



29 December 2010

*Attn: Kim-Ly Nguyen, Principal Advisor Listings (Sydney), ASX Compliance Pty Ltd. (by email)*

*Dear Kim-Ly,*

Morning Star Gold NL (MCO) is aware that it is required to comply with its obligations under listing rules 12.9, 12.10 and 12.12, which come into effect 1<sup>st</sup> Jan 2011. Please find attached our company's Securities Trading Policy, which has been revised and adopted to comply with the new listing rules. These will be released via the ASX Online portal by the due date provided you have no objections to the content.

Sincerely,

Nick Garling, MCO Chairman

### **REVISED SECURITIES TRADING POLICY FOR MORNING STAR GOLD NL (ASX: MCO)**

#### **Revised Securities Trading Policy (RSTP) objectives:**

Our directors, employees and other shareholders are encouraged to be long-term holders of Morning Star Gold NL ("**MCO**" or "**the Company**") shares. Several directors and key employees already own shares. MCO acknowledges that care must be taken in the timing of any acquisition or disposal of securities of the Company. The objective of this RSTP is to ensure that the Directors and employees are aware of and at all applicable times, take reasonable care not to inadvertently breach the insider trading provision of the Corporations Act 2001 when dealing in securities in the Company (including MCO shares and listed options or other related listed securities). MCO believes this will assist in maintaining market confidence in the trading of the Company's securities.

#### **People covered by the MCO RSTP**

The RSTP applies to all Directors, the MCO Company Secretary, and to all executives and/or employees of the Company and their controlled entities. Under the RSTP, Senior Management refers to the Chairman, the Managing Director, other executive and non-executive members of the MCO Board, which may include also the Chief Financial Officer and/or the Company Secretary, and all senior executives retained by MCO. Senior (long term) contractors of the Company will also be asked to be cognisant of the RSTP and respect its guidelines.

Persons covered by this Policy must not trade through any member of their family, or through a trust or company over which they exercise control, in circumstances where they would have been prohibited from trading in their own name.

## **Securities covered by the MCO RSTP**

The RSTP applies to all securities issued by the Company from time to time, including ordinary shares and options.

## **Exclusions of the RSTP**

This Policy does not apply to any acquisition of securities as part of a new issue where the issue is available pro rata to all holders of securities of the relevant class or a share purchase plan or an executive or employee share or option plan. This Policy will apply however to any subsequent disposals of securities acquired under any of the above.

## **Insider trading generally**

If a person covered by this Policy has Inside Information relating to the Company it is illegal for the person to buy, sell or otherwise deal in securities in the Company or advise, procure or encourage another person (for example, a family member, a friend, a family company or trust) to buy or sell the Company's securities; or pass on information to any other person, if the person covered by this Policy knows or ought to reasonably know that the person may use the information to buy or sell (or procure another person to buy or sell) the Company's securities.

## **Inside information generally**

“Inside information” is information, which is not generally available to the market and, if it were generally available to the market, would be likely to have a material effect on the price or value of the (or any) company's securities (not just the Company's securities) or influence persons who commonly invest in securities in deciding whether or not to buy or sell the Company's securities. Information is generally available if it consists of readily observable matter or it has been made known in a manner likely to bring the information to the attention of people who commonly invest in securities of a kind whose price or value might be affected by the information and since it was made known, a reasonable period for it to be disseminated among such persons has elapsed or it is derived from information which has been made public or it consists of observations, deductions, conclusions or inferences made or drawn from the other generally available information. It does not matter how or where you obtain inside Information and it does not have to be from the Company or about the Company to constitute “Inside information”.

## **Penalties for non-compliance**

Insider trading is a criminal offence punishable by significant fines or jail terms or both. It is punishable at law not by MCO. The insider trader and any other person involved in the deemed contravention may be liable to compensate third parties for any resulting loss at law. Internally however, MCO treats non-compliances with its RSTP seriously and breaches, whether or not they result in a breach of the law, may result in disciplinary action including dismissal from the Company.

## **Policy pertaining to Inside information and MCO**

No trading is allowed when any person or entity is in possession of “Inside information”. Additionally, no person to whom the RSTP applies may deal in any security at any time if they have “Inside information”.

## **Black Out Periods under this RSTP**

A person covered by this Policy may trade in securities at any time but only if there is no black out period in place and only if they have no Inside Information; and only if the trading is not for short term or speculative gain. The Board, Chairman or the Managing Director or Company Secretary may implement a black out period with immediate effect via written notification (generally distributed by email) from the Company Secretary. When a black out period is implemented, no one covered by MCO's RSTP is permitted to trade in the securities of the Company. The Company Secretary will communicate in writing the lifting of a black out period. In addition to this, there are designated blackout periods each year as follows:

- January following the end of the previous December quarter up to and including 2 business days after the day on which the Company releases its December quarterly cash flow report;
- April following the end of the previous March quarter up to and including 2 business days after the day on which the Company releases its March quarterly cash flow report;
- July following the end of the previous June quarter up to and including 2 business days after the day on which the Company releases its June quarterly cash flow report; and
- October following the end of the previous September quarter up to and including 2 business days after the day on which the Company releases its September quarterly cash flow report.

## **Excluded Trading**

A person covered by this Policy may trade in securities during a black out period if that trading falls within one of the following categories of "excluded trading":

- Transfers of securities already held from a relevant MCO person's own name or controlled or related entities into a superannuation fund of which that person is a beneficiary and vice versa;
- An investment in, or trading in units of, a fund or other scheme where the assets of the fund or other scheme are invested at the discretion of a third party;
- Undertakings to accept or the acceptance of a takeover offer;
- Trading under an offer or invitation made to all or most members such as a rights issue or a share purchase plan;
- A disposal of Company shares that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement; and
- Trading under any employee incentive scheme in accordance with the rules of an MCO Board approved Incentive Plan.

## **Other trades considered "authorised trades"**

A person covered by this Policy may trade in securities outside of blackout periods only if they are personally satisfied that they are not in possession of "Inside information" or in the case of Directors – they have obtained the approval of the Chairman or in the case of any proposed trade by the Chairman, of another non-executive Director nominated by the Board for the purpose or in the case of Senior Management, they have obtained the approval of the Managing Director and in the case of others - they have obtained the approval of the Managing Director or the Company Secretary. Approval to trade during a black out period may also be given where the person is in severe financial hardship or other exceptional circumstances exist and the approvers are satisfied that there is no inside information which has not been disclosed to ASX Limited portal.

The following are examples of situations of severe financial hardship or other exceptional circumstances that the approvers may consider sufficient to warrant approval under the previous paragraph:

- “Severe financial hardship” could include (but is not limited to) the applicant having a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant Company shares; and
- “Exceptional circumstances” could include (but is not limited to) where the applicant is required by a court order, or there are court enforceable undertakings, for example, in a bona fide family settlement, to transfer or sell Company shares or there is some other overriding legal or regulatory requirement for him or her to do so.

An applicant seeking clearance to trade must satisfy the approvers that they are in severe financial hardship or that their circumstances are otherwise exceptional and that the proposed sale or disposal of the relevant Company shares is the only reasonable course of action available. Determination as to whether the applicant is in severe financial hardship or whether a particular set of circumstances exists, may only be made by the approving person. Permission will be given for trading pursuant to this section only after a written request for approval is provided (whether by letter, facsimile, electronic or other form of visible communication) and primarily only if the approving person is satisfied that the transaction would not be contrary to the governing law. The approver may also take into account whether or not the trade in the Company’s securities is for speculative gain or to take advantage of inside knowledge or seen by the public, press, other shareholders or ASX as unfair. If said approval is given, the trade must be executed within 2 business days of the approval.

#### **Disclosure to MCO and Company Register**

Senior Management must advise the Company Secretary in writing of the details of completed transactions within 2 business days following each transaction. Details required include the name of the shareholder, the date of transaction, type of transaction (purchase, sale, transfer, assignment etc.,) number of securities and price per security. Notification is necessary whether or not prior authority has been required and this will enable the Company Secretary to maintain a register of securities transactions for the purposes of the RSTP of MCO. Additionally, MCO must comply with its obligations to notify ASX in writing of any changes in the holdings of securities or interest in securities by Directors.

**Ends.**