

Morning Star Holdings (Australia) Limited

ABN 98 008 124 025

ASX / Media release

31 July 2009

Quarterly report to 30 June 2009 Highlights

ACQUISITION OF REALM RESOURCES LTD

Morning Star Holdings (Australia) Limited ("the Company") announced during the quarter that it had entered in to conditional agreements to acquire the entire share capital of Realm Resources Limited, a platinum focused resources company based in Perth, Western Australia. The transaction is subject to certain conditions precedent and if met, will expose the Company to the robust South African platinum industry and diversify the Company's interests.

Completion of various conditions is proceeding and the Company anticipates lodging the Notice of Meeting and explanatory materials during August.

In the interim, management is completing the required due diligence and has begun mapping and costing a drilling programme as well as developing a preliminary strategy for developing the resources.

ALUMICOR SA PTY LTD

Alumicor SA (**Alumicor**) treats aluminium dross for Hulamin Limited (**Hulamin**) and returns aluminium to Hulamin on an annually negotiated toll conversion fee basis.

Health and Safety

The disabling injury frequency rate (DIFR) for the June quarter was 14, reducing from 18 for the previous quarter. Efforts are continuing to reduce injury occurrence and training is continually implemented and revised. During the month of June a surprise inspection by the Department of Labour, resulted in a favourable report, giving credit to management and staff for good working conditions at Alumicor.

Smelting and recovery performance comparison

Alumicor	Q3 2008	Q4 2008	Q1 2009	Q2 2009	% change Q2 2009 from Q1 2009
Tons smelted	3,960	3,168	3,695	4,280	16%
Average recovery %	38%	51%	68%	68%	0%

Note: MSH assumed ownership of Alumicor on 1 August 2008.

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Operations

Operational performance has improved, the plant is running near to authorised capacity (an application to increase the authorised throughput limit is in process). The overall utilisation of plant capacity has improved from the prior quarter with tonnage smelted increasing by 16% on Q1 2009. Aluminium recovery remains well within the accepted range for Hualamin. Scheduled furnace shutdowns have and will occur, mainly for refractory re-lining and also for general maintenance. Latest shutdowns and inspections indicate that the furnaces are in good working order.

Management and control systems at Alumicor continue to be reviewed and enhanced to ensure that operational efficiency is maximised and safety, health and environmental standards are met and exceeded.

Financial

Revenues declined by 22% over the prior quarter due to the implementation of an interim pricing arrangement with Hualamin. Hualamin have temporarily agreed to carry certain input costs, which have resulted in a commensurate reduction of the tolling charge, while negotiations aimed at seeking a more acceptable longer term commercial agreement are continuing. Net income continues to be positive, however, it remains below target. The cost per ton processed (average for the quarter) has reduced by 37% from the Q1 2009, mainly caused by Hualamin taking over certain input costs (as mentioned above). The costs per ton that remain under the Company's control have reduced by 6% from the prior quarter (calculated as a 3 month average).

Negotiations are continuing with Hualamin, however, efforts to finalise acceptable commercial arrangements continue to be hampered by the depressed conditions of the Aluminium market. The Company is now considering alternative proposals that may assist Hualamin with their decision process.

BUSINESS DEVELOPMENT

During the quarter business development activities have been focussed on:-

- Sourcing additional, good quality resource sector projects and more specifically diversifying the Company in to the South African platinum sector with the announcement of the Realm Resources Ltd transaction. Management is focussed on completing the transaction and has started with preliminary planning for the evaluation and development of the property;
- Introducing site dedicated aluminium dross treatment plants to Australia and elsewhere. Negotiations with three Australian aluminium smelters are progressing with the initial intent of testing their dross in Alumicor's facility in South Africa.

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CORPORATE

Referring to the attached 4C, net operating cash outflows were \$354,000 for the quarter (inflow of \$273,000 in the prior quarter). There was a net decrease in cash held of \$394,000 (net increase of \$247,000 in the prior quarter).

Group cash position as at 30 June 2009 was \$6,459,000.

If you have any queries please contact Richard Rossiter on 0418 688 338, or Theo Renard (FD) on 0430 205 889.

Yours sincerely



Richard Rossiter
Managing Director

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Morning Star Holdings (Australia) Limited

ABN

98 008 124 025

Quarter ended ("current quarter")

30 June 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from customers	1,520	3,315
1.2	Payments for (a) staff costs	(453)	(812)
	(b) advertising and		
	marketing		
	(c) research and		
	development		
	(d) leased assets		
	(e) other working capital	(1,481)	(2,724)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	64	163
1.5	Interest and other costs of finance paid	(4)	(7)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
Net operating cash flows		(354)	(65)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(354)	(65)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(20)	(20)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material)		
Net investing cash flows	(20)	(20)
1.14 Total operating and investing cash flows	(374)	(85)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.		
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings	(20)	(46)
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	(20)	(46)
Net increase (decrease) in cash held	(394)	(131)
1.21 Cash at beginning of quarter/year to date	6,828	6,583
1.22 Exchange rate adjustments to item 1.21	25	7
1.23 Cash at end of quarter	6,459	6,459

+ See chapter 19 for defined terms.

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
1.24	Aggregate amount of payments to the parties included in item 1.2	250
1.25	Aggregate amount of loans to the parties included in item 1.11	
1.26	Explanation necessary for an understanding of the transactions	

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

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

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Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	118	118
3.2 Credit standby arrangements		

+ See chapter 19 for defined terms.

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
4.1	Cash on hand and at bank	180	75
4.2	Deposits at call	5,860	6,202
4.3	Bank overdraft		
4.4	Other (provide details)	419	551
Total: cash at end of quarter (item 1.23)		6,459	6,828

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A
5.2	Place of incorporation or registration	
5.3	Consideration for acquisition or disposal	
5.4	Total net assets	
5.5	Nature of business	

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2009
(Director/Company secretary)

Print name: Theo Renard

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 definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **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.

+ See chapter 19 for defined terms.