



**Morning Star Gold N.L.**

*ABN 34 003 312 721*

**Level 4, 20 Loftus Street  
Sydney NSW 2000  
02 9252 3699**

31<sup>st</sup> July, 2007

The Manager  
Company Announcements Office  
ASX  
20 Bridge Street  
SYDNEY NSW 2001

Dear Sirs,

Enclosed is the Quarterly Exploration Activities Report, together with the Quarterly Report (Appendix 5B) to 30th June, 2007.

Yours faithfully,

Max Garling  
Director

For personal use only



## **Morning Star Gold N.L.**

ABN 34 003 312 721

### REVIEW of EXPLORATION for the QUARTER ENDING 30 JUNE 2007

#### The Woods Point Gold Project, Victoria

#### **KEY POINTS**

- **Shaft rehabilitation completed to 9 Level of Morning Star Mine allowing access for underground diamond drilling.**
- **Morning Star purchased three diamond drills to be owner-operated.**
- **Bulk Samples taken from within Morning Star mine to establish ROM metallurgical recovery and grade factoring analysis.**
- **Drilling Program commenced on 'Morning Star South' dyke.**
- **Applications prepared for expansion of Exploration Titles.**

#### **1. Underground Mine Development**

Shaft refurbishment has achieved the target of the No. 9 Level horizon access. The level was refurbished, surveyed and prepared for sampling. Sampling commenced during the quarter and will be completed in the next period.

Shaft and Mine Access reconstruction has reached the 290m depth below surface, and is planned for completion at ~305m depth with a sump construction beneath the No. 10 Level plat.

This will allow for planned drilling from both the Nos. 9 and 10 Levels in the next quarter.

Currently a pump station is being constructed on the No. 9 Level.

The GMA (WMC) development areas in the winze below 7L and intermediate workings above the 9L were accessed for the first time and preliminary samples of this unmined portion of Whitelaw's Reef assayed up to 97g/t. During the next quarter this area will have a ventilation ducting system installed to allow access for further metallurgical bulk testing trials.

For personal use only

## 2. Underground Mine Exploration

Auriferous mineralisation of the Whitelaw's Floor and other northern drill intersections will be sampled from the No. 7 Level winze access during the next quarter, once access and ventilation from the No. 9 Level is completed.

This area is significant in that 3 preliminary samples collected during reconnaissance were all mineralized and assayed between 2.4 and 97g/t. GMA records showed that the leading faces on the winze development assayed an average of 120g/t over 0.6m width. This area was never mined as GMA planned to return in the 1940's but then discovered the extensively mineralized Achilles Floor deeper in the mine and changed their focus taking around 250,000 ounces of gold from that area.

The material from the winze between No. 7 and No. 9 Levels will form the next metallurgical bulk sampling trial area.

Drilling programs are being designed initially from the No. 9 Level to test the 'Gap Zone' (200m to 600m depth of the Morning Star Mine which was developed but never stoped or mined). Surveying the No. 9 Level was completed during the quarter and selection of suitable drill platform cuddies is underway. Construction of these will commence once the shaft sump is completed at ~305m depth.

All the targets could validate the geological model and have the opportunity to significantly increase global resource potential of the project by increasing the size and frequency of both known and new host structures.

## 3. Trial Mining Study – Bulk Metallurgical Sampling

A program has been designed and commenced to test Morning Star ore-grade material for two key indicators: ROM metallurgical recovery and grade factoring analysis.

To establish ROM material, two bulk samples representative of high-grade laminated quartz vein ore versus stock-work/breccia vein ore will be collected and processed in a certified NATA metallurgical testing facility to ascertain the type, size and nature of gold distribution, along with the identification of suitable methods for recovery and anticipated rates.

The samples have been identified, taken & partially dispatched as at the end of the June quarter. Results are expected in the September period.

#### 4. Surface Diamond Drilling Program initiated at 'Morning Star South'

The Company purchased a skid mounted surface diamond drill rated at over 800 metres and has designed a drilling program initially of 1400 metres on a recently uncovered dyke outcrop proximate to the Morning Star dyke. The dyke has been christened 'Morning Star South' and preparations were under way at the end of the period to commence the Hole #1 in a 4-hole 1<sup>st</sup> stage exploration program.

#### 5. Regional Exploration Program Expanded

A variety of historical gold mines, mineralisation styles and potential exploration targets were identified for priority exploration activities on Morning Star's regional tenements.

Inspection of and access to 3 of these dykes, 'Little Comet', 'Comet' and 'All Nations' was continued during the June quarter and the 'Loch Fyne' mine survey was commenced at the end of the quarter.

These areas represent historical production of approximately 400,000 ounces of gold mostly from shallow workings above the water table.

A computer resource geological team was added to the Woods Point Gold Project and 3D modelling of the regional dykes and mine workings was commenced during the quarter.

The team identified other regional dyke and magnetic anomaly targets which led to the Company deciding to expand its tenement holdings position.

Planning is underway to select optimal surface exploration targets to plan for regional drilling in the near future. This will immediately follow completion of the current surface diamond-drilling program at the 'Morning Star South' dyke.

The increased focus on drilling multiple sites and the planning on Morning Star's Regional Exploration Program has redefined the Company's transition from a single mine development operation into a multiple ore source 'Woods Point Gold Project'.

## 6. Owner – Operator Diamond Drills

It has become evident to Morning Star, that to achieve the desired scheduling of exploration drilling at a reasonable cost, it was necessary to invest in drilling equipment and training of its workforce (lack of availability of drilling contractors had seen substantial rate increases and booking delays of 12 months).

The Company has purchased 3 diamond-drilling rigs – one skid-mounted surface rig, one electric-hydraulic underground rig, and one pneumatic underground rig.

Subsequent to the end of the quarter, the surface rig had been delivered to site. The underground rigs are scheduled for delivery in the September quarter and will operate initially from No. 9 Level underground.

An intensive survey and mapping program has been carried out to allow commencement of surface and underground drilling. Drill-pads for the first 4 surface drill-holes are in place.

## 7. Regional Tenement Position

The Company recently received grants of regional Mining Licences (MIN's 5233, 5234, 5240, 5241 and 5242). An intensive survey and mapping program was immediately carried out to commence planning for regional exploration and drilling.

All of these land holdings are within 4km of the Morning Star gold mine operations and would provide multiple ore sources for a single processing facility.

This work quickly identified other nearby targets and during the quarter the Company developed plans to submit applications for extended areas with the release of areas from the State of Victoria Department of Primary Industries moratorium zone. These applications were lodged after the close of the quarter.

## 8. Occupational Health & Safety

There were no incidents or near miss occurrences (MTI) or lost time injuries (LTI) during the quarter.

The information contained in this report was compiled Morrie D. Goodz who is a Corporate Member of the Australasian Institute of Mining and Metallurgy, and has twenty-two 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. Goodz is a fulltime consultant with Goodz & Associates GMC Pty Ltd. Mr. Goodz consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Morrie Goodz  
M AusIMM, M CanIMM, MBA, Cert. Mine Manager



**SCHEDULE OF MINING TITLES**  
**At end of June, 2007**

<b>Project</b>	<b>Tenement</b>	<b>Area (km2)</b>	<b>Commodity</b>	<b>Interest (%)</b>	<b>Currency of Title</b>
<b><u>VICTORIA</u></b>					
Morning Star	Min. 5009				
	Min. 5010	1.3	gold	100	to 20.09.2008
	Min. 5013				
	Min. 5233	(4ha)	gold	100	01.11.2008
	Min. 5234	(116ha)			
	Min. 5240	(176ha)			
	Min. 5241	(254ha)	gold	100	01.11.2008
	Min. 5242	(194ha)			
	E.L.A.4320	67.5	gold	100	
<b><u>NEW SOUTH WALES</u></b>					
Boona	E.L.6437	9	gold/base metals	13.96	to 30.06.2007
Bobadah	E.L.5878	96	gold/base metals/silver 15*		to 23.07.2007

\* The Company holds a 15% interest in 18.75% of this Licence (bring the area of the former E.L.4067)

For personal use only

## Appendix 5B

**Mining exploration entity quarterly report**

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MORNING STAR GOLD N.L.

ABN

34 003 312 721

Quarter ended ("current quarter")

30TH JUNE 2007

**Consolidated statement of cash flows**

<b>Cash flows related to operating activities</b>		Current quarter \$A'000	Year to date (..12... months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(324)  (57)	(1,522)  (326)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	12	67
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material) GST refund Bond refund	42 10	99 10
	<b>Net Operating Cash Flows</b>	<b>(317)</b>	<b>(1,672)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets		(38)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		(38)
	<b>Net investing cash flows</b>		
1.13	Total operating and investing cash flows (carried forward)	(317)	(1,710)

1.13	Total operating and investing cash flows (brought forward)	(317)	(1,710)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		3,127
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>		3,127
	<b>Net increase (decrease) in cash held</b>	(317)	1,417
1.20	Cash at beginning of quarter/year to date	2,536	802
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	2,219	2,219

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	38
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

DIRECTORS EMOLUMENTS

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

SEE ATTACHED

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	NIL
3.2	Credit standby arrangements	NIL

For personal use only

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	500
4.2	Development	NIL
<b>Total</b>		500

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	93	2,410
5.2	Deposits at call	2,126	126
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>		2,219	2,536

### Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		
6.2	Interests in mining tenements acquired or increased		

For personal use only

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference + securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	106,484,425 500,000	106,484,425	10 cents	1 cent
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 30TH JULY, 2007  
(Director)

Print name: M. M. GARLING

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

====

For personal use only



**ATTACHMENT TO QUARTERLY REPORT (APPENDIX 5B)**  
**FOR QUARTER ENDED 30th JUNE, 2007.**

**ITEM 2.2 NON-CASH FINANCING AND INVESTING ACTIVITIES**

- This Company, together with Central West Gold N.L., was the registered holder of E.L.4067 Bobadah. Through a JV agreement Delta Gold Exploration Pty Ltd. earned a 70% interest in the licence by spending in excess of \$110,000 on exploration.

In September 1998 Tri Origin Australia N.L. formed an agreement with Delta to earn an interest from Delta and in mid-2001 they consolidated the Licence and their adjoining tenements into E.L.5878 (of which area the former E.L.4067 occupied 18.75%).

In February 2002 Triako Resources Ltd entered into a JV agreement with Tri Origin to earn an interest in the Licence through expenditure on further exploration.

Morning Star Gold has the right to contribute pro-rata towards any part of this exploration that might take place within their area of interest or to dilute.

Such exploration has not occurred at the date of this report and Morning Star Gold retains a 15% interest in the area of the former E.L.4067.

- This Company was the initial registered holder of E.L.'s 2727 & 4766, Boona.

A JV agreement over these Licences was formulated with Triako Resources Ltd on 7<sup>th</sup> February 2000 and subsequently E.L.5757 was added to the JV holdings.

By spending \$271,000 on exploration Triako earned an 80% interest in these Licences, at which stage Morning Star Gold had the right to contribute pro rata to further exploration or to dilute.

In June 2005, when the Company's interest had diluted to 13.93%, the Licences were consolidated as E.L.6437.

- During the Dec Quarter, Morning Star Gold N.L. transferred its entire interest in its New South Wales silver exploration licences to Silver Mines Limited (SVL) for a consideration of 2.5mm shares in Silver Mines Limited. Morning Star Gold N.L. holds 3,000,000 shares in SVL in total.

For personal use only