

Morning Star Holdings (Australia) Limited

17 April 2007

Company Announcement Office
Australian Securities Exchange Limited
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Ms

Re: Acquisition of International Mining Technologies Pty Ltd

The Company is pleased to advise that it has entered into a conditional Term Sheet to acquire 100% of the issued capital of International Mining Technologies Pty Ltd ("IMT").

IMT is a Perth based company formed in 1999 and which currently employs 16 people. It develops innovative advanced safety and maintenance systems for the mobile mining and heavy machinery industry. IMT was formed in 1999 by Mr. Todd and Alan Pearce at a time of increasing focus on health and safety requirements in the mining industry with mine operators and contractors seeking additional solutions to improve mine safety.

Over the last 5 years IMT has been developing an advanced Collision Avoidance System ("CAS") in conjunction with the mining industry for the use on all mobile mining equipment within mining operations including dump trucks, excavators, fleet vehicles, ground units and caterpillar track drill rigs. The CAS unit being developed by IMT is a unique product offering numerous competitive advantages over existing radar and GPS systems such as:

- Target identification;
- Ranging technologies;
- Directional movement;
- Voice alert system; and
- Works in all conditions and weather (a key flaw in existing systems).

IMT expects that CAS will become its primary product offering following commercialisation.

During the last five years IMT has received grants from the following major companies in the mining sector to assist in the development of CAS:

- Phelps Dodge;
- Barrick / Newmont; and
- Alcoa.

It also has been the recipient of significant federal government grants under the AusIndustry program.

CAS Trials

Initial mine trials of CAS at a Phelps Dodge Corporation ("PDC") were successfully completed in mid 2006. IMT is currently completing high level proto-type testing of its CAS product pursuant to an agreement with PDC with a full mine testing scheduled to commence in the third quarter of 2007.

Following successful completion of the testing of CAS, IMT will deliver to PDC 3 haul truck units, 1 light vehicle unit and 1 personnel unit. The Company then expects to roll out further systems across PDC's entire fleet in late 2007.

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Patents

IMT's exclusive technology partner in the development of CAS is the United States based military think tank ENSCO, Inc., with which it holds approximately 40 patents or pending patents.

ENSCO has been providing engineering, science and advanced technology solutions for the defence, security, transportation, and environment industries since 1969. It employs approximately 800 people and is a privately owned corporation. ENSCO is headquartered in Falls Church, Virginia. It has offices in Springfield, Virginia, Endicott, New York, Melbourne and Cocoa Beach, Florida and in Beijing, China.

Current Products

IMT's current products include the following:

- **Vital Data Link ("VDL").** VDL systems use radio modems to remotely access and download data from mobile mining machines. The radio systems give direct, wireless real time access providing significant enhancements over traditional manpower hungry methods. VDL can be used on any machine that has a VIMS module, nearly all large Caterpillar ("CAT") machines have VIMS modules.

IMT currently supplies VDL to all Caterpillar distributors worldwide.

- **VDL Connect.** This is a specialised radio modem that can be used from non CAT equipment. These modems give direct, wireless real time data from an office PC directly to the onboard computer system. These radio modems can also be used for a number of other applications including security systems and data transfer.

VDL and VDL Connect provide live viewing capability of machines from anywhere in the world from any internet connection.

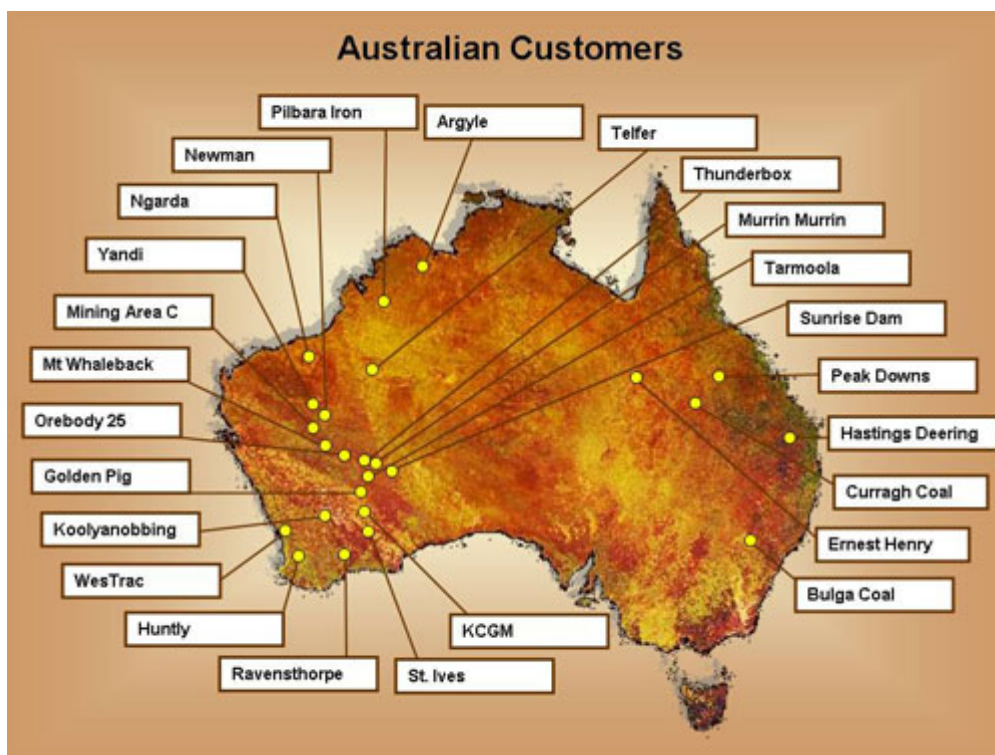
- **Fleet Maintenance Management System ("FMMS").** This product is an advanced condition monitoring mining application that provides an extensive machine condition health monitoring and reporting for comprehensive mining planning and equipment management. FMMS can also be utilised for application analysis by providing performance metrics and optimal payload capacity further allowing operations to monitor and even reduce cycle time thereby increasing productivity and profits.

Current Markets

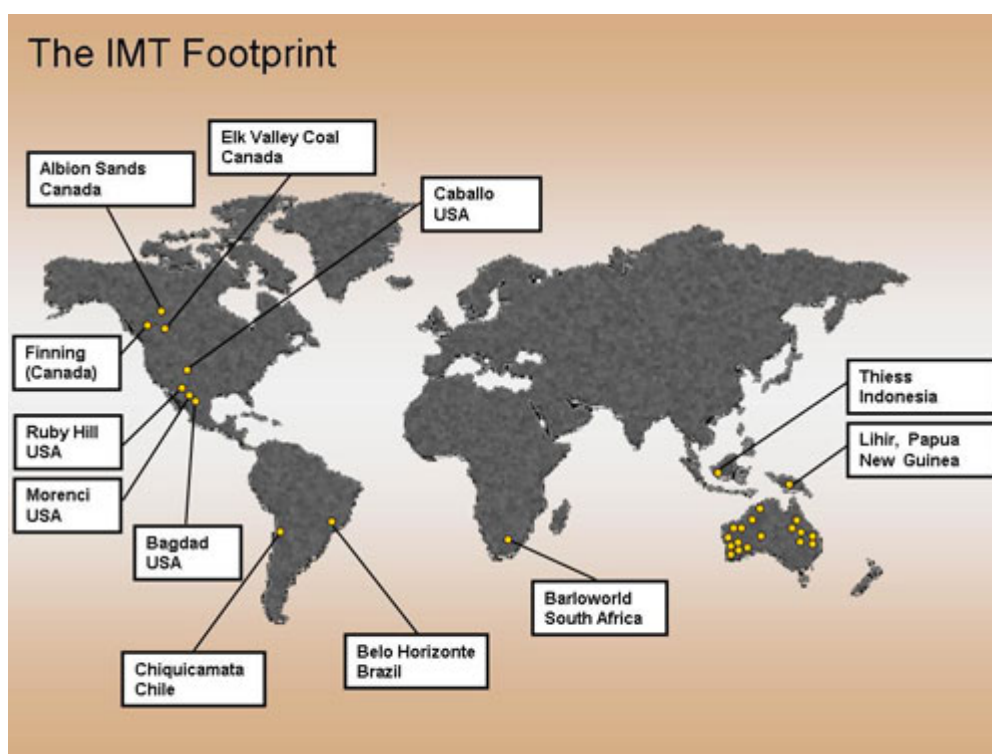
IMT currently supplies its products to the mobile mining equipment markets, primarily within Western Australia and North America. Contracts have also been recently concluded in South America, North America and Australasia. Target markets include those which are dominated by clients with large fleets of mobile equipment, substantial cost budgets to manage and in many cases, operating in multiple mines.

The footprint of IMT's current business is shown on the following maps.

Australian Customers



The IMT Footprint



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Consideration

The Company will acquire 100% of the issued capital of IMT for \$9.65 million, to be satisfied by the issue of 153,125,000 MSH ordinary fully paid shares, MSH will also assume approximately \$1.1 million of IMT debt.

The shareholders of IMT have agreed to a minimum escrow period of 12 months for all shares issued as consideration.

Placement

The Company has also agreed to place 18,000,000 shares at an issue price of \$0.06 to raise \$1,080,000 (before costs) to Sophisticated and Professional investors.

Capital Structure

The capital structure of the Company post acquisition and Placement will be as follows:

Existing Shares on issue	164,994,777
IMT Acquisition	155,125,000
Placement	18,000,000
Total	338,119,777

After the repayment of approximately \$1.1 million in debt assumed from IMT, transactional costs associated with the acquisition and proceeds of the Placement the Company will have cash reserves of approximately \$7.7 million and no debt. This amount is considered adequate for the medium term capital requirements of the IMT business plan.

Subject to shareholder approval, the board of MSH also intends to issue a further 4.5 million options under its Directors and Employees Option Plan. The exercise price of these options will be \$0.07 and expiry will be 31 May 2008. On completion of the issue of these additional options there will be a total of 8.2 million unlisted options on issue under the DEOP.

Bridging Finance

As part of the transaction MSH has agreed to extend a \$500,000 bridging facility to IMT, in the form of two convertible notes, to enable the operation, development and uninterrupted continuation of CAS trials.

Terms of these convertible notes are as follows:

Tranche 1

Amount:	\$250,000
Interest Rate:	8.0% paid quarterly in arrears
Repayment:	31 December 2008
Convertible:	At the election of MSH into 1,250,000 IMT shares

Tranche 2

Amount:	\$250,000
Interest Rate:	8.0% paid quarterly in arrears
Repayment:	31 December 2008
Convertible:	At the election of IMT into 1,250,000 IMT shares

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Conditions

The acquisition of IMT is conditional upon the following:

- (a) the IMT shares being transferred free of all encumbrances;
- (b) completion of satisfactory due diligence by the Parties;
- (c) completion of the Placement;
- (d) the appointment up to 5 IMT representatives to the board of MSH;
- (e) the resignation of 2 existing MSH board members;
- (f) MSH changing its name to International Mining Technologies Limited;
- (g) the obtaining of any necessary shareholder approvals, under or in connection with the terms of this Term Sheet or the Sale and Purchase Agreement, pursuant to the Listing Rules of Australian Securities Exchange Limited, the Corporations Act 2001 and any other regulatory approvals, if necessary;

If MSH elects not to proceed with the acquisition for any reason other than an undisclosed material omission by IMT then MSH agrees to pay IMT a break fee of \$100,000.

Requirements

As the acquisition of IMT constitutes a change of the nature and scope of MSH's activities, MSH requested a trading halt of its shares on the ASX prior to this market release. However, the Company's shares will be reinstated for trading on the ASX on Wednesday 18 April 2007.

MSH will be required to comply with chapters 1 and 2 of the ASX Listing Rules if the proposed acquisition is approved by shareholders at a general meeting to be called to consider the proposal. If the proposal is approved by shareholders the Company's shares will be suspended following shareholder approval until requirements of chapters 1 and 2 of the Listing Rules have been satisfied.

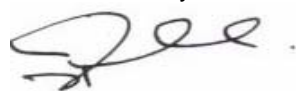
Timetable

It is anticipated that the acquisition of IMT will follow the following timetable:

Completion of due diligence	14 May 2007
Dispatch of Notice of Meeting	31 May 2007
Shareholders Meeting – shares suspended	4 July 2007
Acquisition Completed and re-instatement to official quotation	18 July 2007

Please contact the Dean Gallegos on 0416 220 007 for further information.

Yours sincerely



Dean L Gallegos
Chairman
