

Morning Star Gold NL T 02 8569 7488
Suite 56A, Jones Bay Wharf F 02 8569 7499
26 Pirrama Road info@msgold.com.au
Pyrromont NSW 2009 www.msgold.com.au



PROJECT UPDATE (Morning Star Goldmine)

- **New high-speed winder due for commissioning in August 2011**
- **Ore haulage (Maxwell's reef) commences immediately post winder commissioning**
- **Auxiliary winder installation has enabled mine infrastructure works to continue**
- **Onsite gravity mill is now considered to be operating at designed throughput capacity**
- **Successful trial of bottle roll leaching on low-grade concentrates completed by Gekko**

New Winder

Morning Star (MCO's) new single drum high-speed winder is due back on site for re-commissioning in early August 2011, following completion of modifications by the manufacturer. This late installation is due to a recent serious incident in China involving the specific disc brake callipers specified for MCO's new winder. The incident has caused the global recall of this disc brake model from the Italian manufacturer. The callipers now subject to recall were already fitted to MCO's winder and ready for delivery. In addition to the recall, the consulting engineers who are responsible for the safe calliper installation have refused to certify for use any device using the recalled callipers. MCO has urgently arranged design modifications to the new winder to cater for the use of a different model of calliper and supply has been arranged by air freight, however an obvious delay has ensued.

As reported earlier, the new winder significantly upscales MCO's haulage capacity. The new high-speed winder has a lifting rate of 4-5 metres per second and has a gross lifting capacity of 3 Tonnes, compared to the previous capacity of ~1T @ 0.7m/s. Once commissioned, MCO is confident the new winder can meet haulage requirements in order to have the new gravity mill operating at its designed throughput capacity (~10TPH). The new winder design has taken into account industry best practice standards in safety and occupational health and includes state of the art slack rope detection, limit switches & drum-slip detectors.

In addition a brand new 'leaky-feeder' in-mine communication system has been established. MCO is cognizant that the new winder and its ancillary safety and communications system is the key piece of equipment at site that much of the mining program is reliant upon and as such has completely rebuilt from the ground up this system in addition to the new winder and man/ore cage.

Auxiliary Winder

MCO has implemented the installation of a smaller capacity (auxiliary) winder to continue mine rehabilitation and waste development work until the new winder is operational. This auxiliary winder is enabling access to the mine shaft and various levels within the mine, where infrastructure works are occurring. These works are outlined below.

Milling Update

Successful commissioning of the onsite Gekko designed and built gravity processing plant (GPP) with low-grade ore has been completed. MCO is confident that the GPP can now operate at the expected mechanical

continuity to cater for capacity of throughput by design. The gravity treatment of high-grade ore is scheduled to commence upon re-commissioning of the new high-speed winder and the completion of pre-requisite mine rehabilitation and development works.

Mining / Development

Mining (stopping) of Maxwell's reef (~268m depth) in the delineated high-grade zone will commence immediately the new winder is commissioned. Maxwell has been prepared for stopping but no high-grade ore has been mined or processed in order to take advantage of increased haulage rates available with the new winder arrival. Development at the north end of the 9 Level in preparation for access to the new Kenny reef zone (~275m depth) is continuing utilising access via the auxiliary winder. A further 80 metres of development is required to have mining (stopping) ready at Kenny reef.

Metallurgical Testing

MCO recently commissioned Gekko to undertake a 'bottle roll' cyanide leaching trial at Ballarat. This trial was designed to test the viability of cyanide treatment of low-grade concentrates from the gravity circuit. The trial was considered a success. This result gives MCO a viable option to recover gold from a range of concentrates taken from the GPP.

The test work carried out by Gekko treated 18kg of low grade concentrate in a number of different scenarios and the result of the test work was that it was possible to produce a pregnant cyanide solution including 80.1% of the contained gold, and this in turn could be turned into DORE gold bars that containing 77.8% of the original gold.

The result of this trial means MCO can now schedule to treat lower grade ores where necessary, as there is now an economic pathway for the retrieval of the contained gold. A further ~180kgs of low-grade concentrates have been dispatched to Gekko for processing. Two batches of high-grade concentrates recovered from Rose of Denmark and Morning Star mines are being dispatched next week for smelting to DORE.

Shaft Rehabilitation

Vertical Edge Mining has been awarded a tender to undertake shaft rehabilitation work that will upgrade the structural integrity of the Morning Star mine shaft and is specifically designed to safely allow for the increased speed and haulage capacity available to MCO from the new winder installation.

The shaft rehab work commenced this week and will continue over a six to eight week program. Importantly, the shaft works will happen concurrently with the re-commissioning of the new high-speed winder.

Capital Works

Power Upgrade

The in-mine upgrade from 415V to 1,000V is completed. The installation of the 1,000 volts power source allows for the use of electrical mining equipment underground, which will assist in increasing the productivity of the mine and lowering operating cost.

Paste - Backfill Plant

Work on the paste-backfill plant is continuing with design work completed by Coffey, concrete works underway and contracts let for the steel fabrication, supply of cement and the cement storage facility. The plant is expected to be completed in Q3 2011.

The completed paste-backfill system will lower operating cost in tailings storage quite significantly and again tie in with increased utilisation of the GPP. The underground placement of de-watered and cement mixed tailings is a useful passive means of ground support in disused stopes of the mine.

Man-Cage

Construction of a new man-cage to operate in concert with the new high-speed winder and increased haulage operations is due for completion first week of July. Again the man-cage design has been carefully managed in line with current best industry practices and Australian safety standards.

Water Treatment Plant

The Ovivo supplied water treatment plant is operating and final commissioning is also scheduled for the first week in July. The plant is designed to treat arsenic laden water from the mine and remove the majority of the arsenic and make the water meet Victorian EPA standards before it is discharged into the Morning Star Creek.

Other infrastructure works

Vent doors have been established on all 10 Levels of the mine. A new vent fan run off the new 1,000V power supply upgrade has been set-up in the upper area of the mine and in concert with the new vent doors, will significantly increase the fresh air quality available in underground mining zones.

A 6 man accommodation area is being built on freehold land owned by the company. It will allow for the expansion of mining staff.

Construction work at MCO's exploration base has been completed and this includes separate geologist's offices, 3-bay storage shed and state of the art core cutting facilities. This area is located adjacent to the mine site and caters for the expansion in MCO's geological team.

SURFACE DRILLING

MCO is currently conducting a program of six diamond drillholes from the surface on Morning Star hill targeting areas above the 3 Level of the Morning Star goldmine. The holes have been planned to test a reef zone found in drillhole MS357 where an intersection of 2.65m @ 28.17 g/t Au was returned. Details of progress and results will be released in an announcement shortly.



Nick Garling, Executive Chairman

Competent Persons Statement

The information contained in this report was compiled Mr Greg Curnow BSc MAUSIMM who has over twenty years of 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. Mr Curnow 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.