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## Progress Report 30 May 2012 - Production

### OVERVIEW

- **MINING IN BURNS, STONES AND TILLS REEF AT MORNING STAR MINE**
- **HIGH VARIABILITY OF FACE GRADES BETWEEN 0.29 G/T TO 105.4 G/T AU**
- **DONALSON REEF ACCESS WILL BE VIA 2 LEVEL TOWARDS THE ENRICHED EASTERN END OF THE REEF STRUCTURE**
- **GEMINI TABLE INSTALLED TO IMPROVE GRADE CONSISTENCY OF CONCENTRATES**

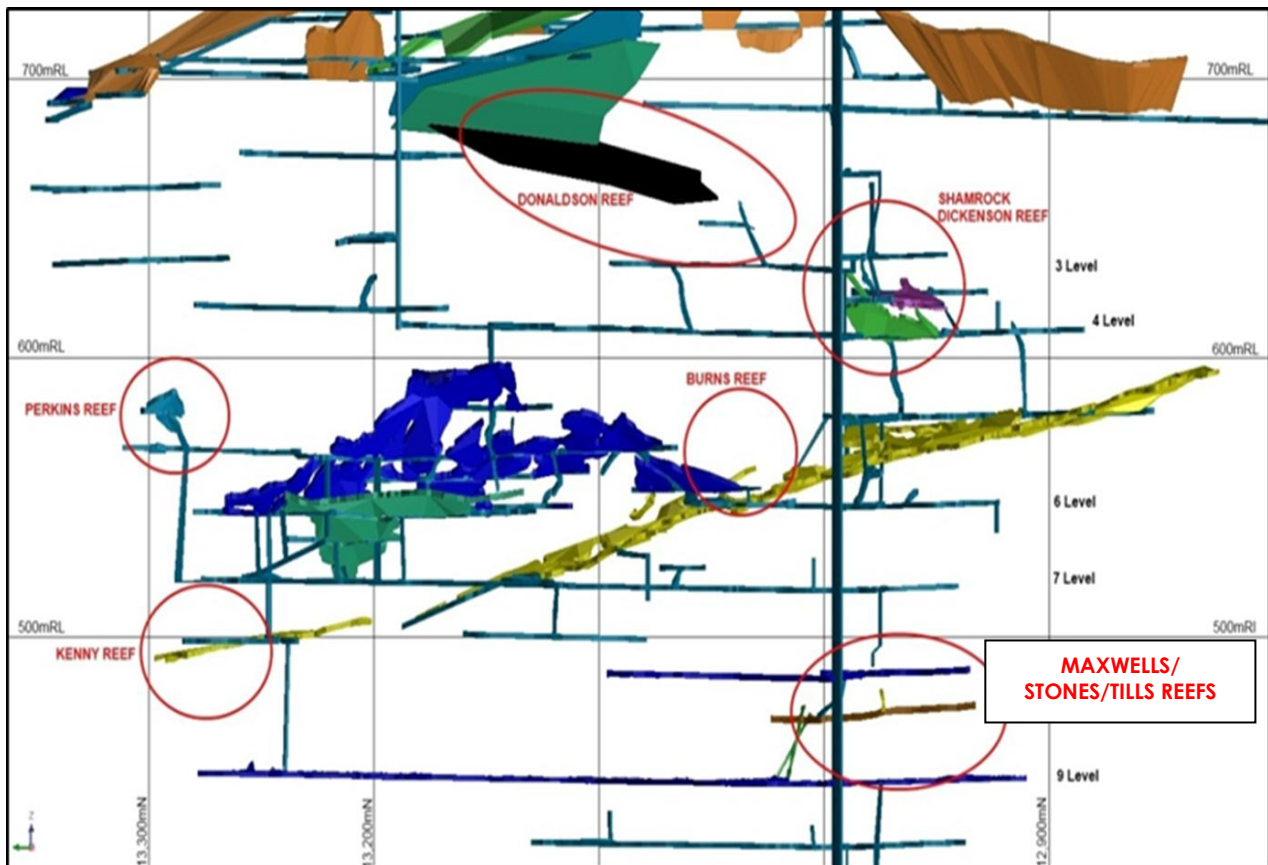
### DETAILS

Ore production at the Morning Star Goldmine since the end of March has been sourced from Stone's, and Till's Reefs off the 8 level and Burn's Reef accessed off the 6 level.

Mining in Maxwell's Reef at 8 sub-level is now limited to ore in pillars that will be mined on retreat. Mining at Dickenson's Reef (3-sub level) has been discontinued due to face grades dropping to un-economic levels. Production in Till's Reef was not previously included in the mining plan and resulted from a decision to develop from the 8 level to investigate a 95 g/t drill intersection.

Face sample grades in all reefs for the mined width have varied substantially due to the nuggetty nature of the ore. Face sample grades reported vary from 0.47 to 27.5 g/t in Burn's Reef, 0.37 to 105.4 g/t in Maxwell's / Stones Reef and 0.29 to 16.9 g/t in Till's Reef, near where the 95g/t Au drill assay was recorded.

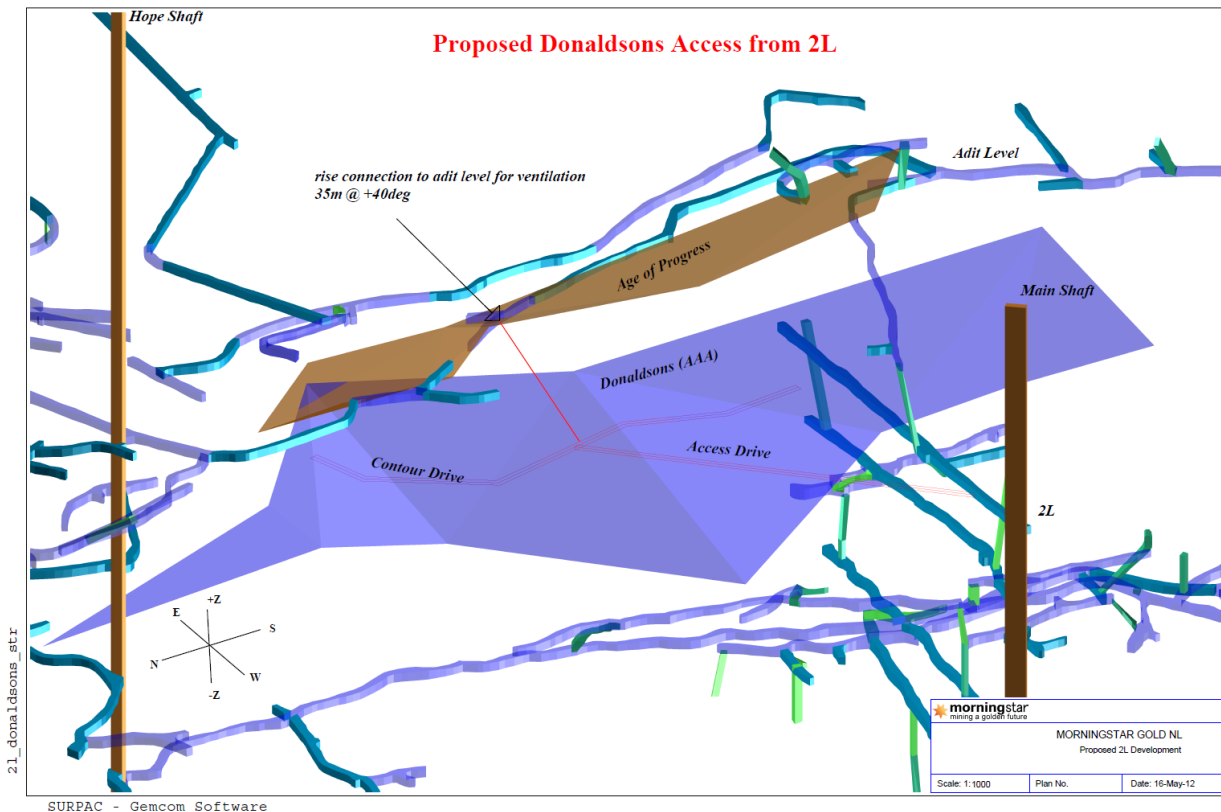
In Burns Reef a recent grab sample selected for thin sectioning returned a grade of over 40 ounces of gold to the tonne (1,341 g/t Au) highlighting the high degree of variability in grade encountered to date. Another Burns Reef face sample has recently returned an assay of 5,408 g/t in an area we are yet to seriously assess for production. Burns is a highly laminated reef but very thin in parts and splits into two reefs in other areas providing challenges in terms of mining with minimal dilution. These extremely high grade assays and the variability in assays in production sampling serve to reinforce the variable nature of the grade at Morning Star.



## Mining Areas Morning Star Goldmine

Development of Donaldson Reef (off 3 sub level) from the western contact has enabled in-fill diamond drilling and these recent drill results have been successful in determining the presence and continuation of the large mineralised reef structure. Mining access to the Donaldson structure will be from 2 level towards the enriched eastern contact. Infill diamond drilling is in progress to more clearly define this enriched eastern end of the structure.

Importantly, this recent drilling in the Donaldson zone has identified a previously unknown structure – a fault jog on the eastern contact – where dyke overhangs sediments. This is significant as it is these fault jog structures along the eastern contact that have held the highest grades historically.



## Donaldson Reef Access from the 2 Level

Since the end of March and estimated 483 tonnes of ore has been produced and 426 tonnes of previously stockpiled ore has been processed. All concentrates from ore processing are being stockpiled at site for re-tabling immediately the new Gemini table is commissioned, which is expected in the next week. Following recent metallurgical test work done by Gekko and others, samples from the processing plant are now being assayed using the BLEG technique. As noted above, the Gemini table is being implemented to improve consistency in the grade of the concentrate products produced.

Ore production is expected to significantly increase once the Kenny Reef (9 level north) and Donaldson Reef (2 level east) are accessed in coming weeks and months. A drilling update for Morning Star and for Rose of Denmark and Hunts (MIN 5299) will be released within 2 weeks.

Mike Botting, CEO, Morning Star Gold NL

## 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 close to Melbourne. MCO controls Five Mining Licences (MINs) and One Exploration Licence (EL) which are adjoining over ~200km<sup>2</sup>. Two of the MINs are recent applications which have received 'priority' for grant. These are MIN 5560 at the Wallaby Mine west of Raspberry Point and MIN 5562 at the El Dorado Mine in the same area near Lyrebird Creek. MCO's current tenements yielded ~2 million ounces of gold production from various mines averaging nearly 1oz/T Au. Nearly half of this production was sourced from the Morning Star Goldmine (883Kozs @ 26g/t Au.). Only three mines in the goldfield were mined to any significant depth and 100's of surface targets (mostly mafic/gabbro dykes) are recognised either from past production or mapping and sampling by MCO. At one point in the early 1940s, the Morning Star Goldmine was Australia's biggest mine. Western Mining (WMC Ltd) operated it for 25 years (1934-1959). The Morning Star Goldmine also carries a JORC inferred resource of 910,000ozs (U/G resource portion is 2MT @ 11.2g/t). Much of this resource is currently under the water table and MCO intends using diamond drilling over 2012-14 to verify the resource and increase confidence in it.

Production has recommenced at the Morning Star Goldmine for the first time in nearly 50 years. The rate of production is budgeted to increase over 2012-13 and MCO infrastructure allows for up to 80KTPA throughput at its onsite gravity processing plant (GPP) via its new high-speed hoist set-up.

Other gold production mines on MCO's tenements were generally constrained in relatively shallow workings in the near surface or 'weathered zone' and above the water table. Key current targets for new exploration and development include the Wallaby, Loch Fyne, Rose of Denmark, Hunts, Waverly, Little Comet, El Dorado, Reliance & All Nations mines. These mines historically produced ~500,000 ounces of gold at grades ranging 8g/t to 40g/t Au.

MCO has a current JV with the Shandong Tianye Group of China – a well-capitalised publicly listed conglomerate who agreed to spend \$4.5M over 2011-12 to farm-in to 51% of two of MCO's regional licences (MINs 5299 & 5241). The Morning Star Goldmine (MIN 5009) and various other priority production targets such as Wallaby (MIN 5560) are 100% owned by MCO, separate to the JV. MCO also has minority positions in two JVs on gold prospects in the Central West of NSW.

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## Forward Looking Statements

This report may include 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 wholly accurate at the time of publication.

## Competent Persons Statement

The information contained in this report was compiled Dr Peter Jackson BSc (Geology) PhD MAIG 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. Dr Jackson works 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.