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BLUE BOOK SERIES

Junior Resources

March 2008 Quarterly Review

Storm approaching – thank goodness for China

EXTRACT

Contents

This is an extract from the March 2008 Junior Resources Quarterly Review.

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Morning Star Gold N.L. (MCO)



Sector
Materials

Industry Group
Materials

Industry
Metals & Mining

Company Overview

MCO is exploring the prodigious Morning Star Au Mine within its Woods Point Gold Project located 120km ENE of Melbourne. Woods Point and the nearby Walhalla mining field are two of the most significant gold fields in Australia. Over 5M ounces were mined from mines in these fields at a grade believed to be nearly one ounce per tonne. Morning Star has been dewatered and refurbished in readiness for trial mining. Mining licences cover over 220sqkm of highly prospective Woods Point Dyke Swarm.

Strategy

MCO's vision is to develop the 100%-owned Woods Point Gold Project into one of Australia's highest-grade, lowest-cost gold projects. The strategy is simple: explore historically confirmed high-grade gold-bearing dyke formations, most of which were mined for rich returns only in shallow workings. MCO is committed to growth through self-funded exploration and development of priority targets. MCO aims to provide a transparent and sustainable growth platform for the benefit of shareholders.

Aegis Comments as at May 2008.

Outlook: The historical Au production from MCO's tenements is about 2Moz. An underground drilling program is underway, probing areas that are largely unexplored and/or undeveloped. The primary area of interest is the Gap Zone. This zone is estimated to contain 60Mt of host rocks between Levels 7-15 of the existing mine. MCO is working towards preparing a global endowment of potential resources within its licences. Exploration targets include All Nations, Comet, Waverly and Loch Fyne high-grade mines.

Catalysts: Resource drilling has started. The next catalyst for re-rating will be a JORC resource estimate followed by detailed capital cost estimates for a processing plant and decline shaft for mining and exploration. An interim resource statement is expected mid year. Recoveries of 88% to 99% have been obtained. Trial mining (Maxwell Project) is set to begin and will extract 3,000t. The cash cost is expected to be \$240/t or 8g/t Au. A positive cash flow in 2HCY08 would be a catalyst for re-rating.

Risks: High-grade Au veins have a nugget effect that makes it difficult to predict the average grade with a high degree of confidence. Veins pinch and swell and high-grade narrow veins are diluted by the minimum mining width of around 1.2m. Economics will largely depend on the diluted ore grade, mine and development costs and productivity. The high gold price makes these deposits more attractive but the economics are uncertain until the mine plan is further developed.

Earnings Summary

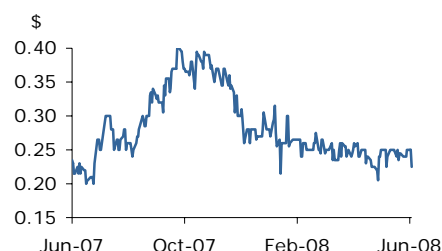
Yr to Jun	NPAT Rep \$M	NPAT ¹ Adj \$M	EPS ¹ c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2004A	(0.4)	(0.4)	0.0	n/a	0.0	0.0	0.0	0.0	0.0	0	(175.0)
2005A	(0.8)	(0.8)	0.0	n/a	0.0	0.0	0.0	0.0	0.0	0	(252.4)
2006A	(1.6)	(1.6)	0.0	n/a	0.0	0.0	0.0	0.0	0.0	0	(374.2)
2007A	(1.1)	(1.5)	0.0	n/a	0.0	0.0	0.0	0.0	0.0	0	(133.8)

¹ NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

Key investment information

Price:	\$0.24
Price as at:	12-Jun-08
Market Cap (\$M):	24.0
Equiv. Shares (M):	115.64
% All Ords:	0.00
12Mth Range (\$):	0.20 - 0.41
Shares Traded (\$M pa):	9.4
Listed since:	1987
Index:	n/a

Share price performance



Company contact



Nick Garling
Managing Director / Chief Executive
nick.garling@morningstargold.com.au
61 2 9252 3699/ 61 408 880 666

www.morningstargold.com.au

Financial Stability

Balance Sheet (Y/E Jun)	06A	07A
Net debt (cash) (\$M)	(0.8)	(2.2)
Total assets (\$M)	1.4	3.4
Net debt/equity (%)	(63.4)	(66.7)
Net interest cover (x)	n/a	n/a
NTA per share (\$)	0.01	0.03
Current ratio (x)	8.9	24.0

As at 30-Jun-07

Net debt (cash) (\$M)	(0.3)
Net debt (cash) / shr (\$)	(0.00)
Net debt (cash) / MktCap (%)	(1.4)

Substantial Shareholders

N Garling	20.1%
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Board

M M Garling (Chairman)
 N Garling (Managing Director/CEO)
 M Bird (Director)
 Dr P G Jackson (Director)
 J Williams (Director)

Differentiating Factors

MCO's exploration operations and Morning Star mine are located within the Woods Point goldfield. This project is 100% owned by MCO. High-grade intersections were obtained in an extensive program of channel sampling over 2007, with over 250 samples averaging 78g/t Au. MCO is currently conducting owner-operated drilling in the Gap Zone. Regional tenements have many exploration targets with historical high-grade production from shallow workings. Management has experience in narrow vein mining.

Achievements

The company has built an extensive ground position of 220sqkm over a highly prospective goldfield. There is excellent potential to increase shareholder value from new discoveries. The Morning Star mine is around 940m deep and has been dewatered and completely refurbished to 310m below surface. Intervening Levels have been mapped and re-sampled using reconnaissance and channel sampling. Exploration of the Gap Zone will finish in 2HCY08. Mining is set to begin and be cash-flow positive in 2HCY08.

Recent Events

1 May 2008 – March Quarter Report: Exploration is focused on the Gap Zone at the Morning Star mine. 23 holes were drilled from Level 9 of the mine, including the K2 Drill Fan that found the Sydney and Maxwell reefs. A 0.38m intersection of the Maxwell Reef recorded around 45oz/t. Visible Au occurred in 6 holes and good grade in another 5. Not all results are at hand. Exploration is set to begin at the Waverly Mine, also a dyke-hosted deposit 1.5km from the Morning Star. This dyke structure can be traced for 4km on MCO ground.

17 March 2008 – Gap Zone Exploration Results: Drilling confirmed high grades over narrow intersections. Drilling increased the percentage of dyke that is mineralised from 5% to 10%. In addition to high-grade Au in fracture fillings in the brittle dyke, mineralised quartz stock-work zones were intersected with grades up to 3g/t Au surrounding high-grade veins. This indicates potential for bulk tonnage lower-grade ore. The Kenny reef is intersected by 6 holes showing visible Au. The Kenny and Maxwell reefs are open in all directions.

1 February 2008 – December Quarter Report: Drilling of the Gap Zone commenced, with the first five holes intersecting Au-bearing reefs, three of which showed visible Au. A new reef called Kenny was intersected in close proximity to Whitelaws Reef. High grades occur in core with visible Au including 0.32m at 35g/t Au and 0.78m at 135g/t Au. A trial mining study has been expanded to include metallurgical plant pre-feasibility design and costing. A new mining lease MIN 5482 was granted that covers the Waverly and Tingha mines.

Capital Structure

MCO has 115.1M listed shares and 0.5M unlisted partly paid 10-cent shares that are paid to one cent. There are also 61.9M listed 25-cent options expiring on 31-12-08.



Level 6, 33 York Street
Sydney NSW 2000 Australia
Locked Bag 7 Australia Square
Sydney NSW 1215
Phone 61 2 8296 1100
Fax 61 2 9299 3777
ABN 72 085 293 910
www.aegis.com.au