

Morning Star Holdings (Australia) Limited

ABN 98 008 124 025

19 May 2008

Company Announcements Office
Australian Securities Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Re: Acquisition of Alumicor SA Holdings (Pty) Ltd

The Directors of Morning Star Holdings (Australia) Limited ("Morning Star" or "Company") are pleased to announce that the Company has entered into agreements to acquire an effective 74% interest in the share capital of Alumicor SA Holdings (Pty) Ltd ("Alumicor") from Sorrell Enterprises Limited ("Sorrell") ("Proposed Transaction").

Alumicor operates an aluminium dross and scrap re-smelting business through its three fully owned subsidiaries:

- Alumicor Maritzburg (Pty) Ltd which operates the dross smelting facility;
- Alumicor Intellectual Property (Pty) Ltd which holds patents, designs and confidential knowledge with regard to the dross smelting process; and
- Nduzi Real Estate Projects (Pty) Ltd which owns the property on which the Alumicor operations are situated.

Under the terms of the acquisition agreement with Sorrell, Morning Star has agreed to purchase a 100% interest in Alumicor for a total consideration of South African Rand ("R") R32,022,736 (A\$4,527,168), comprising a cash consideration of R16,022,736 (A\$2,265,191) and share consideration of R16 million (A\$2,261,977) in Morning Star shares. The share consideration will be issued after completion of any capital consolidation. The number of shares to be issued will depend on the consolidation ratio but based on a pre consolidation number of 22,619,770 shares in the Company. The shares to be issued pursuant to the acquisition may be classified by ASX as restricted securities and may not be able to be transferred for a period of 12 months after being issued.

Morning Star has entered into an associated agreement to sell a 26% interest in Alumicor to African Dune Investments 114 (Pty) Ltd ("African Dune") for R8 million. African Dune qualifies as a Black Person under the definition in the South African Broad Base Black Economic Empowerment Act and thus Alumicor will be black economic empowerment compliant after completion of the Proposed Transaction. Morning Star and African Dune have entered into a loan agreement whereby Morning Star will lend African Dune the R8 million at commercial interest rates to acquire the 26% interest and Morning Star will be repaid by African Dune from dividends distributed from Alumicor to African Dune.

Morning Star and African Dune have also entered into a Shareholder Agreement in relation to Alumicor that will govern the rights of each shareholder in relation to the management of the Company.

Alumicor's business is situated in Pietermaritzburg, Kwazulu Natal, South Africa. Alumicor leases an industrial property in Pietermaritzburg adjacent to the Hulamin Limited ("Hulamin") aluminum smelter

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and has constructed a new aluminum dross re-smelting plant ("Plant") comprising three oxyfuel fired rotary tilting furnaces, baghouse and associated raw materials and waste handling facilities.

The rotary tilting furnaces are capable of re-melting up to 1400 tonnes of aluminium dross per month. Alumicor has an indefinite period contract with Hulamin to treat Hulamin's aluminium dross subject to termination upon the expiry of 6 months written notice given by either Alumicor or Hulamin. Under the terms of that contract Hulamin has an option to acquire 100% of Alumicor's business by the payment of R31 million (A\$4,382,579) (or as much as the capex spent on the Plant subject to all capex above R31 million being agreed to by Hulamin prior to the additional capital being spent) in cash after 31 January 2011 (ie after a period of at least 38 months from November 2007).

Morning Star has secured the ongoing services of the current Alumicor directors and management who will continue operating the business for at least the next three years.

Morning Star has also entered into a Co-operation Agreement with the vendor of Alumicor, Sorrell Enterprises Limited ("Sorrell"). Under the terms of the Co-operation Agreement it is acknowledged that Morning Star wishes to expand its business through the identification and development of additional metal treatment projects and Sorrell has the expertise and experience to assist Morning Star in pursuing and negotiating further business opportunities. Under the terms of the Co-operation Agreement Sorrell will not tender or enter into any agreement in the aluminium dross processing business other than on behalf of Morning Star. If Sorrell assists Morning Star to enter into an agreement with a third party then Morning Star will agree appropriate compensation with Sorrell depending on the nature and scale of the project identified.

The Proposed Acquisition constitutes a change in the nature and scale of Morning Star's activities under Chapter 11 of the ASX Listing Rules. Accordingly, the Company will be required to meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the Company were applying for admission to the Official List of the ASX. To satisfy the requirements of Chapter 1 the Company proposes to undertake a capital consolidation to reduce the number of shares on issue.

The Proposed Acquisition is subject to the Company receiving shareholder approval for the change of activities, the capital consolidation and the issue of shares to Sorrell. Details of the capital consolidation will be set out in the Notice of Meeting. If the Proposed Acquisition is approved by shareholders the Company's shares will be suspended until the requirements of Chapters 1 and 2 of the Listing Rules have been satisfied.

If you have any queries, please contact either Richard Rossiter on 0418 688 338 or Dean Gallegos on 0416 220 007.

Yours sincerely



Dean L Gallegos
Chairman