



Level 4, 20 Loftus Street Sydney NSW 2000

Tuesday, January 20, 2009

Dear Fellow Shareholders,

PRO-RATA (1:1) NON-RENOUNCEABLE RIGHTS ISSUE OF OPTIONS

In addition to our recently announced capital raising, Morning Star Gold NL is pleased to announce a new Pro-Rata Non-Renounceable Rights Issue of Options.

The Rights Issue of Options is fully explained in the accompanying Prospectus, which has been lodged with ASIC. The Directors of Morning Star Gold NL urge you to read the Prospectus carefully, before considering any investment, and to consult an experienced financial advisor, your stockbroker or our Share Registry service (Computershare), with any relevant queries.

DETAILS OF THE NEW ISSUE

The new issue is a pro-rata non-renounceable rights issue of up to 123,779,734 New Options over shares in Morning Star Gold NL (ASX: MCO) on the basis of one (1) New Option for every one (1) MCO Share held on the Record Date of Wednesday 4 February 2009. The issue price is 1 cent per New Option and the issue may raise up to \$1,237,797.34 in working capital. The options issue is not underwritten.

All shareholders who are so entitled as of the Record Date, (4th February 2009), have the right to apply for new options via an Application Form, which will be provided via mail after the Record Date. **It is important to note that the shares (MCO) will be quoted "Ex- Entitlement" on Thursday 29th January 2009**, which means that anyone who is not a holder by close of ASX business on this date will not be recorded as a holder on the following Record Date and so will NOT be entitled to take part in this new Rights Issue of Options.

All key dates of the Rights Issue of Options are clearly outlined in the accompanying Prospectus released today via the ASX Online portal.

PURPOSE OF ISSUE

Funds raised will become working capital for the continued expansion of exploration activities at the Woods Point Gold Project in and around the Morning Star mine in Eastern Victoria. Morning Star Gold's projects are well documented on the public record and detailed information can be found in our ASX Releases over the past year and on our public website: www.morningstargold.com.au

The Prospectus gives further breakdown of the use of funds potentially raised in this rights issue of options. The Company's major focus in its Woods Point Gold Project is to bring the Morning Star Gold mine back into production.

Surrounding the Morning Star mine, the Company has secured 220km² of tenements along three major shear zones. The area has a rich history in gold production, ranking it behind Bendigo and Ballarat in millions of ounces gained over 100+ years of gold mining since the early Victorian gold rushes of the 1800s. The Company intends to:

1. Advance its Maxwell Pilot Mining Program
2. Continue Underground Drilling to test the 'Gap Zone' in areas between Levels 7 and 16 of the Morning Star mine. The aim here is to target substantially under-explored and undeveloped areas of the mine.
3. Map, Sample & Diamond Drill prospective surrounding ore bodies or 'dykes' in the proximity of the Morning Star mine. There are several known mineralised dykes nearby, including targets such as the Waverly, Loch Fyne, All Nations and Rose of Denmark. Many of the local dykes were mined for rich returns of gold at relatively shallow depths only.

We trust that you read the accompanying documents carefully and make any decision to invest armed with all the facts about Morning Star Gold NL. If we can be of any direct assistance to you, please contact the Company via email at: info@morningstargold.com.au or on 02 9252 3699.

Yours Sincerely
Nick Garling
Managing Director
Morning Star Gold NL