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Morning Star Gold NL
Suite 101, Jones Bay Wharf
26-32 Pirrama Road
Pyrmont NSW 2009

T 02 8569 7488
F 02 8569 7499
info@msgold.com.au
www.msgold.com.au

**morningstar**
mining a golden future

30th April 2011

QUARTERLY ACTIVITIES REPORT – TO 31st MARCH 2011



The first gold poured from ore processed at the Morning Star Goldmine in ~50 Years

HIGHLIGHTS REPORTED OVER MARCH 2011 PERIOD

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WOODS POINT
YEARS OF GOLD

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(31 Jan 2011)

- Mill (GPP) commissioning ongoing due to mechanical and technical issues
- Extremely high-grade assays from spinner concentrate of 18,000g/t encouraging
- New winder installed at Morning Star shaft and being commissioned
- Underground diamond-drilling recommenced at Morning Star mine
- Surface diamond-drilling continuing at the Reliance prospect
- Key staffing changes and additions (appointment of Greg Curnow as GM)
- Executive search underway for CEO
- MCO engages Gijima (GMSI) as mining and project consultants
- Focus on upgrading in-mine infrastructure catering for expansion & efficiency
- William Gooley Community Award inaugurated in Woods Point's 150th year
- MCO website re-launching shortly with microsites on history and community

(07 Mar 2011)

- Mill (GPP) commissioning ongoing at Morning Star Goldmine
- Major mechanical issues of GPP affecting mill continuity being addressed
- High grade concentrates taken offsite to enable initial gold pour
- Impure concentrates off Wilfley table not enabling onsite smelt at this stage
- Gekko working with MCO to refine concentrates for onsite smelting per GPP design

(11 Mar 2011)

- 341 grams of Gold and 74.5 grams of Silver smelted into first ever Dore bars
- First gold smelted offsite from onsite derived concentrates – results encouraging
- Extra concentrates shipped to Gekko Ballarat for testing and further refining
- Reliance Drill core has significant intersections of large-scale hydrothermal alterations
- Surface diamond-drilling at the Reliance prospect considered highly encouraging
- Mill (GPP) commissioning ongoing – latest mechanical fixes in place
- New winder commissioning continuing
- MCO website re-launched and full project video to be released shortly

Chairman's comments on the March 2011 Quarter

"It's been a very busy few months for Morning Star Gold (MCO):

1. we poured our first ever gold bars;
2. we conquered all mechanical & circulatory teething problems at our new onsite mill (GPP);
3. we conducted our first ever major OH&S audit of MCO's operations;
4. we appointed three new senior technical / mining personnel as GM, Mine Manager and Senior Geologist;
5. we commissioned a high-tech ground & mill-water treatment plant and;
6. we opened our new local HQ in the main street of Woods Point in the process rebuilding one of the central buildings of the township;
7. Re-launched a totally new corporate website and related 'micro-sites'

On a measure of gold production alone, we encountered a challenging quarter at the Morning Star Goldmine brought about by commissioning issues of our GPP and crucially, lack of access to the underground workings due to commissioning & certification of our new hi-speed winder (and related safety features). At the time of writing we have regained access to the mine and more will be said of the upcoming mining program and higher grade stoping continuity in our next releases. Suffice to say no high grade ore was processed in the March period and we expect to be on track in June in this regard. We will continue to selectively process stockpiled material until in a position to maintain continuous stoping at Maxwell and Kenny reefs.

At the March period end, other major upgrades are ongoing but will not affect our ability to operate at the scale and rate we have planned. For instance, converting the whole underground workings to 1,000 volts is time consuming and carries a capital cost upfront but will save us crucial 'Opex' dollars as we take on full scale mining and production. The same can be said for our decision to use a 'paste-fill' tailings storage option within present mined stopes of the Morning Star Goldmine. This carries in our case close to half the cost of a surface storage solution for tailings and none of the environmental problems. The infrastructure upgrades have been major and company changing in scope. They take time, cost money and inevitably frustrate some shareholders – but it's impossible to operate a successful mining operation 'half-cocked' in Australia.

Our decision to place OH&S as an absolute priority for MCO going forwards comes as we are initially relying on the Morning Star Goldmine as a long term mining proposition focusing on maximum ounces extraction from stopes currently re-accessed and dependent upon the success of the upcoming Gap Zone diamond drilling program, other stopes mining zones either yet to be discovered or under the present water level at the mine (~310 metres). Our expert OH&S audit

will see us at the forefront of safety and occupational health policy & procedures among our peers.

Despite the challenges noted above, MCO has had an extremely strong quarter in terms of strengthening infrastructure at work sites and within our workforce and gaining quality people. Probably of most recent concern to stakeholders, we've now adequately resolved the continuity, mechanical and throughput issues with the new Gekko designed and built mill (GPP) and now the focus will turn to accessing higher grade stopes in order to increase gold recovery. Drilling in the March Quarter has been very encouraging at the virgin Reliance dyke with visible gold in one hole and lengthy altered dyke intercepts, causing us to gain confidence as to the mineralised ore body at foot in the early stages of the exploration at the prospect. The Rose of Denmark project continues to surprise to the upside as we continue the last leg of adit re-development and prepare for resource and exploration drilling there. We have several drill programs to look forward to over the second half to increase news flow on the exploration and mine development front."

Key Points Subsequent to the March 2011 Quarter end

- **The Gravity Processing Plant (GPP) is running at designed capacity and continuity (10TPH over 12 hours shifts)**
- **Gravity gold recovery is expected to increase via GPP as throughput grade increases**
- **Trial batches being milled from RoD development adit**
- **Further concentrates have been sent to Melbourne & Ballarat for tests & gold production**
- **Low grade concentrates are being 'bottle rolled' to assess amenity of cyaniding**
- **Higher grade concentrates being 'roasted' and smelted in Melbourne**
- **Stage 1 drilling (7 Holes) at Reliance completed & being interpreted - very encouraging**
- **Drilling underfoot into the 'Gap Zone' of the Morning Star mine commences May 2011**
- **New hi-speed winder is expected to be commissioned & operational in June quarter**
- **A work plan has been submitted to extract a ~1,000T bulk sample from the Loch Fyne**
- **Plan to drill 25 diamond holes (~5km) into Loch Fyne from the 3L adit (Shandong JV)**
- **Rose of Denmark adit stripping nearly at target – drilling in coming quarter**
- **Senior operational framework continues to be strengthened**
- **MCO Corporate Video released – available on msgold.com.au website**
- **Diamond-drilling continues from surface into Morning Star dyke**
- **Attended two major offshore mining conferences to increase PR**

More detailed post March 2011 Quarter information will be reported on in coming progress reports over the June 2011 Quarter.

DETAILS REPORTED OVER MARCH 2011 PERIOD

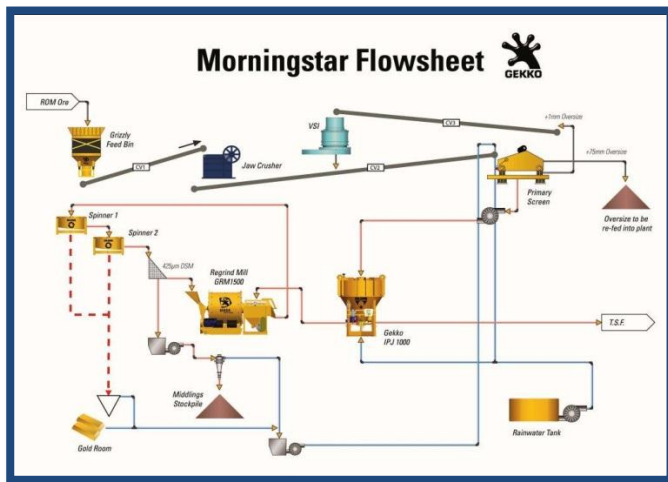
(31 Jan 2011)

COMMISSIONING OF GRAVITY MILL (GPP)

Gekko Systems commenced 'dry' commissioning of the gravity plant (GPP) in late Nov 2010 and wet commissioning commenced in Dec 2010. A number of issues have inevitably been highlighted and most of Jan 2011 has been taken up remedying these issues. Presently two main issues are outstanding and both are limiting MCO's ability to run the plant at full capacity and thus pour gold and get onto a good production run-rate. The first issue involves too much ore material being directed (& redirected back) to the secondary crusher (the vertical shaft impactor or 'VSI') which is limiting the overall throughput of the plant as the VSI is reaching its mechanical limits and putting stress on power supply due to operating at or over designed capacity (~10TPH). The supplier of the VSI and Gekko engineers have been to site to examine the issue and are expected back in the first week of Feb 2011 to solve it. It should be noted that prior to purchasing the GPP, VSI amenability testing by Gekko concluded that the VSI was suitable for crushing Morning Star ore material down to ~1mm at a rate ~10 tonnes per hour. It is expected that some fine tuning will see it operate as its design intended. The second issue highlighted during commissioning is the design of the oversize screen, which is part of a two-screen undersize-oversize separation system prior to 1mm or lower sized ore material going across to the Gekko inline pressure jig (IPJ) for gravity processing. Larger sized ore material has been getting around the screen and through the 50mm apertures on the oversize screen and falling onto the fine (-1mm) screen and causing damage. This design issue has been addressed. Gekko have sourced a new -1mm fine mesh screen and have redesigning the oversize screen above it to stop the wear and ensure the segregation at this point ensures the correctly sized ore is distributed in the designed manner. These modifications are also planned for the first week of Feb and it is hoped that later in the week the gravity plant will be operating at near full capacity.

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High Grade concentrate present in circuit - As part of the GPP commissioning process, testing was conducted in January 2011 by Gekko's Ballarat lab inter alia on concentrate material in the spinner section of the gravity mill. The assays returned an extremely high grade result of 18,000 g/t Au. which is considered to be a strongly encouraging grade from the spinner concentrate. This is the concentration stage immediately preceding concentrates heading to the gold room for further concentrating and separation via a Wilfley table and then final processing (smelting). 18,000ppm far exceeds Gekko's target grade of 8-9,000 g/t Au for the gold concentrate material, (which was present in metallurgical testwork conducted by Gekko on the same ore (stockpiled development ore from Dickenson & Maxwell areas) in November 2009. This is a good indication that once the mechanical issues leading to correct ore throughput are overcome, the GPP will likely operate with a high rate of free gold recovery in accordance with prior testwork by both Gekko and Ammtec (~80% gold in under 10% mass), or even better than planned.



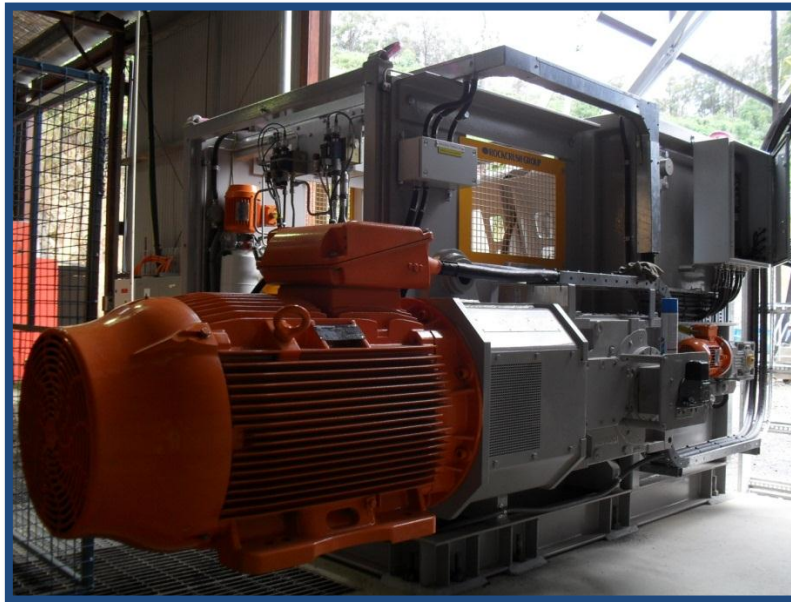
Gravity Processing Plant (GPP) Flowsheet

NEW WINDER

MCO's new winder has arrived onsite and has been installed. It is presently undergoing commissioning which is expected to take another week or so. Once commissioned and coupled with the new haulage cage that is being constructed for MCO, the winder will be able to haul

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material up the shaft at a rate at least 5 times faster than the current winder. The new winder is a vast step forward for the shaft haulage system at the Morning Star mine, bringing the haulage system well into the 21st Century. It is computer controlled and is designed so it can be easily upgraded in the future to allow fully automated haulage of ore. Other important upgrades to the shaft are well underway focusing on safety including revamping old support sets which were put in place back in the early 1990's when the mine was originally re-accessed after many years lying fallow. Enhancements also include upgrading the communications and safety features of the shaft and winder which will assist in automating the entire mine winding system in the future. The infrastructure works that have been commenced last year and are being applied at the time of writing make for safer more efficient operations at the Morning Star and are considered by current management to be essential to grow operational efficiency.



MCO's New Winder at site will significantly increase haulage rates and safety at the Morning Star mine

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OTHER KEY INFRASTRUCTURE UPGRADES

Amongst a raft of upgrades to present infrastructure at the Morning Star mine site are the establishment of a water treatment plant, the addition of a stand-alone separate geologists area away from milling and mining operations to cater for the expanded geology team, comprising offices, ablutions, core storage, core analysis & shedding.

In addition, a decision was taken to increase the voltage to underground operations to 1,000 volts from 415v. This is significant for ventilation and streamlining of other expanding underground operations.

Site amenities have been significantly expanded in order to cater for expanding mining staff and to make the site more secure with installation of a perimeter fence and gates and infrared security cameras which are recorded and monitored remotely.

Morning Star's new HQ in Woods Point is expected to be open as the main admin office within a couple of weeks.



Morning Star's new water treatment plant (As.)

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1000v cable being lowered down the mineshaft

UNDERGROUND DRILLING

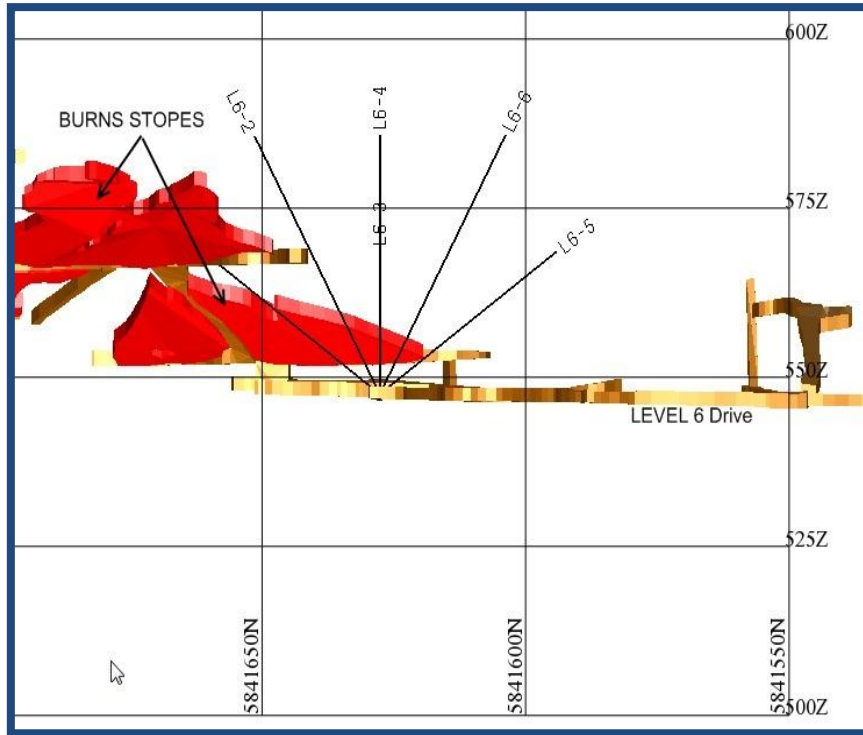
MCO has just recommenced underground diamond drilling at the Morning Star mine with the drilling being planned to enhance the current expanding mining plans and add to the in mine resources.

The first six holes being drilled are testing the southern extension of the Burns reef above the 6 Level drives. The Burns reef is one of the richest reefs in the Morning Star mine with sampling regularly assaying above 100 g/t Au.

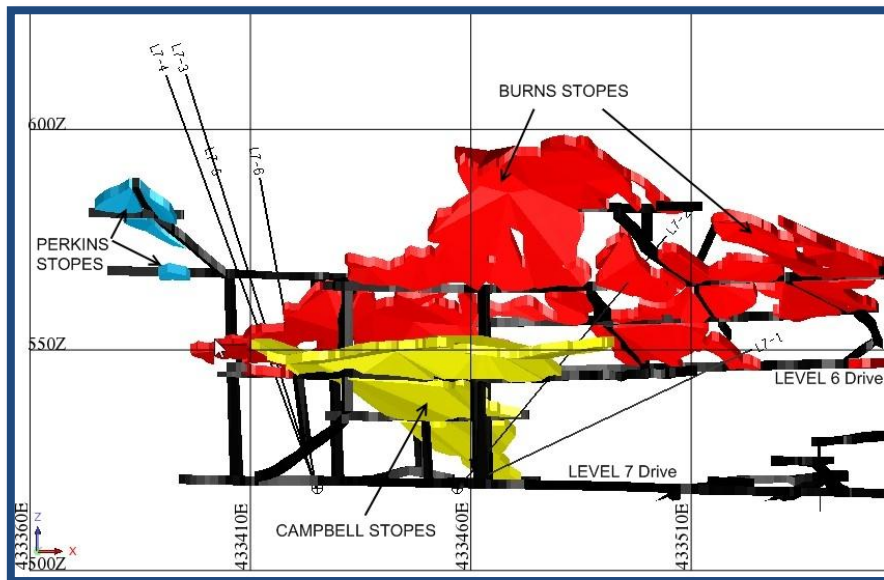
When the drilling is finished at the Burns reef the drill rig will shift to the 7 Level and commence drilling aimed at the Campbell and Perkins reefs.

A comprehensive program of diamond drilling towards known targets from the 9 and 10 Levels of the mine underfoot deeper in the "Gap Zone" is planned shortly upon the completion of the abovementioned drilling. The drilling is being carried out by contractors has been scheduled so as to not interfere with the current and planned mining schedule.

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Planned Burns Reef Drilling from 6L (~180m depth)



Planned Campbell's & Perkins Reef Drilling from 7L (~210m U/G)

SURFACE DRILLING

Presently surface diamond drilling is being carried out at the Reliance mine on MCO's 100% held EL5079, north-west of Gaffneys Creek. At the present time, one hole (REL-01) has been finished to a depth of 186.5 metres and a second hole (REL-02) commenced. REL-02 is targeted at delineated the dyke and is intended to reach a depth of ~400 metres.

The Reliance is a small historic mine that has only been mined by hand suggesting hasn't been mined since the late 1800's, but mapping of the shallow workings and the surrounding area indicate that the Reliance has a dyke bulge that is approximately 80 metres long and 35 metres wide (see Reliance plan below).

MCO is initially drilling three holes to test the southern extent of the dyke bulge as well as its width at depths beyond known mapping. The information gained from this drilling will assist MCO's exploration geologists to determine if the Reliance dyke is capable of containing an economic prospect and if this is the case further drilling will follow. These are the first known drill holes into the Reliance prospect.

Sampling by MCO during the initial phase of exploration returned a result of 12 g/t Au from a quartz reef in the Reliance dyke found in one of the underground drives proving that the Reliance dyke is mineralised and worthy of testing at depths beyond accessible drives.

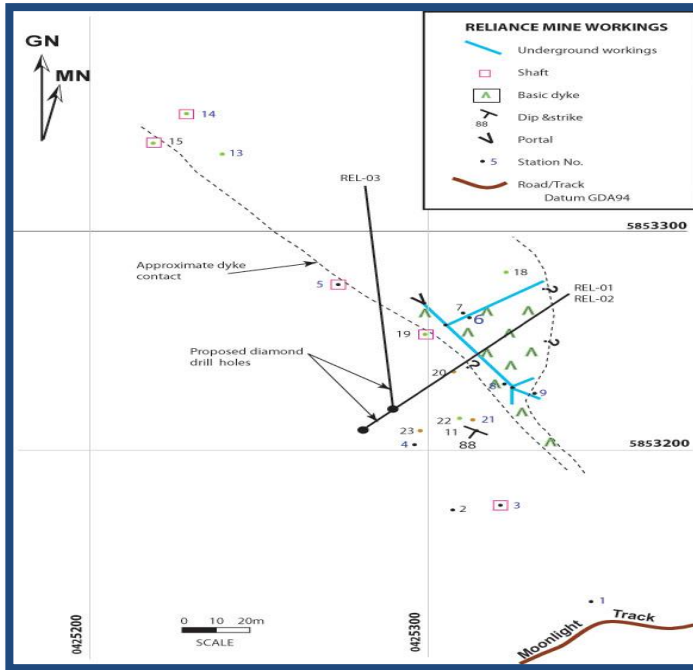
Logging of REL-01 has only highlighted three small intersections of dyke material and the hole has been re-interpreted to suggest that the dyke bulge mapped near the surface dips shallowly to the north-west and REL-01 passed over the top of the dyke.

Sampling of thin quartz reefs or veins found in the three dyke intersections returned grades up to 0.59 g/t Au. MCO is cognizant that this is the first ever drillhole in to the Reliance dyke and further drilling and sampling is needed before the Reliance prospect can be better understood.

Hole Number	Easting (GDA94)	Northing (GDA94)	Depth	Azimuth	Dip
REL 01	0425280	5853210	150	045	60
REL 02	0425280	5853210	400	045	75
REL 03	0425290	5853220	250	355	70

Reliance Drillhole Locations

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Reliance Prospect Drill Plan



Drilling at the Reliance dyke prospect commenced in Jan 2011

REGIONAL EXPLORATION (including Shandong JV)

Logging and sampling of last years All Nations (MIN 5241) drilling has been disappointing with little mineralisation being found to date despite the prospect's history of being a high grade producer (132Kozs). Part of the lack of drilling success to date is believed to be the series of narrow ore bodies making up the All Nations and lack of underground access to exposed workings. It may be possible to enter the All Nations adit in much the same vein as the Rose of Denmark adit refurbishment and this is being assessed currently. This would have the added benefit of allowing potential exploration drilling access to the Loch Fyne ore body without disturbing the surface of the Thomson catchment side of the prospect, which is closed in the late autumn and winter months. MCO's technical team are currently reviewing the new information from the drilling program with historical data and re-modelling the All Nations deposit and once this has been completed a decision will be made on the next phase of work.

Rose of Denmark – MIN 5299

Mapping and sampling is continuing at the Rose of Denmark (RoD) prospect in preparation for diamond-drilling from the underground winding chamber this coming winter. Assays from nine grab samples returned to date range from 0.9 – 56.2 g/t Au (range previously reported). Samples have been collected from various locations along the main RoD adit from quartz reef material in or adjoining the dyke. Although the RoD is a fairly narrow dyke at the adit entry, it bulges at the winding chamber area and drilling will attempt to explore areas underneath the known workings within that dyke bulge.

On the entry to the RoD project area, works have commenced on upgrading the main bridge over Cannon's Creek at Paradise Point not far from Gaffneys Creek. The bridge works will allow for heavy machinery and trucks to pass safely over the creek and provide better amenity to the local community and residents as well.

Other regional exploration work included site visits to the Wallaby, Tingha and Loch Fyne mines to assess the accessibility for more concentrated exploration programs and to plan fieldwork in the upcoming months. Access to the Wallaby mine is quite steep but MCO is investigating an older, easier access route which we believe will give us access to lower adits and better drill sites.

Remedial work needs to be done to access the Hunts dyke on MIN 5299 as the consistent wet weather leading up to Christmas has caused the vehicular track to partially collapse into the creek running past the mine.

STAFFING

Greg Curnow, MCO's chief geologist has been promoted to General Manager and given responsibility for the day to day running of MCO operations at the Woods Point site, with special emphasis on the Morning Star mine. MCO has appointed a number of technical staff to key

positions to assist Greg in managing MCO's growing business and these positions include senior exploration geologist (Chris Woof) and mine engineer (Alexandra Kemp). Chris Woof is a very experienced exploration geologist with both regional and near mine exploration experience and until recently has held a similar position with Barrick Gold in Kalgoorlie. Chris has been tasked with overseeing the current scope of works and planning and implementing a long-term exploration plan for the entire region. To this end Dr Peter Jackson a specialist in the Woods Point goldfield will mentor him. Alex Kemp is a mining engineer, who also has degrees in surveying and geology and over 15 years' experience in underground mining. Alex has been appointed to the position of mine engineer based at the Morning Star mine. She is also Greg Curnow's Deputy GM effective 1 Jan 2011. Alex will be responsible for operational and technical matters onsite and will assist Greg in overseeing the Woods Point workforce. Alex started with Morning Star in Dec 2010. In addition to these two senior hires, another geologist and two field technicians have been hired to assist MCO's technical team in regional exploration and at the Morning Star goldmine.

CEO Search

A professional search consultant has been engaged to scout for a CEO of Morning Star Gold. We are looking for a self-starting leader reporting directly to Nick Garling and the board. The CEO will have strong organisational and interpersonal skills and head up what will become a Victorian based executive staff including those at the mine site(s). The successful candidate would likely be an experienced mining operative with a strong eye on growth of MCO both at Woods Point and beyond. Several high calibre names have already come to light. We would like to make a decision on CEO before the end of the second calendar quarter this year. Other senior roles are being considered by MCO in this expansion phase also.

WEBSITE

Morning Star have engaged Heywood Innovation during 2010 to improve their online offering and make information about the company more easily accessed. Much time and effort have been put into raising the company's profile in this regard. In the coming days and weeks Morning Star will unveil three websites. One is the main company website which will have a focus on investors and media offerings for those with instantaneous attention spans in this day and age... A second 'microsite' will contain a plethora of historical information and be known as The Reefers Hotel. Shareholders will be able to access historical information about the gold mines surrounding Woods Point and the history therein. The third site (microsite) will be a site that MCO has set up for the community of Woods Point and carry all the local tourist and Woods Point centric information. Woods Point Gold microsite is part of the '150 Years of Gold' celebration taking place in 2011; 150 years since Williams Gooley discovered gold in the Woods Point district.

PROGRESS REPORTS

As flagged previously, going forwards we are adjusting the way and rate of news-flow on our

projects. We'd like to update our shareholders about every 4 weeks or so via an ASX progress report such as this one and a short summary of these updates will be encapsulated in a quarterly report at the appointed quarter end. In this transitional period into full gold production, we will keep you abreast of progress at site perhaps even more regularly with short updates. We are patently aware that all are excited and anxious about the step up to gold production and are fully focused thereon.

(07 Mar 2011)

GRAVITY PROCESSING PLANT (GPP)

MCO has worked its way through a list of issues raised during the commissioning of the processing plant that are affecting the throughput and continuity of ore processing. The 3 major issues being:

- Throughput on conveyor 1 'CV1' to the primary jaw crusher.
- Effectiveness of the Vertical Shaft Impactor (VSI) (secondary crusher)
- Continual damage and need for replacement of the lower (1mm) vibrating screen.

CV1 (conveyor 1)

Due to high speed of the motor controlling CV1 the feed to the jaw crusher is too much for the crusher to operate efficiently and to overcome this MCO has had to stop-start CV1 to control the feed to the crusher which in turn has caused a pulsing effect in the crushing circuit which has led to problems with the screen and the VSI. To overcome this problem a slower, higher quality gearbox has been ordered and is expected to be fitted this week.

Vibrating Screen

MCO is finding that a large amount of sharp oversize material is being produced by the jaw crusher and when this material passes over the vibrating screen it is causing the undersize fine screen to rip and fail continually. Discussions between MCO, Gekko and the screen manufacturer has produced a list of possible solutions. A new tougher screen has been ordered and is being fitted currently.

VSI

Throughput and power issues (tripping out the electrical circuit) have been resolved with the VSI - most of these issues are thought to be related to problems with CV1 as discussed above.

Gold milling / gold pour and onsite concentrates

As continuity issues with the ore processing plant are still being sorted out MCO is feeding development ore into the plant. Development ore is a mixture of high grade Maxwell reef ore (quartz) and low grade (~5 g/t Au) gabbro dyke material. The low grade gabbro contains a mixture of gold and sulphide material which is causing separation problems in the gold room where it is

difficult to separate the free gold from the sulphide material. A high grade concentrate has been sipped offsite to enable the first gold pour but it is stressed that this is not the long term plan, rather the short term plan while the end of gravity milling is sorted out by Gekko as per GPP design. To achieve separation of the two materials involves continually passing the gold/sulphide material over the table, with each pass removing more and more of the sulphide material. Each pass removes more sulphides, it also removes a percentage of the gold which means that the concentrate becomes cleaner (contains a greater percentage of gold) but contains less gold. It should be noted that the gold that is associated with the sulphides is not lost but just cannot be used in making a gold DORE bar onsite and should be considered as a high grade middling product, which may need to be treated off-site in the interim. MCO's metallurgists in concert with Gekko are trialling different techniques to remove the sulphides without affecting the quantity of gold in the concentrate. A full summary of amounts milled and gold recovered will be available middle of this week and will be released with a further progress report of the other site and offsite activities.

(11 Mar 2011)

Further comments on milling and gravity circuit

CV1

A new higher quality gearbox has been installed on CV1 and is designed to allow a more controlled and continuous feed from CV1 to the jaw crusher by enabling CV1 to run at a slower and more variable speed. Gekko and MCO will monitor the changes to assess whether the new set-up needs additional control between the weightometer and CV1 to work correctly thus allowing the correct amount of ore feed into the jaw crusher and onto the VSI.

Vibrating Screen

A new polypropylene lower vibration and separation screen has been fitted to the GPP this week. This is after several previous screens have had to be replaced due to damage. This screen controls the separation of -1mm fines from the oversize material with the fines being sent to Gekko's IPJ (inline pressure jig) and the oversize material being sent to the VSI (vertical shaft impactor) for secondary crushing. The aperture of the new poly screen is in fact 1.4mm (up from 1mm in the initial design) and this has caused larger material to pass through to the process side of the GPP and this has impacted on the tailings pumps which will need to be adjusted to ensure the correct dispersal of tails from the mill. The poly screen is expected to be much tougher than previous screens and the only other potential issue to be monitored relates to the overall aperture mass and what material that filters as larger particles will move to the IPJ. Gekko / MCO will need to carefully monitor whether or not the new poly screen impacts the separation of gold from ore. Again more GPP continuity will help herein.

VSI

Problems to date with the VSI relating to ore throughput, recirculation and power failures (tripping out) of the VSI are probably caused by the faster than desired feed rate of CV1, which led to the feed to the crusher being of a stop-start nature. Gekko and the VSI manufacturer advised that one potential solution is changing the speed that the VSI operates at to increase the throughput in that way. This is on hold at the moment until the changes to CV1 gearbox have been trialled adequately on the expectation they may resolve the VSI issues altogether. It is expected that once the feed rate is correct to the VSI as per design, that the VSI will be more effective in preparing ore for the screens and gravity processing. MCO is also considering other additional crushing alternatives should this outcome not be achieved in a desired timeframe.

Concentrates

MCO consider with the issues in commissioning the mill, that on the balance it is too early to make categorical statements about the gold recovery and treatment of concentrates. Gekko have advised that as mill continuity increases and more mining grade ore is processed versus mixed or shandied ores and rock types, concentrates should be more amenable to onsite gravity smelting and Dore production. It needs to be said that the first samples of concentrates processed by a recognised refinery in Melbourne have proved cost effective and expeditious. MCO recognise that this is a good short or medium term solution until concentrates onsite are of a standard to enable site smelting. Obviously MCO want their GPP to work as per Gekko's design. This is the desired outcome for all and we are working hard every day to enable this outcome.



Wilfley Table in MCO's GPP

Gold production to date (offsite smelting)

Morning Star sent two samples to a Melbourne lab and foundry in order to test gold recoverability from concentrates prepared onsite at the Morning Star mine and ultimate precious metals recovery. Concentrate A has been significantly 'tabled' and fractioned onsite at the Morning Star GPP and Concentrate B was less so. The resulting offsite smelt refined / recovered 341 grams of

gold (Au) in a 2 bars. Also recovered was 74.5 grams of silver (Ag). See table below:

	RAW WEIGHT	Au RECOVERY	Ag RECOVERY
CONCENTRATE A	538 grams	221 grams	50.5 grams
CONCENTRATE B	915 grams	120 grams	24 grams

This initial offsite smelt is considered a success and shows MCO can economically and expeditiously produce a gold bar from site formed concentrates with a minimum of cost and time involved. Our initial feeling is that the lower grade and less fractioned concentrate of 915 grams raw weight would cause less trouble and operational expense to produce a bar than the more fractioned higher grade concentrate tested. More concentrate will be shipped to Melbourne this coming week. Additional lab and foundry tests will be conducted to better understand the range of metallics and non-metallics present in the Morning Star ore. It's worth noting the silver metal extracted was equal to about 18% of the overall precious metal recovery. Further concentrates have been shipped to Gekko in Ballarat for assay and gold production.

NEW WINDER – SHAFT UPGRADING

MCO's new winder has been installed and is undergoing stringent safety commissioning. The main factors outstanding in the commissioning before designed usage at higher speeds and capacity can be carried out, are a new cage construction, implementation of a slack-rope detection & safety system and compliance with best practice / relevant mining standards across Australia for haulage of ore and men (different standards apply to each). In addition, MCO has been carrying out an ongoing program of shaft and headframe structural upgrading, which has been set down for some time and which is overseen and approved in its implementation ultimately by WorkSafe Victoria. MCO is working with very experienced, expert shaft and haulage engineering contractors to ensure this new system is safely operating in the soonest timeframe. It is expected this will see haulage using the new system commence in April 2011. MCO is also implementing ongoing upgrades to its old winder and obtaining certification under the same applicable best practice standards for it to be used as emergency access and egress to the mine. A third suitable winder has been obtained to cover the commissioning period in order to eliminate and/or reduce any unforeseeable delays.

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Aerial View of headframe at Morning Star



The new winder is aimed at significant productivity improvements

As reported earlier this year, once commissioned and coupled with the new haulage cage that is being constructed for MCO and ongoing shaft stability maintenance, the winder will be able to haul ore up the shaft at a rate at least 5 times faster than the old winder. The new unit is computer controlled and is designed so it can be easily upgraded in the future to allow fully automated haulage of ore should cost benefit analysis of this make the case clear to upgrade the haulage at the Morning Star goldmine further still.

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UNDERGROUND DRILLING

MCO has commenced a program of six planned holes in the historically high-grade Burns Reef zone from the 6 Level of the Morning Star mine (~180 metres depth). This is the first underground diamond-drilling program at the Morning Star mine since the Maxwell and Kenny Zones were discovered some 70-100 metres deeper in 2008. Drill hole (L6-1) has been completed and L6-2 is commenced with the drilling being planned to enhance the current expanding mining plans and add to the in mine resources.

L6-1 was drilled to test the southern extension of the Burns reef above the 6 Level drives and a narrow quartz reef, surrounded by intense hydrothermally altered gabbro dyke host rock was intersected where the hole was planned to pass through the Burns reef. L6-1 was then continued on to the eastern contact of the gabbro and the dyke sediment where more hydrothermally altered dyke material was encountered. MCO is awaiting assays for these two zones.

Hole L6-2 is being drilled along the same plane as L6-1 but at a steeper angle and is planned to intersect the same two potential mineralised zones and to date has not reached the first target zone.

SURFACE DRILLING

A preliminary program of seven diamond-drill holes from surface has been completed at MCO's 100% owned Reliance mine project on EL5079, northwest of Gaffney's Creek. (See Table 1 below for details). RLD 1001, 1002 & 1003 all failed to intersect significant intersections of the Reliance dyke, though REL-02 was stopped short of the potential target depth due to the loss of drilling equipment down the hole, and this led to a rethink of the conceptual geometry of the Reliance dyke. (See Table 2 below for notable assay results to date).

RLD 1004 intersected the dyke at 23 metres depth for a downhole width 83 metres. A number of zones of core loss were intersected in the weathered dyke which MCO has interpreted to be reefs that have broken down in the weathering zone. MCO has yet to receive any assays back from RLD 1004.

RLD 1005 is considered to be the best hole with a large intersection of both weathered and fresh dyke and a number of large areas of stockwork or brecciated quartz reef. The dyke material of RLD 1005 also shows significant large-scale hydrothermal alteration, which is typically a significant indicator of mineralisation in the Woods Point - Walhalla goldfield.

The presence of quartz stockwork and hydrothermal alteration such as in RLD 1004 and 1005 is also found in the ore zones of a number of gold mines in the field, especially the A1 Mine and

the Rose of Denmark mine, suggesting that this zone is highly prospective for gold mineralisation. RLD 1006 and RLD 1007 have been completed and no thorough logging of the holes has yet occurred but both holes have significant intersections of dyke (35 and 97 metres downhole intersections of dyke respectively). The holes will be logged and sampled over the next two weeks and results will be released as they come to hand. It should be noted that RLD 1007 was drilled directly below RLD 1005 and both holes have large zones of hydrothermally altered dyke material and RLD 1007 has a wide zone of brecciated quartz adjacent to the eastern contact with the country rock sediments.

An update on this highly exciting zone will be made once assay results have been received.

Hole Number	Easting (GDA94)	Northing (GDA94)	Depth	Azimuth	Dip	Dyke Intersection	Best Result
RLD 1001	0425280	5853210	183.6	055°	-70°	63-69.7m	
RLD 1002	0425280	5853210	384.1	035°	-75°	149.3-154.6m & 162.8-165.45m	
RLD 1003	0425290	5853210	140.1	035°	-30°	12.1-24.7m & 26.15-38.7m	
RLD 1004	0425290	5853220	125.7	015°	-45°	22.8-106m	
RLD 1005	0425290	5853220	130	360°	-45°	42.4-106m	
RLD 1006	0425290	5853220	114	345°	-45°	61.5-96.5m	
RLD 1007	0425290	5853220	189	360°	-65°	65.7-159.4m	

Table 1: Reliance Drillhole Locations

Fig 3: Reliance Drillhole Plan

Hole Number	From	To	Intersection	Grade g/t Au
RLD 1001	63.0	69.7	6.7	0.17
incl	68.2	68.5	0.3	0.59
RLD 1002	69.4	69.6	0.2	0.67
	72.0	73.0	1.0	0.35
	131.8	132.5	0.7	4.40
	133.0	134.1	1.1	1.14
	138.0	139.0	1.0	0.48
	144.0	146.0	2.0	1.80
	162.7	163.0	0.3	1.03
RLD 1003	35.6	36.6	1.0	1.17
RLD 1004	Logged & Sampled – Assays Pending			
RLD 1005	Logged & Sampled – Assays Pending			
RLD 1006	Not Logged			
RLD 1007	Not Logged			

Table 2: Reliance Drillhole Assay Results



Image of Reliance Hole 2 (RLD1002) showing drill core & alteration

MORNING STAR MINE – SURFACE DIAMOND DRILLING

A surface diamond drill hole (MSD 1101) was started last week to test a known zone of mineralisation located between Level 1 and Level 4 known as the 'AAA' reef zone. The target of the drill hole is to test the lateral extension of a large mineralised zone found in drill hole MS357 which assayed 28.17 g/t Au over 2.65 metres width. MCO believes that this intersection in MS 357 lines up with mineralisation found on Level 3 and in the old workings in the Morning Star hill and MSD 1101 is planned to test this theory. The drilling program will also test for any new zones of mineralisation not previously known or recorded. The obvious aim is to enable the quantification of shallower in mine resources & milling opportunities. At present the first drill hole has not reached the target depth. **Below: Drilling from surface into AAA reef zone (Morning Star dyke)**



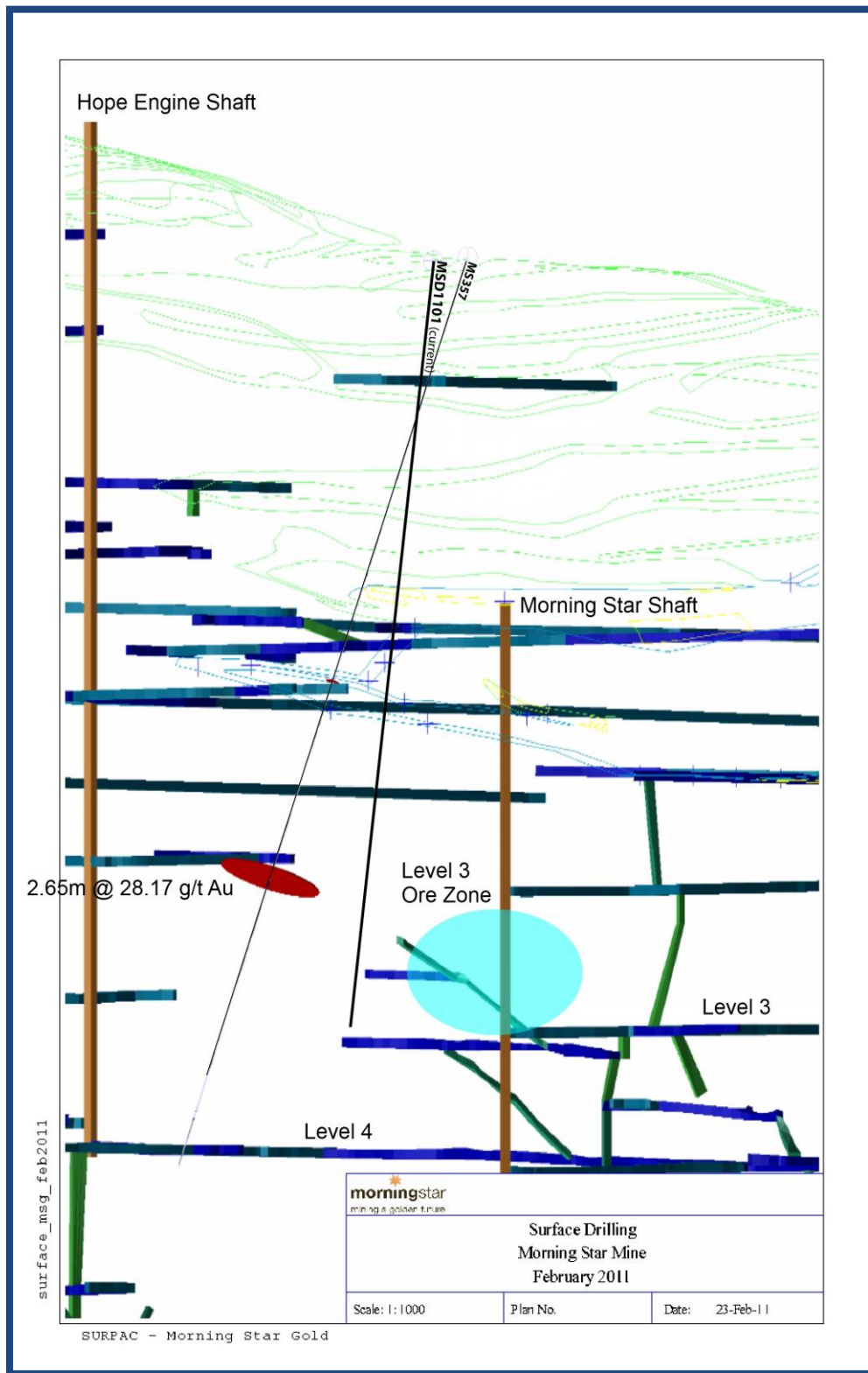


Fig 4. Morning Star Goldmine – surface drilling in cross-section

REGIONAL EXPLORATION (including Shandong JV)

Rose of Denmark – MIN 5299

Underground works have recently recommenced at the Rose of Denmark (RoD) prospect to put in place a number of drill cuddies in preparation for diamond drilling from the main Rose of Denmark adit level this coming winter. A drill program of 2,000 - 2,200 metres is being planned with 3 drill cuddies having been marked up for development. In addition, a 30 metre deep crosscut at the front of the dyke bulge (near the location of the recently re-entered engine room) has also been planned. A mapping and sampling program is also underway to assist in planning a possible ore mining program that would allow an initial bulk sample of up to 2,000 tonnes to be mined and treated in the new mill at the Morning Star mine. Significant upgrade works on the main bridge over Cannon's Creek into the RoD project area at Paradise Point have been completed. The bridge works will allow for heavy machinery and trucks to pass safely over the creek and provide better amenity to the local community and residents as well. *See image below of bridge reconstruction by MCO:*



Loch Fyne (MIN 5241 JV at Matlock)

A 2,000 metre drilling program of both up and down holes from the 3-Level to test the eastern contact from existing drives is being investigated at the Loch Fyne mine on MIN 5241 (JV).

Tingha (on Waverly dyke MIN 5009 MCO)

A 1,000 metre, 8 to 10 hole diamond drilling program is currently being planning. The holes would test the Waverly dyke and would be drilled from 3 different sites (MIN 5009 MCO).

Waverly Dyke (MIN 5009 MCO)

Investigations are underway into possible drill pads along the Perkins and Dearlove tracks. These tracks will be used to target northern extensions of the Waverly dyke (MIN 5009 MCO).

All Nations (MIN 5241 JV)

As previously reported our first drill program at All Nations was completed. A new program of potential drill sites is being considered at the All Nations and need further investigation. These currently centre on the All Nations top adit, Lawsons Reef, and potential surface drilling east of the Emerald adit to test for continuation of the dyke, Lawsons Fault and their possible intersection. Permitting is underway.

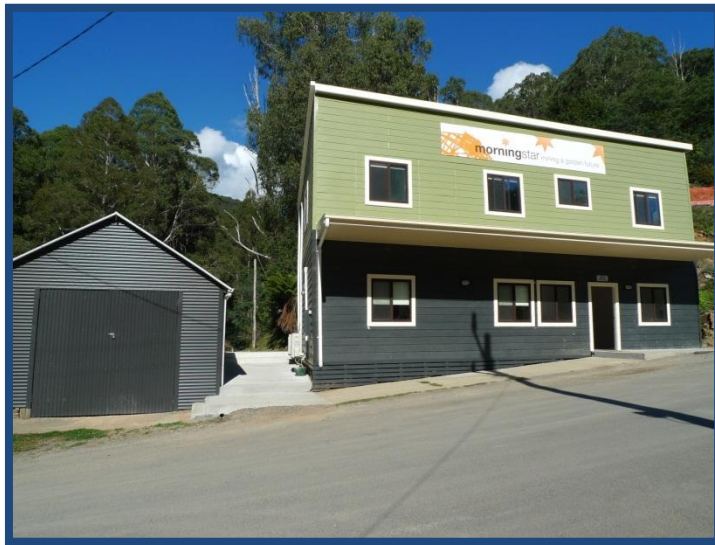
WEBSITE & NEW MEDIA

Morning Star has recently unveiled its upgraded and updated corporate website. As previously reported, MCO has engaged Heywood Innovation an experienced design group focused on branding and communications in the corporate sphere. MCO believes Heywood's are at the cutting edge of where web design and corporate communications are heading and are together increasing MCO's potency in the new instant digital age. These progress reports for instance are tailored for iPad and iPhone / Smart Phone use and each update is formatted so busy people can access the info quickly, securely and through readily available 'future tested' portals. MCO's new corporate web offering will be unashamedly focusing more on high definition video and audio outtakes and animations in an effort to convey what MCO is about to the shareholder and public more effectively. This may also entail spreading readily available information via *YouTube* and *Boardroom Radio*. The recent 'soft' launch of the msgold.com.au site followed the sister sites released in the past few weeks. These related microsites are part of MCO's wider community relations push and form a part of the sustainable business platform the company is building. Information on the history of Morning Star Gold, the region, the town of Woods Point and surrounding goldfields and the people, community and businesses of Woods Point is all readily accessible on these new sites. **MCO launched a brand new website in the March Quarter 2011 (below)**



ASX RELEASE

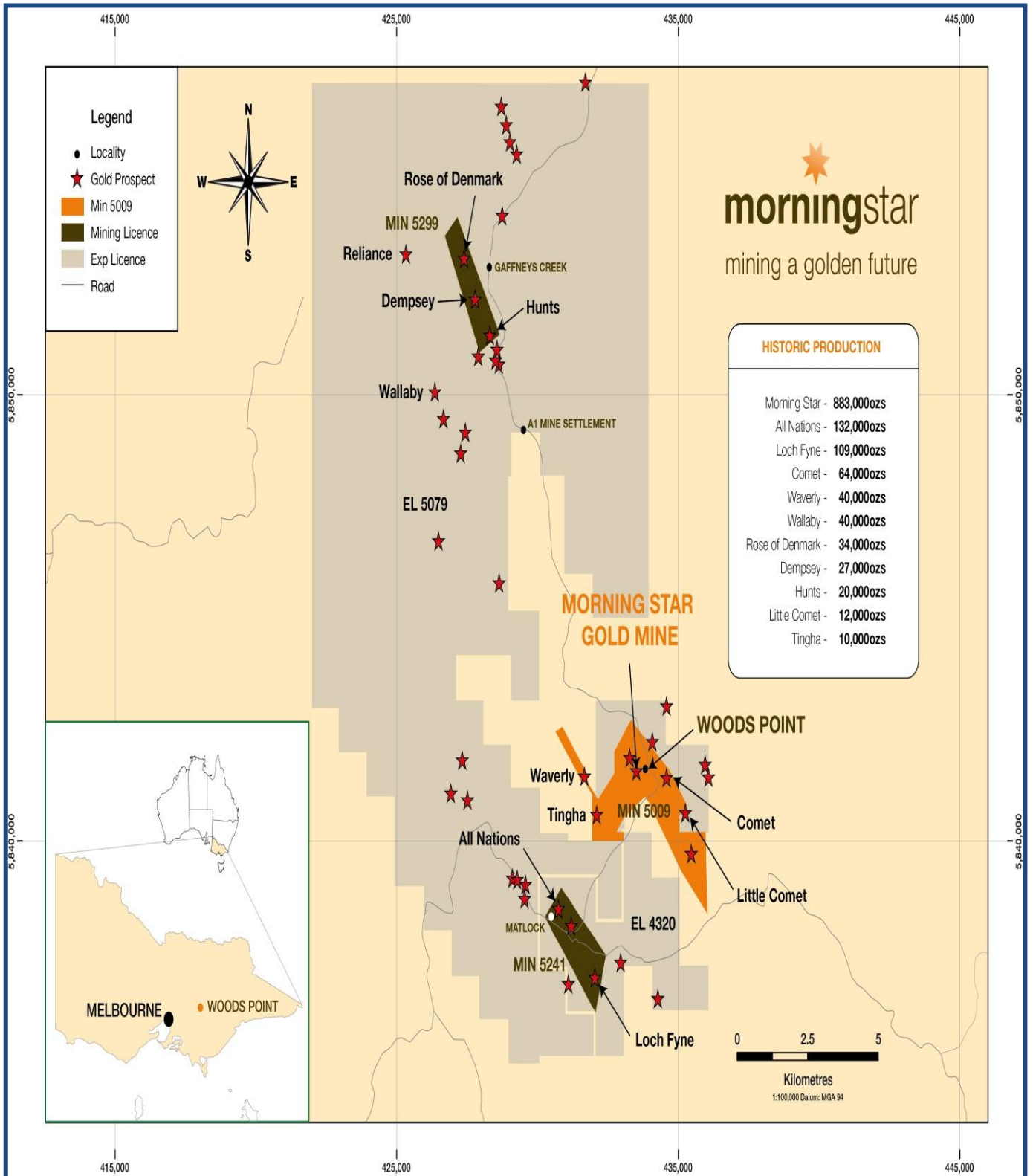
MCO will continue to focus on upgrading its high definition video and imaging available for shareholders and the general public. A significant video release of our projects and underground workings will be made in the next month for our attendance at HK Mines and Money and the following Singapore Asia Mining Congress set for early April. Please see our corporate website msgold.com.au for all updates and news.



Morning Star's new Woods Point HQ opened during period



MCO appointed Chris Woof as Senior Geologist



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 goldfields. The company's Five Granted Mining & Exploration tenements (3 MINs and 2 ELs) are adjoining over 200km² and yielded ~2 million ounces of gold historically from various high-grade mines. Nearly half of this production was sourced from the Morning Star mine (circa 1MT mined at average grades approaching an 1oz/T) for a recorded production of 883,000ozs of gold.

At one point in the early 1940s, the Morning Star mine was Australia's biggest gold mine. Gold Mines of Australia (WMC Ltd) operated it for 25 years (1934-1959). The Morning Star mine also carries an in situ gold resource, estimated in 2008 to exceed 900,000ozs. Production recommenced at the Morning Star Goldmine in the March 2011 Quarter for the first time in nearly 50 years.

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 and Rose of Denmark, Hunts, Waverly, Little Comet and Reliance mines. These mines collectively produced ~500,000 ounces of gold historically at high grades.

MCO's Chinese partner, who is a large publicly listed Chinese conglomerate and investment house is spending \$4.5M over the next 2 years to farm-in to 51% of two of MCO's regional MINs. The Morning Star mine and other priority production targets are 100% owned by MCO.

For further information please subscribe to E-Alerts of all Morning Star's news & ASX Releases at the company's website. Progress reports are generally released monthly and summarized in the following quarterly report.

Ends.

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. All envisaged mining & exploration works herein are subject to appropriate regulatory approvals. Morning Star Gold makes no undertaking to subsequently update or revise such statements but has made every endeavour to ensure that they are accurate at the time of presentation.

Competent Persons Statement

The information contained in this report was compiled Greg Curnow who has the 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. Greg 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.