



ABN 34 003 312 721

Level 4, 20 Loftus Street, Sydney NSW 2000
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26th April, 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 31st March, 2007.

Yours faithfully,

Max Garling
Director



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REVIEW of EXPLORATION for the QUARTER ENDING
31 MARCH 2007

VICTORIA

Morning Star Project - Woods Point

Operations at the Morning Star Project expanded on two fronts: an underground exploration – development phase, and a regional exploration phase. The main activities were shaft refurbishment to facilitate planned drilling and sampling operations from No. 9 Level at the Morning Star mine and a Regional Program of Mapping and Sampling several surrounding dykes: this program was undertaken initially on the Comet, Little Comet and All Nations dykes and associated gold-bearing quartz vein deposits.

The period saw resumption of normal operations and field activities with the bush fire risk being eliminated. Work is underway on mapping and sampling of regional dykes, and MCO is preparing to submit a plan for surface exploration drilling of several targets.

Regional sampling indicated elevated gold values (up to 45 g/t Au) in mineralisation associated with the abovementioned dykes. Further work is in progress.

1. Underground Mine Refurbishment

Shaft refurbishment has progressed at a faster rate with the brow of the 9 Level (9L) accessed at the end of the quarter. Shaft refurbishment has reached the 275m depth below surface.

The works in the winze below 7L will resume once the 9L has been accessed and there is completion of a flow through ventilation system between the levels.

During the quarter, commencement of the construction of a new diamond drill rig, which was commissioned by MCO, was confirmed. Delivery of the unit is anticipated shortly.

2. Underground Mine Exploration

Auriferous mineralisation of the Whitelaws Floor and other northern drill intersections will be sampled from the 7L winze access during the next quarter, once access and ventilation from the 9L is completed. Underground Sampling was continued at 5L & samples have been dispatched for assay.

Drilling programs are being designed initially from the 9L to test the Gap Zone (200m to 600m depth of the Morning Star Mine).

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

Initial drillholes will be sited on pads cut by GMA (WMC) and will be down holes between 9L and 14L.

Underground sampling is planned for the next quarter to collect a bulk metallurgical sample for trial mining/processing studies.



3. Trial Mining Study – Bulk Metallurgical Sampling

A program is being designed 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 stockwork/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.

4. Regional Dykes Exploration Program

A variety of historical gold mines, mineralisation styles and potential exploration targets were identified for priority exploration activities on the regional tenements for the upcoming quarter.

Inspection of and access to 3 of these dykes, Little Comet, Comet and All Nations was commenced during the March Quarter and preliminary samples were collected from exposures of mineralisation.

Positive results (up to 45 g/t Au.) have been obtained in material near the old mine workings. In summary:

Little Comet

Thirty-five samples were collected from historic workings along the Little Comet dyke and contained elevated gold values with 3 samples returning values greater than 5 g/t. (8.58, 44.8 and 21.1 g/t Au.)

Comet

Thirteen samples were collected from limited exposures along the Comet dyke, most of the samples returned anomalous gold values with a high of 2.04 g/t.

All Nations

Seven Quartz Reef samples were collected in the Top Adit. The reefs exposed in the adit are up to 450mm wide, trend N to NNE and dip steeply to the west. Numerous sub-horizontal spurs branch from the sub-vertical reef. The reef samples contain gold with a high of 6.12 g/t from one of the spur structures.

The main reef structure in the Top Adit had a similar orientation to that in Lawson's Adit 300m to the south and may be associated with the same fault system. The area between these two adits is worthy of further exploration.

Samples from the All Nations workings along the May Moon dyke and the quartz reefs exposed in Lawson's Adit have also been dispatched to the lab for assay.

Planning is underway to commence surface Exploration Drilling of these Regional Dykes in the near future.

5. Occupational Health & Safety

There were no incidents or near miss occurrences (MTI) or lost time injuries (LTI) during the quarter. An underground employee aggravated an old back discomfort and elected to take leave.



6. Regional Mining Licences

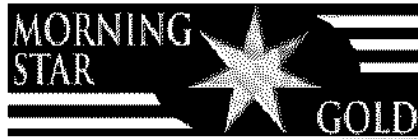
During the quarter, the Company has commenced preparations on work plans to carry out exploration leading to drilling on all of its regional Mining Licences (MIN's 5010, 5013, 5233, 5234, 5240, 5241, and 5242).

7. Morning Star Mine Site Inspection by DPI

Late in the Quarter, George Buckland, Manager of Mineral & Petroleum Tenements (DPI), attended the Morning Star mine site and undertook an inspection of the operations.

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 relevant experience in relation to the mineralisation being reported on, to qualify as a Competent Person as defined in the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves.

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



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SCHEDULE OF MINING TITLES
At end of March, 2007

Project	Tenement	Area (km2)	Commodity	Interest (%)	Currency of Title
<u>VICTORIA</u>					
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	
<u>NEW SOUTH WALES</u>					
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)



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ATTACHMENT TO QUARTERLY REPORT (APPENDIX 5B)
FOR QUARTER ENDED 31st MARCH, 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 7th 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.

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")

31ST MARCH 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (... 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	(456)	(1,198)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	28	55
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material) GST refund		57
	(547)	(1,355)
Net Operating Cash Flows		
Cash flows related to investing activities		
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)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(547)	(1,393)

1.13	Total operating and investing cash flows (brought forward)	(547)	(1,393)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	898	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)		
	Net financing cash flows	898	3,127
	Net increase (decrease) in cash held	351	1,734
1.20	Cash at beginning of quarter/year to date	2,185	802
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,536	2,536

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	3
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

ACCOUNTING AND GEOLOGICAL FEES

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	NIL
3.2	Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	500
4.2	Development	NIL
Total		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	2,410	2,059
5.2	Deposits at call	126	126
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		2,536	2,185

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			

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	Preference securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	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	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <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	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <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: 26TH APRIL, 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.

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