

## MORNING STAR GOLD

# GOLD TO FLOW AT MORNING STAR

The historically rich eastern Victorian gold fields are being reborn as the Morning Star mine is just months away from producing gold for the first time in 45 years.

**M**ORNING STAR GOLD NL, the Australian Securities Exchange-listed gold explorer and mine developer, which takes its name from the mine, expects production in late September from the 8-10,000 tonne pilot mining program tagged the Maxwell Project.

Together with its maiden JORC resource statement in July, the financial year start is looking strong and confident for the Sydney-based junior.

The company will be the first to extract ore and produce gold from the Morning Star mine since 1963 after production ceased following the mine's prodigious 25-year operation by Gold Mines of Australia (WMC) between 1934 and 1959 with Lindsay Clark at the helm.

Everything is coming together for Morning Star, which took a new name in 2005 (formerly Mt Conqueror Minerals, a New South Wales-focused base metals explorer). In 1993 current chairman Max Garling changed the company's focus with the addition of the Morning Star mine as its key asset.

Cashflow from the Maxwell Project, plus a large options expiry at the end of the year, will make the company cash positive, enabling it to push ahead with "some serious mine development and production" in 2009.

Morning Star has a sole focus and one with an undeniably top-drawer gold production pedigree – the historically high-grade targets in the rich eastern Victorian gold fields at Woods Point.

Its 100%-owned Woods Point gold project, adjacent to the namesake historic gold mining town, is an area which has produced more than 5 million ounces of gold since the 1890s at an average grade of more than 27 grams per tonne.

Morning Star Gold has tenements covering 220 square kilometres with Woods Point as its operational hub. Woods Point is central to the Walhalla-Jamieson synclinorium, a significant swarm of hundreds of diorite dykes dotted over 130km of northwest trending faults from Walhalla in the southeast to Jamieson at the northern tip.

WMC pulled out of the Morning Star mine in 1959 citing low gold prices and high power costs. In this period it shut down all of its gold mines in the eastern states to chase the nickel boom in the west. The Morning Star mine had about three more years of life operated by local diehards under the banner of Morning Star Mines NL.

The gold price was then \$35 an ounce, but now Morning Star Gold is looking to ultimately extract tens of millions of tonnes of ore from the

same mine with a gold price at \$900 plus and it all has to do with what company managing director Nick Garling says is "a very important historical anomaly" and one shaped by tragedy.

That anomaly is called the Gap Zone and the current focus within the re-established Morning Star mine. Other targets have been identified on the company's expanded tenements in the Woods Point dyke swarm where there has been historical production of around 2Moz from mostly shallow lodes.

While many companies may be looking at old mines in their quest for resource riches, the Gap Zone is most definitely different and a story in itself.

It is an underground area of the Morning Star mine between levels seven and 15 that was only very partially explored and from which there was no production despite being in a mine which yielded 883,000oz of gold at more than 26.5gpt.

"There was loads of production from surface down to seven level [250 metres deep] and plenty between level 15 and level 21. The reason for no production right smack in the middle of the mine is that in January 1939 the Black Friday bush fires devastated the whole of eastern Victoria," Nick Garling told *RESOURCESTOCKS*.

"At that time Woods Point had about 1100 residents. It was a disaster. Seventeen people died locally and the town, mine and all infrastructures were burnt to the ground.

"Leading up to that period, from 1934 to 1939, Western Mining produced nearly 35,000 ounces at more than an ounce per tonne in an area immediately above the Gap Zone."

"This is the first ore extraction and gold production in this mine since 1963."

**NICK GARLING**  
MANAGING DIRECTOR  
MORNING STAR GOLD



The outbreak of World War II followed soon after Black Friday and with a shortage of men and infrastructure, WMC assigned a shaft sinking crew to access high-grade targets beneath level 15.

Gold had been produced in the 1940s and 1950s from the lower levels of the mine beneath the Gap Zone, including the prodigious Achilles and Exeter floors.

The upper levels were barely touched until just before the mine's closure, where a lack of planning and exploration success by those following WMC conspired to finally shut the mine down in 1963.

From the Morning Star investment perspective there is a vertical shaft running through the entire mine, including eight levels (the Gap Zone) where there has been little exploration.

Only five historical drillholes exist in a massive area of host diorite dyke rocks, estimated to be at least 60 million tonnes.

"The fires and the war conspired against that part of the mine being developed," Garling said.

"After GMA/WMC exited the mine, the new owners brought in a senior geologist who, in his report, pointed to areas of the mine that should be looked at.

"We are really following his plans which were that the Gap Zone should be investigated."

Morning Star Gold has now refurbished and dewatered the mine to beneath level 10, about a third of the way into the Gap Zone and conducted drilling where it got significant hits of reef gold, which will be revealed in the announcement of a JORC statement.

It was when Morning Star Gold conducted underground drilling that the company discovered new reefs including the Maxwell reef very close to the vertical main shaft where there was access to cart ore out.

The Maxwell pilot mining project is now the one which will provide the first production in 45 years from the mine and the first cashflow for the company looking at taking up to 10,000t from the reef.

"This is the first ore extraction and gold production in this mine since 1963," Garling added.

"We've had some very high hits on Maxwell reef including a couple more than 500 grams to the tonne over 20 centimetres, so if we included all those we would be talking 40 grams to the tonne, but we are conservatively confident the head grade will be 12 to 14 grams to the tonne and know costs are fixed at about 8 grams to

the tonne, which will provide a nice profit.

"We've proved there is high-grade gold in the Gap Zone.

"I would be very disappointed if we are not pouring gold by quarter four. We can process 2000 tonnes of ore a week so if we get out the 8000 to 10,000 tonnes it is a maximum five-week production process.

"The biggest restricting factor is how much we can cart to the surface, which will be about 80 tonnes a day."

Morning Star Gold owns several surface and underground drills in its own right and has its own work force in place and a priority focus to continue proving up some ounces in its regional tenements.

"We have a large option expiry at end of year, which will raise about \$17 million if all exercised and that, along with the JORC resource coming out and the cashflow from the Maxwell pilot mining project, will mean we start next year with \$17-18 million in the bank," Garling said.

"This will pay for a decline shaft to get some serious mining happening next year which will cost about \$9-10 million to go down to 300 to 350 metres. It would also fund a gravity plant underground at Morning Star.

"The planned decline takes us around the edge of the Gap Zone via some high-grade extension prospects in areas sampled over 2007 including Burns, Campbells and Whitelaws Floors [4-7 levels]. It would also enable an exploration drive to our Waverly deposit nearby."

The Waverly dyke on the expanded Morning Star Gold tenements is 900m from the Morning Star mine with narrow outcrops over a 6km strike and likely to be at least a kilometre deep.

"We have a full-time drill crew there and are currently drilling our fifth diamond drillhole," Garling continued.

"The Waverly originally yielded 50,000 ounces of gold at 1 ounce a tonne in very shallow workings so it is very exciting. It hasn't been mined since 1905."

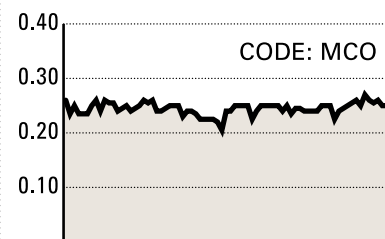
The top 20 shareholders of Morning Star Gold control about 65% of the company and have been the source of most funding in the last five to six years, which has seen it spend \$11 million on the Woods Point gold project.

Money, it would seem, well spent as the company moves into a positive cashflow position and the money for a serious tilt at the rich veins that lie in the Gap Zone at Morning Star and elsewhere in the historic Woods Point mining area. **RS**



Drilling at Morning Star's Victorian tenements

## MORNING STAR GOLD AT A GLANCE



4 months ending June 30, 2008

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### MARKET CAPITALISATION

\$28 million (at press time)

### MAJOR SHAREHOLDERS

Nicholas Garling 21%  
Ridgeview Nominees 4.5%  
Yarandi Investments 4.1%  
Citicorp Nominees 3.8%