development at the level.

See Diagrams below.

(Note: No high cut has been applied to any of these assays.)



Ellipses showing potential of Dickenson & Shamrock zones

Regional Exploration Program

The Wallaby Mine

The Wallaby gold mine is located approximately 3km SW of the hamlet of Gaffney's Creek. At the Wallaby mine, gold occurs in dyke-hosted quartz-carbonate veins within a dyke bulge that forms part of the Woods Point dyke swarm.

The known extent of dyke bulge is 100 metres in length and 30 metres in width. Historic mining records indicate that the dyke was exploited to a depth of less than 60 metres and produced more than 6,000oz Au. Little exploration of the Wallaby has occurred since the end of the 19th century.

Recent exploration and mapping of the Wallaby Mine by Morning Star Gold included a grab sample from mullock that returned an assay of 79g/t Au. The Wallaby mine is of interest because of its size and the fact that it has not been tested to depth. More sampling and re-accessing of the Wallaby's main adit is planned for the coming quarter. Current planning also entails renewing the historic Sibley's track to the Wallaby Mine.

Future Regional Exploration

Works will include mapping and sampling of the Reliance Dyke, Hunts Dyke and other nearby dykes, once the weather improves.

Occupational Health and Safety

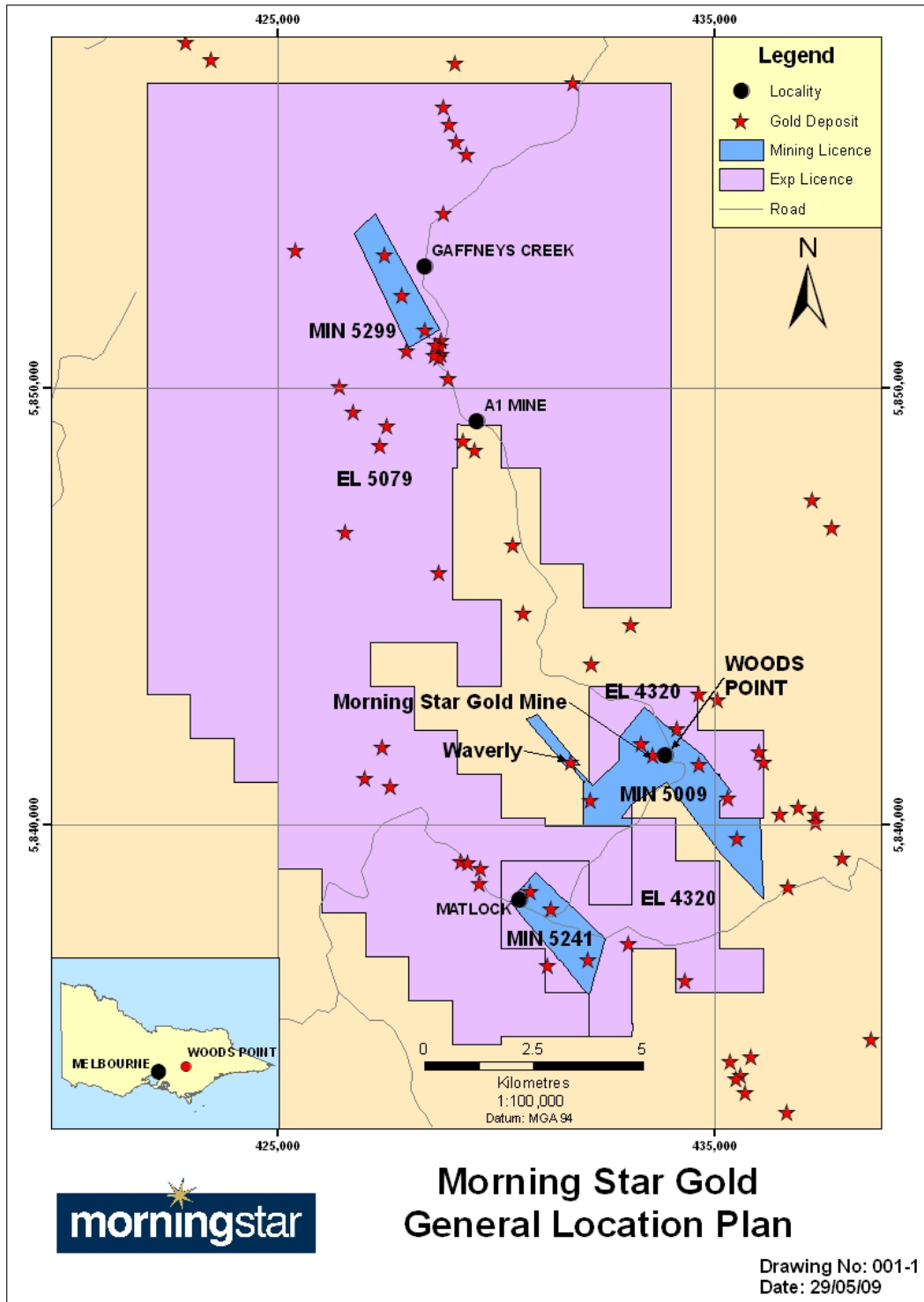
An OH&S Officer was appointed in the June Quarter. There were no incidents or near miss occurrences (MTI) or lost time injuries (LTI) in the period.

Environment

A new water sampling protocol has been established and MCO will continue monitoring the mine water discharge to ensure it stays within EPA and WHO guidelines.

MD Comments

Nick Garling commented, "Morning Star is on the cusp of gold production from the Morning Star mine. This is a significant step forward for both MCO and the Woods Point community".



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MORNING STAR GOLD N.L.

ABN

34 003 312 721

Quarter ended ("current quarter")

30TH JUNE, 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (.12... months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(159)	(1,582)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	8	33
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other: GST refunds	9	292
	(335)	(2,009)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(12)	(15)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	(12)	(15)
Net investing cash flows		





1.13	Total operating and investing cash flows (carried forward)	(347)	(2,024)
1.13	Total operating and investing cash flows (brought forward)	(347)	(2,024)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	230	2,024
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other: Application monies for pending share issues		
	Net financing cash flows	230	2,024
	Net increase (decrease) in cash held	(117)	0
1.20	Cash at beginning of quarter/year to date	1,360	1,243
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,243	1,243

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	60
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

GEOLOGICAL & CONSULTANCY FEES

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	60
4.2 Development	90
Total	150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,049	1,299
5.2 Deposits at call	194	61
5.3 Bank overdraft		



5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,243	1,360

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	127,950,487 500,000	127,950,487	10 cents	1 cent
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	88,400	88,400	10 cents	10 cents
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

			<i>Exercise price</i>	<i>Expiry date</i>	
7.7	Options Options over ordinary shares	122,351,279	122,351,279	10 cents	31.03.2010
7.8	Issued during quarter	246,945	246,945	10 cents	31.03.2010
7.9	Exercised during quarter	88,400	88,400	10 cents	31.03.2010
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: 29TH JULY,

2009

(Director)

Print name: M. M. GARLING

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

About Morning Star Gold

Morning Star Gold <ASX: MCO> is 100% owner and manager of the Woods Point Gold Project in Victoria's historic Eastern gold fields. The company's tenements are adjoining over ~220km² and yielded ~2 million ounces of gold historically from various high-grade mines in close proximity to Woods Point. Nearly half of this production was sourced from the Morning Star mine, which was mined for around a million tonnes of ore at just under an ounce to the tonne for a recorded production of 883,000 ounces of gold. At one point in the early 1940s, the Morning Star mine was Australia's biggest gold mine. Gold Mines of Australia (WMC) operated it for 25 years (1934-1959). Other gold production on MCO's regional tenements was generally confined to relatively shallow workings in the weathered zone above the water table. Key current targets for new exploration and development include the Wallaby, All Nations, Loch Fyne, Rose of Denmark, Hunts and Waverly mines. These mines produced ~320,000 ounces of gold at similarly high grades historically. The Morning Star mine also carries an in situ gold resource, estimated in 2008 to exceed 900,000ozs. This resource is in the process of being revalidated and re-evaluated for mining recommencement at the Morning Star mine.

For further information please contact Nick Garling, Morning Star's MD at nick.garling@morningstargold.com.au or you can subscribe to E-Alerts of all Morning Star's news & ASX Releases at www.morningstargold.com.au

Forward Looking Statements

This presentation includes statements and information pertaining to Morning Star Gold's expectations and beliefs concerning future events. Forward risks, uncertainties and other factors, many of which are outside the control of Morning Star Gold can cause actual results to differ materially from such statements. Morning Star Gold makes no undertaking to subsequently update or revise such statements but has made every endeavor to ensure that they are accurate at the time of presentation.

Competent Persons Statement

The information contained in this report was compiled Dr Peter Jackson BSc PhD MAIG 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. Dr Jackson 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.

