

## APPENDIX 4D

### HALF YEAR REPORT

**Name of Entity: Morning Star Holdings (Australia) Limited**

**ABN: 98 008 124 025**

**For the half year ended: 30 June 2007**

### Results for Announcement to the Market

	June 2007 \$	June 2006 \$	Change \$	Change %
Revenues from ordinary activities	0	0	0	-
Profit/(loss) from ordinary activities after tax	(28,856)	(69,488)	(40,632)	58.47
Net profit/(loss) attributable to members	(28,856)	(69,488)	(40,632)	58.47
Dividends – No dividends were paid or declared during the half year period (2006 – nil)				
	June 2007	Dec 2006		
Net tangible assets per share	4.93c	3.90c		
	June 2007	June 2006		
Basic earnings per share (cents per share)	(0.02)	(0.104)		
Diluted earnings per share (cents per share)	(0.02)	(0.104)		

#### Commentary on the results for the period:

The consolidated net loss attributable to members for the half year ended 30 June 2007 was \$28,856 (2006: \$69,488 loss). Finance Income for the half year ended 30 June 2007 was \$216,065 (2006: \$72,335). Finance Income is the consolidated entity's only source of income and is derived from interest on cash assets.

**MORNING STAR HOLDINGS (AUSTRALIA) LIMITED**  
**ABN 98 008 124 025**

**HALF YEAR FINANCIAL REPORT**

**For the Half Year Ended**  
**30 June 2007**

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**MORNING STAR HOLDINGS (AUSTRALIA) LIMITED**  
**HALF YEAR FINANCIAL REPORT**

## **Company Information**

### **DIRECTORS**

Dean Lloyd Gallegos  
Bruce David Burrell  
David Barwick  
Martin Gerard Hanrahan (Resigned 30 January 2007)

### **COUNTRY AND DATE OF INCORPORATION**

Australia, 30 January, 1987

### **AUSTRALIAN COMPANY NUMBER**

008 124 025

### **AUSTRALIAN BUSINESS NUMBER**

98 008 124 025

### **SECRETARY**

Dean Lloyd Gallegos

### **BANKER**

Bank of Western Australia Ltd  
108 ST Georges Terrace  
PERTH WA 6000

### **AUDITORS**

Ernst & Young  
680 George Street  
SYDNEY NSW 2000

### **REGISTERED OFFICE**

Level 15  
25 Bligh Street  
SYDNEY NSW  
AUSTRALIA 2001  
Telephone : (02) 9233 2520  
Facsimile: (02) 9233 2530

### **SOLICITORS**

Hopgood Ganim  
Level 8  
Waterfront Place  
1 Eagle Street  
Brisbane, QLD 4000

### **SHARE REGISTRY**

Computershare Registry Services  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth WA 6000  
Tel : (08) 9323 2000

**MORNING STAR HOLDINGS (AUSTRALIA) LIMITED**  
**HALF YEAR FINANCIAL REPORT**

## **Directors' Report**

The Directors of Morning Star Holdings (Australia) Limited ("the Company") submit herewith the consolidated financial report for the half year ended 30 June 2007.

### **DIRECTORS**

The names of the Directors of Morning Star Holdings (Australia) Limited in office during the half year and at the date of this report are listed below:

Mr. Dean Lloyd GALLEGOS  
Mr. Bruce David BURRELL  
Mr. David BARWICK  
Mr. Martin Gerard HANRAHAN (resigned 30 January 2007)

### **REVIEW OF OPERATIONS**

The consolidated net loss attributable to members for the half year ended 30 June 2007 was \$28,856 (2006: \$69,488 loss). During the period the Company appraised several acquisition opportunities. On the 17 April 2007 the Company announced it had entered into a conditional agreement to acquire a 100% of the issued capital of International Mining Technologies Pty Ltd. After completing a detailed due diligence and on advice from its consultants, the board concluded it was not in the best interest of shareholders to proceed with this acquisition. The current year loss includes approximately \$88,313 in costs associated with due diligence for the above acquisition opportunity reviewed during the period that will not proceed.

The main activity during the first half of 2007 was the appraisal of acquisition opportunities.

At the date of this report, a suitable investment for the company's cash assets had not been identified.

### **DIVIDENDS**

The directors have decided that no dividend will be declared in respect of the half year ended 30 June 2007 (2006: Nil).

**MORNING STAR HOLDINGS (AUSTRALIA) LIMITED**  
**HALF YEAR FINANCIAL REPORT**

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

As disclosed to the Australian Stock Exchange, on 06 August 2007 the Company advised that it has executed a placement agreement with a group of strategic investors to issue 17,000,000 shares at an issue price of \$0.06 to raise \$1,020,000 before costs.

Since 30 June 2007 and up to the date of this report, other than the changes in the issued capital already noted, no other item, transaction or event of a material and unusual nature has arisen, which in the opinion of the Directors is likely to affect substantially the operations of the economic entity or the results of those operations or the state of affairs of the economic entity for the subsequent financial years.

**LEAD AUDITORS' INDEPENDENCE DECLARATION**

The lead auditors' independence declaration made under Section 307C of the Corporations Act 2001 is set out on page 15 and forms part of this Directors Report.



Dean L Gallegos  
Chairman

Date: 29 AUGUST 2007.

MORNING STAR HOLDINGS (AUSTRALIA) LIMITED  
HALF YEAR FINANCIAL REPORT

## Directors' Declaration

In accordance with a resolution of the Directors of Morning Star Holdings (Australia) Limited, I state that: -

In the opinion of the Directors:

- a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 including:
  - i) giving a true and fair view of the financial position of the consolidated entity, as at 30 June 2007 and of its performance, as represented by the results of its operations and cash flows, for the half year ended on that date; and
  - ii) complying with the Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



Dean L Gallegos  
Chairman

Date: 29 August 2007.

**MORNING STAR HOLDINGS (AUSTRALIA) LIMITED**  
**HALF YEAR FINANCIAL REPORT**

# **Condensed Income Statement**

FOR THE HALF YEAR ENDED 30 JUNE 2007

	Notes	CONSOLIDATED	
		Half year ended 30 June 2007 \$	Half year ended 30 June 2006 \$
<b>Administrative Expenses</b>		(157,206)	(67,898)
<b>Other expenses</b>	2	(88,313)	0
<b>Loss before net financing income and income tax</b>		(245,519)	(67,898)
<b>Financial Income</b>		216,065	72,335
<b>Financial Expenses</b>		(1,065)	(1,313)
<b>Net financing income</b>		215,000	71,022
<b>Profit/(Loss) before related Income Tax Expense</b>		(30,519)	3,124
<b>Income Tax (Expense)/Benefit</b>	3	1,663	(72,612)
<b>Net Loss Attributable to Members</b>		(28,856)	(69,488)
<b>Basic earnings per share (cents per share)</b>	9	(0.02)	(0.07)
<b>Diluted earnings per share (cents per share)</b>	9	(0.02)	(0.07)

The Condensed Income Statement should be read in conjunction with the accompanying Notes which form an integral part of the Half Year Financial Statements.

**MORNING STAR HOLDINGS (AUSTRALIA) LIMITED**  
**HALF YEAR FINANCIAL REPORT**

## **Condensed Balance Sheet**

AS AT 30 JUNE 2007

	Notes	<b>CONSOLIDATED</b>	
		<b>AS AT 30 JUNE 2007 \$</b>	<b>AS AT 31 December 2006 \$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		8,153,683	2,626,488
Trade and other receivables		9,748	43,629
<b>TOTAL CURRENT ASSETS</b>		<b>8,163,431</b>	<b>2,670,117</b>
<b>NON-CURRENT ASSETS</b>			
Deferred tax assets		34,602	32,939
<b>TOTAL NON-CURRENT ASSETS</b>		<b>34,602</b>	<b>32,939</b>
<b>TOTAL ASSETS</b>		<b>8,198,033</b>	<b>2,703,056</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		24,892	116,854
Income tax payable		-	11,252
<b>TOTAL CURRENT LIABILITIES</b>		<b>24,892</b>	<b>128,106</b>
<b>NET ASSETS</b>		<b>8,173,141</b>	<b>2,574,950</b>
<b>EQUITY</b>			
Share capital	8	6,577,072	975,000
Reserves		24,975	-
Retained earnings		1,571,094	1,599,950
<b>TOTAL EQUITY</b>		<b>8,173,141</b>	<b>2,574,950</b>

The Condensed Balance Sheet should be read in conjunction with the accompanying Notes which form an integral part of the Half Year Financial Statements.



**MORNING STAR HOLDINGS (AUSTRALIA) LIMITED**  
**HALF YEAR FINANCIAL REPORT**

# **Condensed Cash Flow Statement**

FOR THE HALF YEAR ENDED 30 JUNE 2007

	Notes	CONSOLIDATED	
		Half year ended 30 June 2007 \$	Half year ended 30 June 2006 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		-	3,838
Payments to suppliers and employees		(275,942)	(55,571)
Interest received		216,065	75,561
Income tax paid		(15,000)	(10,000)
<b>Net cash flows (used in)/from operating activities</b>		<b>(74,877)</b>	<b>13,828</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities		5,879,000	-
Payment for share issue costs		(276,928)	-
<b>Net cash provided by financing activities</b>		<b>5,602,072</b>	<b>-</b>
<b>Net increase in cash and cash equivalents held</b>		<b>5,527,195</b>	<b>17,265</b>
Add opening cash and cash equivalents at the beginning of the half year		2,626,488	2,631,909
<b>Closing cash and cash equivalents at the end of the half year</b>		<b>8,153,683</b>	<b>2,649,174</b>

The Condensed Cash Flow Statement should be read in conjunction with the accompanying Notes which form an integral part of the Half Year Financial Statements.

**MORNING STAR HOLDINGS (AUSTRALIA) LIMITED**  
**HALF YEAR FINANCIAL REPORT**

## **Condensed Statement of Changes in Equity**

FOR THE HALF YEAR ENDED 30 JUNE 2007

CONSOLIDATED	<i>Issued Capital</i> \$	<i>Reserves</i> \$	<i>Retained Earnings</i> \$	<i>Total</i> \$
<b>At 1 July 2006</b>	975,000	-	1,635,356	2,610,356
Loss for the period	-	-	(35,406)	(35,406)
<b>At 31 December 2006</b>	<u>975,000</u>	<u>-</u>	<u>1,599,950</u>	<u>2,574,950</u>
<b>At 1 January 2007</b>	975,000	-	1,599,950	2,574,950
Share issues during the period	8 5,879,000	-	-	5,879,000
Options issued during the period	-	24,975	-	24,975
Share issue costs	(276,928)	-	-	(276,928)
Loss for the period	-	-	(28,856)	(28,856)
<b>At 30 June 2007</b>	<u>6,577,072</u>	<u>24,975</u>	<u>1,571,094</u>	<u>8,173,141</u>

The Condensed Statement of Changes in Equity should be read in conjunction with the accompanying Notes which form an integral part of the Half Year Financial Statements.

## Notes to the Half Year Financial Statements

### For the half year ended 30 June 2007

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#### 1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report. The half year Financial Report is to be read in conjunction with the 31 December 2006 Annual Financial Report and any Public Announcements by the Company during the Half Year in accordance with continuous disclosure obligations under the Corporations Act 2001, and has been prepared using the same accounting policies and methods of computation as those used in the 31 December 2006 Annual Financial Report. The Half Year Financial Report was authorized to be issued by the Directors on the 29<sup>th</sup> August 2007.

##### (a) Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 31 December 2006.

## Notes to the Half Year Financial Statements

### For the half year ended 30 June 2007

		CONSOLIDATED	
		Half year ended 30 June 2007 \$	Half year ended 30 June 2006 \$
<b>2. EXPENSES</b>			
The result before income tax expense includes the following expense whose disclosure is relevant in explaining the financial performance of the entity:			
a) Other Expenses			
Due Diligence		88,313	-
<b>3. INCOME TAX EXPENSE / (BENEFIT)</b>			
The prima facie tax, using tax rates applicable in the country of operation, on operating profit differs from the income tax provided as follows:			
Prima facie tax on (loss)/profit at 30%		(9,156)	937
Increase in income tax due to non deductible items in current period;			
• Insurance premiums		-	4,800
• Under franked dividend tax prior years		-	66,875
• Share based payment		7,493	-
Income tax expense / (benefit)		(1,663)	72,612

#### 4. DIVIDENDS PAID AND PROPOSED

No dividends have been paid or proposed during the half year period.

#### 5. SEGMENT INFORMATION

The economic entity operates in Australia and is currently seeking acquisition opportunities.

#### 6. GROUP STRUCTURE

The Company via a Members' Voluntary Liquidation is currently in the process of winding up its wholly owned dormant subsidiaries Stowford Pty. Ltd and Barilla Pty. Limited. Stowford Pty. Ltd. is 100% owned by Morning Star Holdings (Australia) Limited and Barilla Pty. Limited is 100% owned by Stowford Pty. Ltd.

There are no associates or joint venture entities which form part of the group structure.

## Notes to the Half Year Financial Statements

For the half year ended 30 June 2007

### 7. EVENTS AFTER BALANCE SHEET DATE

As disclosed to the Australian Stock Exchange, on 06 August 2007 the Company advised that it has executed a placement agreement with a group of strategic investors to issue 17,000,000 shares at an issue price of \$0.06 to raise \$1,020,000, before costs.

Since 30 June 2007 and up to the date of this report, other than the changes in the issued capital already noted, no other item, transaction or event of a material and unusual nature has arisen, which in the opinion of the Directors is likely to affect substantially the operations of the economic entity or the results of those operations or the state of affairs of the economic entity for the subsequent financial years.

### 8. ISSUANCES, REPURCHASES AND REPAYMENTS OF SECURITIES

#### CONSOLIDATED

	Half year ended		Half year ended	
	30 June 2007		30 June 2006	
	\$		\$	
164,995,777 fully paid ordinary shares (2006: 67,012,504)	6,577,072		975,000	
	30/06/07	30/06/06	30/06/07	30/06/06
	\$	\$	Number of Shares	Number of Shares
Reconciliation of Issued Capital :				
Ordinary shares				
Opening balance	975,000	975,000	67,012,504	67,012,504
Share movements during year:				
- 16 February 2007 (i)	5,000,000	-	83,333,333	-
- 16 February 2007 (ii)	879,000	-	14,649,940	-
- Share issue cost	(276,928)	-	-	-
At reporting date	6,577,072	975,000	164,995,777	67,012,504

(i) The Company Placed 83,333,333 fully paid ordinary shares at an issue price of \$0.06, as approved at the Company General Meeting held on the 23 January 2007.

(ii) The Company via a Shareholder Share Purchase Plan issued 14,649,940 fully paid ordinary shares at an issue price of \$0.06, as approved at the Company General Meeting held on the 23 January 2007.

#### Reconciliation of unquoted options:

Date	Details	Exercise price	Expiry date	Number
1 January 2007	opening balance			Nil
23 January 2007 (i)	options issued	7 cents	30 May 2008	4,000,000
30 January 2007	options lapsed	7 cents	30 May 2008	(300,000)
30 June 2007	closing balance	7 cents	30 May 2008	3,700,000

# Notes to the Half Year Financial Statements

For the half year ended 30 June 2007

i) The Company as approved in the general meeting of shareholders issued 4,000,000 unquoted option under the recently established Director and Employee Option Plan, these options have certain terms and conditions that must be met before they vest and are exercisable. As of 30 June 2007 only 75% of the issued option have vested and at the date of this report the option have met their vesting condition and are exercisable.

## 9. EARNINGS PER SHARE

Earnings Reconciliation:

Net Loss Attributable to Members

Weighted Average Number of Ordinary Shares used as the denominator;

Number for basic earnings per share

Effect of potential ordinary shares

Number for diluted earnings per share

Basic Earnings per Share – Ordinary Shares (cents per share)

Diluted Earnings per Share – Ordinary Shares (cents per share)

## CONSOLIDATED

Half year ended 30 June 2007	Half year ended 30 June 2006
\$ (28,856)	\$ (69,488)
139,552,607	67,012,504
74,823	0
139,627,430	67,012,504
(0.02)	(0.104)
(0.02)	(0.104)

The Diluted Earnings per Share has not been adjusted for the conversion of options to ordinary shares as the impact is antidilutive.

To the members of Morning Star Holdings (Australia) Limited

## **Report on the Condensed Half Year Financial Report**

We have reviewed the accompanying half year financial report of Morning Star Holdings (Australia) Limited, which comprises the condensed consolidated balance sheet as at 30 June 2007, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Morning Star Holdings (Australia) Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


### *Independence*

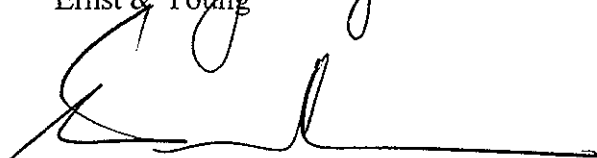
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Morning Star Holdings (Australia) Limited is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

  
Ernst & Young

  
Trent van Veen

Partner

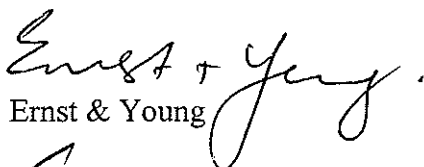
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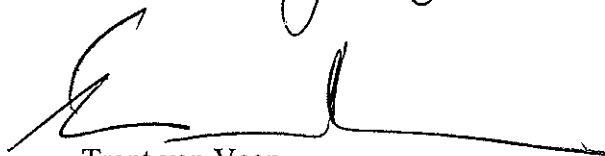
Date: 29 August 2007.



## **Auditor's Independence Declaration to the Directors of Morning Star Holdings (Australia) Limited**

In relation to our review of the consolidated financial report of Morning Star Holdings (Australia) Limited for the half-year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

  
Ernst & Young



Trent van Veen  
Partner

Date: 29 August 2007