



11 April 2013

## **NOTE TO SHAREHOLDERS**

Dear fellow MCO shareholders,

As reported recently to the ASX, the board of Morning Star Gold NL ("MCO") requested a suspension of its securities from quotation under ASX Listing Rule 17.2, until an announcement on new capital injection and/or the re-commencement of trading or Tuesday 30<sup>th</sup> April 2013.

Core financing of the MCO gold projects was unilaterally withdrawn on 7 June 2012. Since that time, the board of MCO has attended to a range of obligations to ensure solvency, going concern and limited operations. MCO will continue to be focused on the financing and implementation of its business plan centred on exploration, development and mining of current tenements. MCO is currently engaged in discussions with financing intermediaries and counterparties regarding investments into its Victorian gold operations. The clear goal of MCO is to garner cornerstone funds in order to finance its future growth until its cash flow is self-sustaining. MCO is focused on recommencement of trading on the ASX as early as possible.

### *Annual Accounts, AGM & Annual Report*

The Board has completed its Financial Statements for the year ended 30 June 2012 and the Company's auditor is preparing their report. Once the auditors have made their report, the 2012 annual accounts will be released to the ASX. Immediately following the release of these accounts, MCO will set a date for its AGM and circulate its Notice of Annual General Meeting along with its Annual Report.

### *Current Operations*

MCO has extremely limited funds at its disposal and has pared its expenditure radically to suit these current means. It has been engaged with trade creditors in order to settle accounts. The Woods Point site operations entail a residential site manager undertaking the ore processing work in concert with MCO directors. MCO is currently processing ~2,000 tonnes of stockpiled ores and concentrates at the Woods Point mine site – having already processed around 300 tonnes to date. Around one half of the remaining stockpile is plant middlings (material that has already been crushed and passed through the gravity circuit) and the other half is untreated ores from Maxwell, Burns and Dickenson reefs from the underground workings at the Morning Star gold mine. Plant concentrates are being re-concentrated and bundled at site for further processing work including smelting and ultimate sale of gold and silver. Once the site stockpile has been processed, Morning Star will be in a better position to reconcile the grade of the various reefs and to make further informed assumptions about the ore and near term mining potential at the remaining developed sites underground.

MCO expects sales of gold concentrates can go some way towards financing its short-term operations over this refinancing period. The present milling operations will also enhance the metallurgical and grade reconciliation knowledge for MCO, which will be key in the design and implementation of future operations. It is felt that the mill is operating adequately at this stage and recoveries – particularly on the higher quality ore – are commensurate with primary design. The mill is currently unsuitable for lower grade dyke rich material. Presently the mill – when running – is operating at approximately 3-5 tonnes per hour rate on untreated ore and can be expected to run at a significantly faster rate during treatment of plant middlings. Limitations are due mainly to staffing and funds as appraised earlier. MCO has also continued to sell unneeded site assets such as rail, steel and other surplus items, in order to finance operations.

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*Operational Plan post financing*

The board of MCO believes the Woods Point projects now require the following in order to lay the correct fundamentals for sustained future growth;

1. Increase confidence in current JORC resources via targeted resource drilling at Morning Star and fresh geological modelling. This would include drilling of the 'Gap Zone' at Morning Star and underground probe drilling and development at Donaldson reef. It's expected these plans can be accomplished in 12 months following start up at a cost of less than A\$2.5 Million.
2. Exploration drilling of key regional targets to establish JORC resource potential of local field. This would include work at Loch Fyne, Wallaby, Alhambra, Reliance, Eldorado, Hunts and Rose of Denmark targets at least. Cost of A\$2M over 24 months.
3. Development of mining plans at key regional targets to lay roadmap for overall production potential. These plans would primarily include Rose of Denmark, Loch Fyne, Hunts, Eldorado & Wallaby mines.
4. Take production opportunities as they arise as infrastructure is largely in place for ore processing operations. This may include Morning Star, Loch Fyne, Rose of Denmark and Hunts mines in the first instance. Much of the infrastructure work for this project has been completed and paid for. Woods Point is a challenging site but MCO believes the model it has worked towards setting up to date – several smaller mines feeding into a processing hub – is the correct local model.
5. Focus on low cost operations and grade potential

*Peter Harrowsmith – MCO Company Secretary (retired)*

It is with sincere regret and great sadness that MCO notes the passing of Peter Frederick Harrowsmith. Peter was MCO's Company Secretary before stepping down due to ill health. Peter was a genuine, pleasant and honest human being, who was a pleasure to work with and seek counsel from. The board of MCO sends its sincere condolences to Peter's wife, children, close family and wider network of friends. We are greatly indebted to Peter for the time he spent with MCO. Vale.

Yours sincerely,

Nick Garling  
Chairman  
On Behalf of the MCO board



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