

Morning Star Holdings (Australia) Limited

ABN 98 008 124 025

13 June 2008

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

Re: Notice of Meeting and Explanatory Memorandum

Please find attached a copy of a Notice of Meeting and Explanatory Memorandum. If you have any queries, please contact Dean Gallegos on 0416 220 007.

Yours sincerely



Dean L Gallegos
Chairman

MORNING STAR HOLDINGS (AUSTRALIA) LIMITED

ACN 008 124 025

NOTICE OF GENERAL MEETING

and

EXPLANATORY MEMORANDUM

Date of Meeting: 18 July 2008

Time of Meeting: 11am (EST)

Place of Meeting: Level 15
25 Bligh Street
SYDNEY NSW 2000

This Notice of General Meeting and Explanatory Memorandum should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

MORNING STAR HOLDINGS (AUSTRALIA) LIMITED

ACN 008 124 025

NOTICE OF GENERAL MEETING

Notice is hereby given that an general meeting of shareholders of Morning Star Holdings (Australia) Limited ACN 008 124 025 ("**Company**") will be held at Level 15, 25 Bligh Street, Sydney at 11am (EST) on 18 July 2008.

The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes the various matters to be considered and contains a glossary of defined terms for terms that are not defined in full in this Notice of Meeting.

AGENDA

RESOLUTIONS

1. Acquisition of Alumicor

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

"That, subject to the passing of Resolution 2, for the purposes Listing Rule 7.1, Listing Rule 11.1 and for all other purposes, Shareholders approve and authorise:

(a) *the Company to change its activities by acquiring all of the shares in Alumicor from Sorrel Enterprises Limited (**Sorrell**) and entering into the Co-operation Agreement with Sorrell pursuant to which the Company proposes to expand its business through the identification and development of additional metal treatment projects; and*

(b) *the Directors to allot and issue to Sorrell the Acquisition Shares,*

in accordance with the Sale Agreement, the terms and conditions of which are summarised in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by Sorrell and any associate of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Consolidation of Capital

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

"That, subject to the passing of Resolution 1, for the purposes of section 254H(1) of the Corporations Act, Article 9 of the Constitution and for all other purposes, Shareholders approve and authorise the consolidation of all of the Company's issued securities on a 1 for 2 basis with effect from the date this Resolution is passed, and otherwise on the terms and conditions set out in the Explanatory Memorandum."

Note: Resolution 2 is subject to the passing of Resolution 1. If Resolution 1 is not passed, Resolution 2 will not be put to the vote. Further, as Resolution 1 is subject to the passing of Resolution 2, Resolution 2 must be passed if the passing of Resolution 1 is to be effective.

3. Establishment of Directors and Employees Incentive Share Plan

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.2, exception 9(b) and for all other purposes, the directors of the Company are authorised to implement and maintain a share plan to be called the "Morning Star Share Plan" and to issue shares under that plan from time to time upon the terms and conditions specified in the Rules of the Morning Star Share Plan (the terms of which are summarised in the Explanatory Memorandum), as an exception to Listing Rule 7.1."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. Establishment of Directors and Employees Incentive Option Plan

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.2, exception 9(b) and for all other purposes, the directors of the Company are authorised to implement and maintain an option plan to be called the "Morning Star Option Plan" and to grant options and issue shares under that plan from time to time upon the terms and conditions specified in the Rules of the Morning Star Option Plan (the terms of which are summarised in the Explanatory Memorandum), as an exception to Listing Rule 7.1."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5. Issue of Shares to Mr Grant Button under the Share Plan

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 750,000 Shares at an issue price of \$0.20 per Share to Mr Grant Button and the provision of a loan for up to \$150,000 to acquire up to 750,000 Shares, in accordance with the Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
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6. Issue of Shares to Mr Richard Rossiter under the Share Plan

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 1,500,000 Shares at an issue price of \$0.20 per Share to Mr Richard Rossiter and the provision of a loan for up to \$300,000 to acquire up to 1,500,000 Shares, in accordance with the Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Grant of Options to Mr Dean Gallegos

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise the issue of up to 1,500,000 Options (each to subscribe for one Share and each exercisable at \$0.20 on or before 31 May 2009) to Mr Dean Gallegos on the terms and conditions set out in the Explanatory Memorandum and to allot and issue up to 1,500,000 Shares on the valid exercise of those Options."

The Company will disregard any votes cast on this resolution by Mr Dean Gallegos and any associate of Mr Dean Gallegos. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction.

8. Grant of Options to Mr Bruce Burrell

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise the issue of up to 150,000 Options (each to subscribe for one Share and each exercisable at \$0.20 on or before 31 May 2009) to Mr Bruce Burrell on the terms and conditions set out in the Explanatory Memorandum and to allot and issue up to 150,000 Shares on the valid exercise of those Options."

The Company will disregard any votes cast on this resolution by Mr Bruce Burrell and any associate of Mr Bruce Burrell. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction.

9. Increase in directors' fees

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

"That the maximum aggregate fees payable out of the funds of the Company to directors of the Company for their services as directors be increased to \$300,000 per annum."

The Company will disregard any votes cast on this resolution by a director of the Company and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
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BY ORDER OF THE BOARD



Dean Gallegos
Chairman
11 June 2008

PROXY AND VOTING ENTITLEMENT INSTRUCTIONS

PROXY INSTRUCTIONS

Shareholders are entitled to appoint up to two individuals or bodies corporate to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at or sent by facsimile transmission to the Company's office, Level 15, 25 Bligh Street, Sydney, +61 2 9233 2530, not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual or body corporate named in the proxy form proposes to vote.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act.

The proxy may, but need not, be a shareholder of the Company.

In the case of shares jointly held by two or more persons, all joint holders must sign the proxy form.

A proxy form is attached to this Notice.

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 5:00 pm WST on 16 July 2008. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

MORNING STAR HOLDINGS (AUSTRALIA) LIMITED
ACN 008 124 025

PROXY FORM

Morning Star Holdings (Australia) Limited, Level 15, 25 Bligh Street, Sydney
Facsimile +61 2 9233 2530

I/We _____

of _____

being a shareholder/(s) of Morning Star Holdings (Australia) Limited ("**Company**") and entitled to

_____ shares in the Company

hereby appoint _____

of _____

or failing him/her/it _____

of _____

or failing him/her/it the Chairman as my/our proxy to vote for me/us and on my/our behalf at the general meeting of the Company to be held at Level 15, 25 Bligh Street, Sydney at 11am (EST) on 18 July 2008 and at any adjournment thereof in respect of _____ of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company.

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is []%.
(An additional proxy form will be supplied by the Company on request.)

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a resolution, the proxy may abstain or vote at his/her/its discretion.

In relation to undirected proxies, the Chairman intends to vote in favour of all of the Resolutions.

If you do not wish to direct your proxy how to vote, please place a mark in the box.

☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of a resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

I/we direct my/our proxy to vote as indicated overleaf:

RESOLUTION		FOR	AGAINST	ABSTAIN
1.	Acquisition of Alumicor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Establishment of Incentive Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Establishment of Incentive Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Issue of Shares to Mr Grant Button under the Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Issue of Shares to Mr Richard Rossiter under the Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Grant of Options to Mr Dean Gallegos	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Grant of Options to Mr Bruce Burrell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Increase in directors' fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand/s this day of 2008

If a natural person:

MORNING STAR HOLDINGS (AUSTRALIA) LIMITED

ACN 008 124 025

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be considered at the general meeting of Shareholders to be held at Level 15, 25 Bligh Street at 11am on 18 July 2008

The Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting. For the assistance of Shareholders, a glossary of defined terms is included at the end of the Explanatory Memorandum.

Full details of the business to be considered at this General Meeting are set out below.

1. Resolution 1 - Acquisition of Alumicor

1.1 Overview of Proposed Acquisition

On Monday 19 May 2008, the Company announced that it had entered into agreements to acquire an effective 74% interest in the share capital of Alumicor from Sorrell (**Proposed Transaction**).

If the Proposed Transaction is completed:

- (a) the Company will hold 74% of Alumicor, which operates (through its subsidiaries) an aluminium dross and scrap re-smelting business;
- (b) African Dune, the Company's South African black economic empowerment partner, will hold 26% of Alumicor;
- (c) Sorrell will hold 11,309,885 Post-Consolidation Shares (**Acquisition Shares**), representing approximately 10.63% of the Shares in the Company (assuming all Resolutions are passed), as consideration for the acquisition of the Alumicor Shares;
- (d) the Company will pay \$2,265,191 (R16,022,736) (**Acquisition Payment**) to Sorrell, as consideration for the acquisition of the Loan Account; and
- (e) African Dune will owe the Company R8,000,000 (plus interest).

The Proposed Transaction is subject to a number of conditions precedent being satisfied. As at the date of this Explanatory Memorandum, the following conditions precedent remain outstanding:

- (a) approval of the Proposed Acquisition by the Company's shareholders (Resolution 1); and
- (b) a consolidation of the Company's Shares on a 1 for 2 basis (Resolution 2).

Alumicor is registered in South Africa and is the holding company of the following South African companies:

- (a) Alumicor Maritzburg (Pty) Ltd;

- (b) Alumicor Intellectual Property (Pty) Ltd; and
- (c) Nduzi Real Estate Projects (Pty) Ltd,

(**Alumicor Companies**).

Alumicor Maritzburg (Pty) Ltd operates the dross smelting facility, Alumicor Intellectual Property (Pty) Ltd holds patents, designs and confidential knowledge with regard to the dross smelting process and Nduzi Real Estate Projects (Pty) Ltd owns the property on which the Alumicor operations are situated. Further details are set out in Section 1.2.

1.2 Alumicor

Alumicor's business is situated in Pietermaritzburg, Kwazulu Natal, South Africa. Alumicor leases an industrial property in Pietermaritzburg adjacent to the Hulam Limited (**Hulamin**) aluminium smelter and has constructed a new aluminium dross re-smelting 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 1,300 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 the contract with Hulamin, Hulamin has an option to acquire 100% of Alumicor's business by the payment of R31,000,000 (A\$4,382,579) in cash after 31 January 2011.

The Company 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.

1.3 Sale Agreement

The significant terms of the Sale Agreement include:

- (a) the acquisition by the Company from Sorrell of:
 - (i) the Alumicor Shares, in consideration for the issue to Sorrell of the Acquisition Shares; and
 - (ii) the Loan Account, in consideration for payment to Sorrell of the Acquisition Payment; and
- (b) acknowledgements by Sorrell and the Company that, in accordance with a share sale and shareholders agreement between the Company and African Dune, after completion of the Proposed Acquisition, the Company is obliged to on-sell to African Dune 26% of the Alumicor Shares (in accordance with the black economic empowerment requirements in South Africa).

1.4 Co-operation Agreement

The Company has also entered into the Co-operation Agreement with Sorrell. Under the terms of the Co-operation Agreement, it is acknowledged that the Company wishes to expand its business through the identification and development of additional metal treatment projects and Sorrell has the expertise and experience to assist the Company 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 metal treatment business other than on behalf of the Company unless the Company advises Sorrell that the Company does not want to pursue that opportunity. If Sorrell assists the Company to enter into an agreement with a third party

then the Company will agree appropriate compensation with Sorrell depending on the nature and scale of the project identified.

1.5 Arrangements with African Dune

The Company has entered into an agreement to sell a 26% interest in Alumicor to African Dune for R8,000,000. African Dune qualifies as a Black Person under the definition in the South African Broad Based Black Economic Empowerment Act and thus Alumicor will be black economic empowerment compliant after completion of the Proposed Transaction. The Company and African Dune have entered into a loan agreement whereby the Company will lend African Dune R8,000,000 at commercial interest rates to acquire the 26% interest in Alumicor. The Company will be repaid by African Dune from dividends to be distributed from Alumicor to African Dune.

1.6 Risks associated with Proposed Transaction

The Proposed Acquisition of Alumicor represents a significant change in the business and activities of the Company. Such change involves new risk for the Company's Shareholders which include:

(a) Industry downturn

The Company's financial performance will now be sensitive to the level of demand within the resource and mining service industries. The levels of activity in these industries can be cyclical and sensitive to a number of factors beyond the control of the Company. In addition, the Company may not be able to predict the timing, extent and duration of the activity cycles in these markets.

(b) Hulammin contract

Under the terms of the contract with Hulammin, Hulammin has an option to acquire 100% of Alumicor's business by the payment of R31,000,000 (\$4,382,579) in cash after 31 January 2011. If Hulammin exercises the option and the Company has not developed any further projects or acquired any further assets, the Company will have no assets.

(c) One project company

At this stage, Alumicor has only one project, being the dross re-smelting plant adjacent to the Hulammin aluminium smelter. Accordingly, the Company relies only on this one project for revenue. If this project is unsuccessful, the Company does not currently have any other projects to rely on.

(d) Dependence on outside parties

Upon completion of the Proposed Transaction, one of the Company's strategies will be to form strategic business relationships with other organisations to provide the Company's products and services. The Company sees the global distribution of metal processing products and services as important to its overall success. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations.

Failure to source and secure further service contracts for the Company will materially affect the business and future profitability of the Company.

(e) **Government policy**

Industry profitability can be affected by changes in government policy in the countries in which the Company intends to carry out its business. These are beyond the control of the Company.

(f) **Environmental**

Alumicor's operations are subject to laws and regulations regarding environmental matters and discharge of hazardous waste and materials. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by applicable laws and regulations.

1.7 Effect of Proposed Acquisition

Effect on capital structure

The following table sets out the capital structure of the Company as at the date of this Explanatory Memorandum and after successful completion of the Capital Consolidation and Proposed Acquisition.

Shares	Current	After Capital Consolidation ¹
Existing Shares on issue	182,295,777	91,147,889
Number of new Shares to be issued pursuant to the Proposed Acquisition ²	-	11,309,885
Total Shares on issue after completion of Proposed Transaction	-	102,457,774

1. If the shareholder approvals are obtained at the Meeting, the share capital of the Company will be altered by converting the existing Shares on issue as at the date of the Meeting to a smaller number of Shares on a 1:2 basis, adjusted upwards to the nearest whole number. As a result of the Capital Consolidation, each existing Shareholder's holding will be reduced by a factor of 2. The exact number of Shares on issue on completion of the Capital Consolidation will depend upon rounding.
2. If the shareholder approvals are obtained at the Meeting and subject to completion of the Proposed Acquisition, the Company will issue a total of 11,309,885 Post Consolidation Shares, being the Acquisition Shares, to Sorrell.

Effect on voting power

If the Proposed Transaction is approved, the relevant interest (within the meaning of the Corporations Act) and the deemed voting power (within the meaning of the Corporations Act) of Sorrell will increase from 0% to 11.04% of the issued capital of the Company. If all the Resolutions in this Notice are passed, Sorrell will have a relevant interest in the Company of 10.63%.

Effect on board composition

The Proposed Transaction will have no effect on the board composition.

1.8 Change of activities - Listing Rule 11.1

The Company is seeking to change the nature of its activities following completion of the Proposed Transaction. Under Listing Rule 11.1, a company must gain shareholder approval prior to a change in the nature or scale of its activities.

Listing Rule 11.1 provides, in summary, that a listed company which proposes to make a significant change to the nature or scale of its activities must provide full details to ASX as soon as practicable including:

- (a) information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, as is the case here, the Company must obtain the approval of its Shareholders;
- (c) if ASX requires, as is the case here, the Company must meet the requirements of Chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the Official List; and
- (d) ASX may suspend quotation of the Shares until the Company has satisfied the requirements of Listing Rule 11.1.

In this case, ASX will impose a suspension of trading in the Company's securities from the date of Meeting until such time as the Company has complied with all re-listing requirements pursuant to the Listing Rules. Subject to the passing of Resolutions 1 and 2 contained in this Notice of Meeting, the Company anticipates satisfying the ASX re-listing requirements on or about 12 August 2008.

In accordance with Listing Rule 11.1.3, the Company will be required to meet the requirements of Chapters 1 and 2 of the Listing Rules as if the Company was applying for admission to the Official List of ASX.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are as follows:

- (a) an information memorandum (with ASX's permission) must be issued and lodged with ASX;
- (b) the Company must satisfy the spread requirements relating to the minimum number of Shareholders in the Company and the minimum value of the shareholdings of those Shareholders; and
- (c) the Company must satisfy either the "asset test" or the "profit test" as set out in the Listing Rules.

1.9 Issue of Shares in consideration for the acquisition of Alumicor

The Company is seeking Shareholder approval for the Proposed Transaction. The Proposed Transaction, if it is completed, will result in the Company acquiring Alumicor. The Company is acquiring:

- (a) the Alumicor Shares in consideration for the Acquisition Shares being issued to Sorrell; and
- (b) the Loan Account in consideration for the Acquisition Payment being paid to Sorrell.

Please refer to section 1.2 for further details of the terms of the acquisition of Alumicor.

1.10 Listing Rule 7.1

Listing 7.1 limits the number of securities which a listed company may issue in any 12 month period without shareholder approval (subject to certain exceptions) to more than 15% of the total number of fully paid ordinary shares on issue at the beginning of the 12 month period plus the number of fully paid ordinary shares issued with the approval of the shareholders or under one of the exceptions during the previous 12 months.

1.11 Listing Rule 7.3

Set out below is the information required to be disclosed in compliance with Listing Rule 7.1:

- (a) The maximum number of Shares that the Company proposes to issue in accordance with Resolution 1 is 11,309,885 Post-Consolidation Shares.
- (b) The Acquisition Shares will be issued on the completion of the Proposed Acquisition and, in any event, no later than 3 months after the date of the meeting, or such later time as may be approved by ASX.
- (c) The Acquisition Shares will be issued at a deemed issue price of \$0.20 per Acquisition Share.
- (d) The Acquisition Shares will be allotted and issued to Sorrell.
- (e) The Acquisition Shares will, from the date of issue, rank equally with all other Post-Consolidation Shares on issue, subject to the classification of the Acquisition Shares by ASX as restricted securities for a period of 12 months.
- (f) The Acquisition Shares are to be issued in consideration for the Company acquiring all of the issued share capital of Alumicor and, as such, no funds will be raised from the issue of the Acquisition Shares.
- (g) The Directors presently intend to issue the Acquisition Shares on one date. However, they reserve the right to issue the Acquisition Shares progressively.

2. Resolution 2 - Consolidation of Capital

Resolution 2 is interdependent on the approval of Resolution 1.

2.1 Section 254H of the Corporations Act

Section 254H of the Corporations Act enables a company to convert all or any of its shares into a smaller number of shares by a resolution passed at a general meeting. The consolidation proposed by Resolution 2 is permitted under that section and under Article 9 of the Constitution.

Resolution 2 proposes that the share capital of the Company be altered by converting the Shares on issue on the date of the Meeting into a smaller number of Shares on a 1:2 basis, adjusted upwards to the nearest whole number.

This means that each Shareholder's holding will be reduced by a factor of 2. For example, a Shareholder who holds 10,000 Shares on the date of the Meeting will have his or her holding reduced to a total of 5,000 Post-Consolidation Shares.

2.2 Effect of Capital Consolidation on capital structure

Shares	Before Capital Consolidation	After Capital Consolidation
Existing Shares prior to the Proposed Transaction	182,295,777	91,147,889
Shares on issue after completion of the Proposed Transaction	-	102,457,774
Shares on issue if all Resolutions are passed, the Shares are issued in accordance with Resolutions 5 and 6 and all Options granted pursuant to Resolutions 7 and 8 are exercised	-	106,357,774

At the date of this Meeting there are, and at the date of the Capital Consolidation there will be, no Options on issue.

3. Resolutions 3 and 4 - Establishment of Directors and Employees Incentive Plans

3.1 Background

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of directors and employees of a high calibre, the Company has established share and option plans.

The Directors, employees and consultants of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the Plans are an appropriate method to:

- (a) reward Directors, consultants and employees for their past performance;
- (b) provide long term incentives for participation in the Company's future growth;
- (c) motivate Directors and generate loyalty from senior employees and consultants; and
- (d) assist to retain the services of valuable employees and consultants.

Further, the Directors consider that the Plans will provide the Company with the ability to attract and retain employees of a high calibre. The Plans will be used as part of the remuneration planning for executive Directors and employees. The Corporate Governance Council Guidelines recommend that executive remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the company's circumstances and goals. The Plans will also be used as part of the remuneration planning for non-executive Directors. Although this is not in accordance with the recommendations contained in the Corporate Governance Council Guidelines, the Company considers that it is appropriate for non-executive Directors to participate in the Plans given the size of the Company.

Although the Company is not required to obtain shareholder approval for the introduction of the Plans, if the Plans are approved by shareholders within 3 years of the date of issue of

securities under the Plan, then those securities will be considered an exception to Listing Rule 7.1.

Listing Rule 7.1 broadly provides, subject to certain exceptions, that a company may not issue or agree to issue securities which represent more than 15% of the nominal value of the company's issued capital at the beginning of any 12 month period without obtaining shareholder approval. If Shareholders approve Resolutions 3 and 4, then the securities issued under the Plans would not be included in the 15% limit imposed by Listing Rule 7.1.

No Shares have been issued under the Share Plan and no Options have been granted under the Option Plan.

A summary of the terms of the Share Plan is set out in section 3.2 of this Explanatory Memorandum. A summary of the terms of the Option Plan is set out in section 3.3 of this Explanatory Memorandum. A copy of the full rules of the Plans will be sent to any member of the Company upon request.

3.2 Summary of the terms and conditions of the Share Plan

Set out below is a summary of the terms and conditions of the Share Plan:

- (a) **Participants** - Participants in the Share Plan may be directors, full-time and part-time employees of, and consultants to, the Company or any of its subsidiaries (**Participants**).
- (b) **Board** - The Board, or a duly appointed committee of the Board, is responsible for the operation of the Share Plan.
- (c) **Eligibility** - The Board determines the eligibility of Participants, having regard to:
 - (i) the seniority of the Participant and the position the Participant occupies with the Company or any subsidiary;
 - (ii) the length of service of the Participant with the Company and its subsidiaries;
 - (iii) the record of employment of the Participant with the Company and its subsidiaries;
 - (iv) the potential contribution of the Participant to the growth and profitability of the Company and its subsidiaries; and
 - (v) any other matters which the Board considers relevant.
- (d) **Invitations** - The Board may issue invitations to the Participants for the number of Plan Shares specified in the invitation. Shares offered under the Share Plan must be in the name of the Participant.
- (e) **Number of Shares** - The number of Shares that may be offered to a Participant is entirely within the discretion of the Board.
- (f) **Issue Price** - The issue price for each Plan Share will be not less than:
 - (i) (if there was at least one transaction in the Shares on ASX during the 5 day trading period immediately before the date on which an offer was made) the weighted average trading price of the Shares on ASX during that period; or

- (ii) (if there were no transaction in the Shares on ASX during that 5 day trading period immediately before the date on which an offer was made) the last price at which an offer was made on ASX to purchase a Share.
- (g) **Loan** - A Participant who is invited to subscribe for Shares under the Share Plan may also be invited to apply for a loan (**Loan**) up to the amount payable in respect of the Shares accepted by the Participant, on the following terms:
 - (i) Loans must be made solely to the Participant and in the name of that Participant.
 - (ii) Loans will be interest free.
 - (iii) Any Loan made available to a Participant shall be applied by the Company directly toward payment of the issue price of the Shares to be acquired under the Share Plan.
 - (iv) The term of the Loan, the time in which repayment of the Loan must be made by the Participant and the manner for making such payments shall be determined by the Board and set out in the invitation.
 - (v) The amount repayable on the Loan by the Participant will be the lesser of:
 - A. the issue price of the Shares, less any cash dividends paid in respect of the Shares and applied by the Company in accordance with paragraph (vii) below and any amount of the Loan repaid by the Participant; and
 - B. the last sale price of the Shares on ASX on the date of repayment of the Loan or, if there are no transactions on that day, the last sale price of the Shares prior to that date, or, if the Shares are sold by the Company, the amount realised by the Company from the sale.
 - (vi) A Participant must repay the Loan in full prior to expiry of the term of the Loan but may elect to repay the Loan amount in respect of any or all of the Shares (in multiples representing not less than 1,000 Shares) at any time prior to expiry of the term of the Loan.
 - (vii) Cash dividends which are paid in respect of Shares the subject of a Loan will be applied by the Company on behalf of the Participant to repayment of the amount outstanding under the Loan and any surplus of the cash dividend will be paid to the Participant.
 - (viii) Any fees, charges and stamp duty payable in respect of a Loan will be payable by the Participant.
 - (ix) The Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Share Plan.
 - (x) A Share issued under the Share Plan will not be tradeable by a Participant until the Loan amount in respect of that Share has been repaid and the Company will retain the Share Certificate in respect of the Loan Shares until the Loan amount has been repaid.

- (h) **Termination of the Loan prior to the Repayment Date** - If, prior to repayment of a Loan by a Participant:
 - (i) the Participant dies, becomes bankrupt or is no longer a director or employee of, or consultant to, the Company or its subsidiaries as a result of retirement or retrenchment, then the Participant is required to either repay the loan within 12 months or allow the Company to sell the Shares and apply the proceeds of sale in repayment of the Loan; or
 - (ii) the Participant is no longer a director or employee of, or consultant to, the Company or its subsidiaries other than as a result of one of the matters referred to in paragraph (a) above, then the Participant is required to either repay the loan within one month or allow the Company to sell the Shares and apply the proceeds of the sale in repayment of the loan.

If the proceeds of sale of the Shares are less than the amount outstanding in relation to the Loan, the Company will forgive the amount of the shortfall.

- (i) **Restriction on Transfer** - Subject to the requirements of the Listing Rules, Shares issued under the Share Plan will not be quoted on ASX and may not be sold or otherwise dealt with until the loan in respect of those Shares has been repaid in full and any other qualifying period that may be imposed by the Board has expired. If a Participant wishes to sell any Shares prior to the expiry of the qualifying period, the Participant may give written notice to the Company requesting the Company to place shares with excluded offerees for the purposes of s708 of the Corporations Act or to sell the relevant Shares on ASX. The Directors have absolute discretion to arrange the sale of the Shares, in the case of hardship or otherwise, provided that the proceeds of sale are reasonably likely to exceed the outstanding Loan amount.
- (j) **Rights attaching to Shares issued under the Share Plan** - Shares which are issued under the Share Plan will rank equally in all respects (other than with respect to any restriction on transfer imposed until the Loan has been repaid or otherwise imposed by the Board and set out in the relevant invitation) with all Shares on issue and, subject to the requirements of the Listing Rules, the Company will apply for quotation of those shares on ASX once the loan in respect of those Shares has been repaid in full and any other restrictions on transfer imposed by the Board have been satisfied.

3.3 Summary of terms and conditions of the Option Plan

Set out below is a summary of the terms and conditions of the Option Plan.

- (a) **Participants** - Participants in the Option Plan may be directors and full time or part-time employees of the Company or any of its subsidiaries (**Participants**).
- (b) **Board** - The Board, or a duly appointed committee of the Board, is responsible for the operation of the Option Plan.
- (c) **Eligibility** - The Board determines the eligibility of Participants, having regard to:
 - (i) the seniority of the Participant and the position the Participant occupies with the Company or any subsidiary;
 - (ii) the length of service of the Participant with the Company and its subsidiaries;

- (iii) the record of employment of the Participant with the Company and its subsidiaries;
 - (iv) the potential contribution of the Participant to the growth and profitability of the Company and its subsidiaries;
 - (v) the extent (if any) of the existing participation of the Participant in the Option Plan; and
 - (vi) any other matters which the Board considers relevant.
- (d) **Invitations** - The Board may, in its absolute discretion, issue invitations to Participants for the number of options specified in the invitation. Options may be renounced in favour of the spouse of the invitee, a body corporate in which the invitee holds and beneficially owns not less than 50% of the issued voting share capital, the trustee of a trust in which the invitee is a beneficiary or object or the trustee of a superannuation fund of which the invitee is a member.
- (e) **Number of Options** - The number of options that may be offered to a Participant is entirely within the discretion of the Board. Each option will entitle the holder to one Share, upon payment of the exercise price in full upon application, prior to the expiry date.
- (f) **Issue Price** - Options granted under the Option Plan will be granted free of charge.
- (g) **Exercise Price** - The exercise price of Options granted under the Option Plan will be determined by the Board, but must not be less than:
 - (i) (if there was at least one transaction in Shares on ASX during the 5 trading day period immediately before the date of the offer) the weighted average of the prices at which the Shares were traded on ASX during that period; or
 - (ii) (if there were no transactions in the Shares on ASX during the 5 trading day period immediately before the date on which the offer is made, the last price at which an offer was made on ASX to purchase a Share.
- (h) **Expiry Date** - The expiry date of the options will be determined by the Board, but will not be more than 10 years. Options granted under the Option Plan will lapse if not exercised prior to the expiry date, or on the first to occur of the following:
 - (i) if the Participant (or the person by virtue of whom a Participant holds options) ceases to be a Director, or employee for any reason other than set out in paragraph (b) below, one month thereafter; and
 - (ii) if the Participant (or the person by virtue of whom a Participant holds options) dies, retires, is retrenched, becomes bankrupt, wound up or deregistered, 12 months thereafter.
- (i) **Restriction on Transfer** - Options may not be transferred without the prior written approval of the Board.
- (j) **Adjustment of Options** - If, prior to the expiry of an option granted under the Option Plan, there is a reorganisation of the issued share capital of the Company (including a consolidation, subdivision or reduction of capital or return of capital to

shareholders), the number of Shares subject to the option and/or the exercise price will be adjusted in the manner required by the Listing Rules.

- (k) **Bonus issue and rights issues** - A participant is required to exercise an Option in order to participate in a bonus or entitlement issue made by the Company. Participants will be provided with written notice of the terms of the issue to shareholders and afforded that period as determined by the Listing Rules to exercise their Options if they wish to participate in the bonus or entitlement issue.
- (l) **Shares issued on Exercise of Options** - Shares which are issued as a result of the exercise of options granted under the Option Plan will rank equally in all respects with all Shares on issue and the Company will apply for quotation of those Shares on ASX.
- (m) **Rights on exercise of option** - Dividends will not accrue on the shares in respect of which the option was exercised until the exercise price has been paid in full in cash. No Participant may exercise any votes attaching to the shares in respect of which the option was exercised until the exercise price has been paid in full in cash.

4. Resolutions 5, 6, 7 and 8 - Issue of Securities to Directors

4.1 Details of proposed issues of securities to Directors

The Company proposes to issue Shares to Mr Button and Mr Rossiter, in accordance with the terms of the Share Plan, and to grant Options to Mr Dean Gallegos and Mr Bruce Burrell on the terms and conditions set out in Schedule 1. These securities will be issued after the Capital Consolidation.

The proposed issue of Shares and grant of Options to the Recipient Directors (Mr Button, Mr Rossiter, Mr Gallegos and Mr Burrell) is intended to:

- (a) provide an appropriate and adequate incentive for the Recipient Directors;
- (b) ensure that the Company may retain the services of the Recipient Directors; and
- (c) reinforce the commitment of the Recipient Directors to the Company.

The Recipient Directors will only benefit from an issue of Shares under the Share Plan or the grant of Options when there is an improvement in the Company's share price since the date on which they were offered the Shares and Options.

Resolutions 5 to 8 seek shareholder approval for the issue of Shares and grant of Options to the Recipient Directors as follows:

Name of Director	Maximum Number of Shares to be Issued	Maximum number of Options to be granted
G. Button	750,000	Nil
R. Rossiter	1,500,000	Nil
D. Gallegos	Nil	1,500,000
B. Burrell	Nil	150,000

The number of Shares and Options proposed to be issued or granted to the Recipient Directors reflects the level of commitment provided or to be provided by each Director to the Company, taking into account the responsibilities of each Director and the time commitments required from each Director. The number of Shares and Options proposed to be issued or granted to the Recipient Directors also reflects the value the Board feels that each Director brings to the enhancement of the Company.

The issue price of the Shares offered to Mr Button and Mr Rossiter under the Share Plan is \$0.20 and the exercise price of the Options to be granted to Mr Dean Gallegos and Mr Bruce Burrell is \$0.20.

The Shares to be issued pursuant to Resolutions 5 and 6 may not be transferred or otherwise dealt with and will not be quoted until the later to occur of the following:

- (a) the loan amount in respect of the relevant share being paid; and
- (b) in respect of:
 - (i) one half of the Shares issued (**Tranche 1**), 12 months after the date of issue of the Shares; and
 - (ii) the remaining one half of the Shares issued (**Tranche 2**), 24 months after the date of issue of the Shares.

The Shares to be issued pursuant to Resolutions 5 and 6 and the Options to be granted pursuant to Resolutions 7 and 8 are in addition to the fee and remuneration packages payable by the Company to the Recipient Directors. In calculating the fee and remuneration packages provided to the Recipient Directors as set out in section 4.2(j) of the Explanatory Memorandum, the Board has taken into consideration the issue of securities proposed in Resolutions 5 to 8. The Board considers that the appropriate remuneration package for each of the Directors comprises both the remuneration set out in 4.2(j) and the securities to be issued if Resolutions 5 to 8 are passed by Shareholders. Although issuing securities to non-executive directors does not generally comply with corporate governance principles, given the size of the Company, the Board considers it appropriate for part of the remuneration package to comprise non-cash, incentive-based remuneration.

4.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions of the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each Recipient Director is a related party and the issue of Shares and grant of Options to the Recipient Directors and provision of loans by the Company to fund payment of the subscription price of the Shares constitutes the giving of a financial benefit. Accordingly, Shareholder approval is required.

In accordance with the requirements of Chapter 2E, and in particular with section 219, of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Shares and grant of Options and the provisions of loans by the Company to fund payment of the subscription price of the Shares:

- (a) the Recipient Directors are each related parties of the Company to whom proposed Resolutions 5 to 8 would permit the financial benefit to be given;
- (b) the nature of the financial benefit to be given to Mr Button is the issue of 750,000 Shares and a loan in respect of those Shares, being \$150,000 as at the date of this Notice of Meeting;
- (c) the nature of the financial benefit to be given to Mr Rossiter is the issue of 1,500,000 Post-Consolidation Shares and a loan in respect of those Shares, being \$300,000 as at the date of this Notice of Meeting;
- (d) the nature of the financial benefit to be given to Mr Gallegos is the grant of 1,500,000 Options exercisable at \$0.20 on or before 31 May 2009;
- (e) the nature of the financial benefit to be given to Mr Burrell is the grant of 150,000 Options exercisable at \$0.20 on or before 31 May 2009;
- (f) the Shares will be issued and the loans will be provided under the Share Plan, the terms of which are summarised in Section 3.2;
- (g) the Options will be granted under the Option Plan, the terms of which are summarised in Section 3.3 and on the terms and conditions set out in Schedule 1 to this Explanatory Memorandum;
- (h) as at the date of this Notice, and assuming completion of the Capital Consolidation, the capital structure of the Company is as follows:

Capital	Number
Shares (Before Capital Consolidation)	182,295,777
Shares (After Capital Consolidation)	91,147,889

If Shareholders approve all resolutions in this Notice and all Shares are issued as contemplated by this Notice, the issued capital of the Company after completion of the Proposed Transaction would be as follows:

Capital	Number
Shares (After Capital Consolidation and completion of Proposed Transaction)	104,707,774
Options	1,650,000 Options exercisable at \$0.20 before 31 May 2009
Total ordinary Shares if all Options are exercised	106,357,774

If Shareholders approve the issue of 2,250,000 Shares to Mr Button and Mr Rossiter, the effect will be to dilute the shareholding of existing members by approximately 1.219%, based on the existing number of Shares as at the date of this Notice.

If Shareholders approve the grant of 1,650,000 Options to Mr Gallegos and Mr Burrell and all of those Options are exercised, the effect will be to dilute the shareholding of existing members by approximately 0.897%, based on the existing number of Shares as at the date of this Notice.

If Shareholders approve the issue of 2,250,000 Shares to Mr Button and Mr Rossiter and the grant of 1,650,000 Options to Mr Gallegos and Mr Burrell and all of those Options are exercised, the effect will be to dilute the shareholding of existing members by approximately 2.095%, based on the existing number of Shares as at the date of this Notice.

- (i) as at the date of this Notice, the Recipient Directors hold the following securities in the Company, representing 4.39% of the issued capital of the Company:

Director	Number of Post-Consolidation Shares held directly/indirectly	Number of Post Consolidation Options held directly/indirectly
G. Button	Nil	Nil
R. Rossiter	Nil	Nil
D. Gallegos	3,087,500	Nil
B. Burrell	25,000	Nil

If Shareholders approve all Resolutions contained in this Notice, the Shares are issued and Options are granted as contemplated by this Notice, the Recipient Directors will hold the following securities in the Company, representing 7.43% of the issued capital of the Company:

Director	Number of Post Consolidation Shares held directly/indirectly	Number of Post Consolidation Options held directly/indirectly
G. Button	750,000	Nil
R. Rossiter	1,500,000	Nil
D. Gallegos	3,087,500	1,500,000
B. Burrell	25,000	150,000

- (j) details of the Recipient Directors' remuneration for the year ended 31 December 2007 (based on information extracted from the Company's 2007 Annual Report) are as follows:

Director	Fees (\$)	Superannuation (\$)	Equity (\$)	Total (\$)
G. Button	8,774	Nil	Nil	8,774
R. Rossiter	8,774	Nil	Nil	8,774
D. Gallegos	120,000	Nil	27,900	147,900
B. Burrell	24,000	Nil	2,700	26,700

Details of the estimated remuneration payable to the Recipient Directors for the year beginning 1 January 2008 are as follows:

Director	Fees (\$)	Superannuation (\$)	Equity (\$)	Total (\$)
G. Button	24,000	2,160	60,000	86,160
R. Rossiter	97,333	1,260	120,000	218,593
D. Gallegos	167,500	Nil	58,500	226,000
B. Burrell	16,000	1,440	5,850	23,290

- (k) the subscription price at which 2,250,000 Shares will be issued to the Recipient Directors will be \$0.20 per Share, with the subscription price being loaned to the Directors on the terms set out in Section 3.2 of the Explanatory Memorandum, in accordance with the terms of the Share Plan;
- (l) the Options will be granted for no consideration. The exercise price of the Options is \$0.20;
- (m) the market price for the underlying shares during the term of the Options would normally determine whether or not Mr Gallegos and Mr Burrell would exercise the Options. If, at the time any of the Options are exercised, the price of the underlying shares is higher than the exercise price of the Options, there may be a perceived cost to the Company;
- (n) during the last 12 months before the date of lodgement of this Notice with the ASIC, the highest trading price of the Shares (on a post-consolidation basis) was \$0.37 on 19 October 2007 and the lowest trading price of the Shares (on a post-consolidation basis) was \$0.102 on 10 July 2007. The market price of the Company's Shares (on a post-consolidation basis) over the 5 day trading on ASX up to and including 3 June 2008 has been between a minimum of \$0.164 per Share to a maximum of \$0.20 per Share. On 3 June 2008, the last trading day before this Notice of Meeting was lodged with the ASIC, the Shares closed at a price of \$0.20 per Share (on a post-consolidation basis);

- (o) assuming a market price on the date of repayment of the loans of \$0.20, being the market price (on a post-consolidation basis) on the last trading day before this Notice of Meeting was lodged with the ASIC, the Company will receive \$450,000 from the issue of the Shares to the Recipient Directors;
- (p) if Mr Gallegos and Mr Burrell exercise the 1,650,000 Options granted to them, the Company will receive \$330,000;
- (q) the primary purpose of the issue of the Shares and grant of Options to the Recipient Directors is to provide an incentive and reward to the Directors. Given this purpose, the Board does not consider that there is any opportunity cost or benefit foregone to the Company in issuing the Shares proposed by Resolutions 5 and 6 or granting the Options proposed by Resolutions 7 and 8;
- (r) the issue of securities to the Recipient Directors is a more cost effective incentive for the Company as opposed to the payment of cash compensation;
- (s) Mr Button has a material personal interest in the outcome of Resolution 5, Mr Rossiter has a material personal interest in the outcome of Resolution 6, Mr Gallegos has a material personal interest in the outcome of Resolution 7 and Mr Burrell has a material personal interest in the outcome of Resolution 8;
- (t) none of the Recipient Directors wish to make a recommendation to Shareholders about Resolutions 5 to 8 because each has an interest in the outcome of those Resolutions;
- (u) a valuation of the Options proposed to be granted to Mr Gallegos and Mr Burrell has been calculated by HLB Mann Judd using the Black and Scholes option pricing model and based upon the following assumptions:
 - (i) the underlying value of each share in the Company is based on the closing share price of 9 cents as at 27 May 2008 adjusted due to the expected share consolidation on a 1 for 2 basis (i.e. 18 cents);
 - (ii) Risk free rate or return - 6.88% (based on the 2 year bond indicator rate as at 27 May 2008);
 - (iii) share price volatility of 82.97%, determined utilising the daily closing share prices of the company for the preceding 6 months;
 - (iv) options are exercisable on or before 31 May 2009;
 - (v) exercise price of 20 cents; and
 - (vi) options are not transferable without the permission of the directors and no application will be made to ASX for quotation of the options.

Based on the above, the Black and Scholes Option Pricing Model attributes a theoretical value to each Option of 5.6 cents. The Black and Scholes Option Pricing Model assumes that the options the subject of the valuation can be sold on a secondary market. The terms and conditions of the options state that the options shall not be listed for official quotation on ASX. In addition, the options are not transferable. Accordingly a discount for lack of marketability is required to determine an indicative fair value of the options.

HLB Mann Judd have calculated an indicative fair value of the options, based on a discount factor of 30% applied to the theoretical valuation of the options, of \$64,350. In arriving at a discount factor of 30%, HLB Mann Judd has considered that discounts have traditionally been applied in the range of 10% to 30% to reflect the non-negotiability of unlisted equities and the fact that the options will be unlisted.

The table below summaries the values attributed to the Options:

	Theoretical value per Option (cents)	Discount (%)	Indicative value per option (cents)	Number of options to be issued to Allottee	Total value (\$)
D. Gallegos	5.6	30	3.9	1,500,000	58,500
B. Burrell	5.6	30	3.9	150,000	5,850
TOTAL	5.6	30	3.9	1,650,000	64,350

(v) a valuation of the Shares proposed to be issued to the Mr Button and Mr Rossiter has been calculated by HLB Mann Judd using the Black and Scholes Option Pricing Model and based on the following assumptions:

- (i) the underlying valuation of each share in the Company is based on the closing price of 9 cents as at 27 May 2008 adjusted due to the expected share consolidation on a 1 for 2 basis (i.e. 18 cents);
- (ii) Risk free rate or return -6.60% for Tranche 1 and Tranche 2 (based on the 5 year bond indicator rate as at 27 May 2008);
- (iii) share price volatility of 82.97%, determined utilising the daily closing share prices of the company for the preceding 6 months;
- (iv) shares may not be transferred or otherwise dealt with, and will not be quoted on ASX, until the later of the following occurs:
 - A. any loan in respect of the shares is repaid;
 - B. in respect of:
 - 1) Tranche 1, the expiry of 12 months from the date of issue of the Shares; and
 - 2) Tranche 2, the expiry of 24 months after the date of issue of the Shares; and
- (v) issue price of \$0.20.

Based on the assumptions outlined above, the Black and Scholes Option Pricing Model attributes a theoretical value of 11.4 per Share for Tranche 1 and Tranche 2.

The Black and Scholes Option Pricing Model assumes that the equity instruments the subject of the valuation can be sold on a secondary market. The terms and conditions of the Share Plan state that no application will be made for the shares to be listed for official quotation on ASX, until certain milestones are met. Accordingly, a discount for lack of marketability is required to determine an indicative fair value of the options. HLB Mann Judd have calculated an indicative fair value of the shares, based on a discount factor of 30% applied to the theoretical valuation of the options, of \$180,000. In arriving at a discount factor of 30%, HLB Mann Judd has considered that discounts have traditionally been applied in the range of 10% to 30% to reflect the non-negotiability of unlisted equities and the fact that the shares will be unlisted.

The table below summarises the values attributed by HLB Mann Judd to the Share issues:

	Theoretical value per Share (cents)	Discount (%)	Indicative value per Share (cents)	Number of Shares issued	Total value (\$)
G. Button	11.4	30	8.0	750,000	60,000
R. Rossiter	11.4	30	8.0	1,500,000	120,000
TOTAL	11.4	30	8.0	2,250,000	180,000

- (w) additional information in relation to Resolutions 5 to 8 is set out throughout this Explanatory Memorandum. Shareholders should therefore read the Explanatory Memorandum in its entirety before making a decision on how to vote on Resolutions 5 to 8;
- (x) the Company will incur no liabilities or costs in respect of the proposed issue of the securities to the Recipient Directors other than:
 - (i) the fees payable to ASX for quotation of the Shares to be issued to Messrs Button and Rossiter and that may be issued upon exercise of the Options to be granted to Messrs Gallegos and Burrell. At the rates applying at the date of this Notice, these fees would be approximately \$3,600. However, these fees will not be payable until, in relation to Resolutions 5 and 6, after the later of loans in respect of the Shares have been repaid and the vesting periods have expired, and, in relation to Resolutions 7 and 8, the Options have been exercised;
 - (ii) in relation to the Options, a value equal to the to the market value of the underlying shares that could be acquired by exercising the options, as at the day on which the options are granted, minus the lowest amount that must be paid to exercise the options to acquire those shares, will be included as wages for the purposes of *Pay-roll Tax Act 2002 (WA)*, *Pay-roll Tax Assessment Act 2002 (WA)* and the *Taxation Administration Act 2003 (WA)*. If this value in addition to other wages paid or payable by the Company during a month is in excess of the monthly pay-roll tax threshold, the Company may be required to register for pay-roll tax in the relevant jurisdiction. If this value in addition to other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax

threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and

- (iii) a value equal to the weighted average trading price of Shares on ASX in the five days immediately before the date of valuation, will be included as wages for the purposes of *Pay-roll Tax Act 2002 (WA)*, *Pay-roll Tax Assessment Act 2002 (WA)* and *the Taxation Administration Act 2003 (WA)*. If this value in addition to other wages paid or payable by the Company during a month is in excess of the monthly pay-roll tax threshold, the Company may be required to register for pay-roll tax in the relevant jurisdiction. If this value in addition to other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and
- (y) neither the Board nor the Company is aware of any other information that would be reasonably be required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 5 to 8, other than as stated in this Explanatory Memorandum.

4.3 Listing Rule 10.14

Listing Rule 10.14 provides, in essence, that the approval of ordinary shareholders by ordinary resolutions is required before any of the following persons can acquire securities under an employee incentive scheme:

- (a) director;
- (b) an associate of a director; or
- (c) a person whose relationship with the company or a related party is, in ASX's opinion, such that approval should be obtained.

Mr Rossiter and Mr Button are Directors of the Company for the purpose of Listing Rule 10.14. Accordingly, in order for Mr Rossiter and Mr Button to acquire Shares under the Share Plan, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

4.4 Listing Rule 10.11

Listing Rule 10.11 provides, in essence, that a listed company may not, without the approval of ordinary shareholders, issue equity securities to a related party.

Mr Burrell and Mr Gallegos are Directors of the Company. Accordingly, Mr Burrell and Mr Gallegos are related parties of the Company and therefore, the proposed grant of options is an issue of securities which requires shareholder approval under Listing Rule 10.11.

4.5 Listing Rule disclosure requirements

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolutions 5 and 6:

- (a) Mr Button and Mr Rossiter are Directors;
- (b) the maximum number of Shares that may be issued to Mr Button under Resolution 5 is 750,000 Shares and to Mr Rossiter under Resolution 6 is 1,500,000 Shares;

- (c) no Shares have been issued under the Share Plan;
- (d) directors, full-time and part-time employees of, and consultants to, the Company or any of its subsidiaries, may participate in the Share Plan;
- (e) it is proposed that the Shares will be issued on one date within 12 months from the date of the Meeting, but the Company reserves the right to issue the Shares progressively;
- (f) the issue price of the Shares is \$0.20;
- (g) subject to compliance with the Listing Rules, the Shares to be issued to Mr Button and Mr Rossiter pursuant to Resolutions 5 and 6 will not be quoted on ASX and may not be transferred or otherwise dealt with until the later to occur of the following:
 - (i) the loan in respect of those Shares has been repaid; and
 - (ii) in respect of:
 - A. Tranche 1, 12 months after the date of issue of the Shares; and
 - B. Tranche 2, 24 months after the date of issue of the Shares;
- (h) other than the restriction on trading referred to above, the Shares issued pursuant to Resolutions 5 and 6 will rank equally with all other Shares on issue;
- (i) the Company will provide loans ("**Loans**") to Mr Button and Mr Rossiter in relation to the acquisition of the Shares under the Share Plan. The Loans are repayable within 4 years and on the following terms:
 - (i) Loans must be made solely to the Director and in the name of the Director.
 - (ii) Loans will be interest free.
 - (iii) Any Loan made available to a Director shall be applied by the Company directly toward payment of the issue price of the Shares to be acquired under the Share Plan.
 - (iv) The term of the Loan, the time in which repayment of the Loan must be made by the Director and the manner for making such payments shall be determined by the Board and set out in the invitation.
 - (v) The amount repayable on the Loan by the Director will be the lesser of:
 - A. the issue price of the Shares, less any cash dividends paid in respect of the Shares and applied by the Company to the Loan and any amount of the Loan repaid by the Recipient Director; and
 - B. the last sale price of the Shares on ASX on the date of repayment of the Loan or, if there are no transactions on that day, the last sale price of the Shares prior to that date, or, if the Shares are sold by the Company, the amount realised by the Company from the sale.

- (ii) A Recipient Director must repay the Loan in full prior to the expiry of the term of the Loan.
 - (iii) Any fees, charges and stamp duty payable in respect of a Loan will be payable by the Recipient Director.
 - (iv) The Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Share Plan.
 - (v) A Share issued under the Share Plan will not be tradeable by the Recipient Director until the Loan amount in respect of that Share has been repaid.
- (j) initially no funds will be raised by the issue of Shares due to the provision of the Loans to Directors. However, when the Loans have been repaid, the funds raised by the issue of the Shares will be used for working capital purposes of the Company as the Board thinks fit; and
- (k) if, prior to the repayment in full of a loan by a Director, the Director:
- (i) becomes bankrupt; or
 - (ii) ceases to be a Director of the Company or any of its subsidiaries,

then the Director (or his or her personal representative) shall elect one of the following two alternatives:

Alternative 1

To have the Company sell the Plan Shares on ASX and apply the proceeds of sale in repayment of the Loan and refund the surplus (if any) to the Director.

Alternative 2

To repay the loan:

- (iii) within 12 months of the date of the event that caused the election where the Director either retired or is retrenched; or
- (iv) within one (1) month in the event that the Director resigns or is terminated.

In accordance with Listing Rule 10.13, shareholders are advised as follows:

- (a) the allottees of the Options will be Mr Burrell and Mr Gallegos;
- (b) the maximum number of Options that may be granted to Mr Burrell pursuant to Resolution 8 is 150,000 Options and the maximum number of Options that may be granted to Mr Gallegos pursuant to Resolution 7 is 1,500,000 Options;
- (c) it is proposed that the Options will be granted on one date within 12 months from the date of the Meeting, but the Company reserves the right to grant the Options progressively;
- (d) the Options will be granted for no cash consideration and accordingly, no funds will be raised by the grant of the Options to Mr Gallegos and Mr Burrell. If all Options

proposed to be granted to Mr Gallegos and Mr Burrell are exercised, delivered and paid for, the Company will receive \$330,000. The funds raised from time to time due to the delivery and purchase of any Shares issued as a result of the exercise of any of the Options will be used for working capital purposes of the Company as the Board thinks fit;

- (e) the exercise price of the Options is \$0.20; and
- (f) a summary of the terms of the Options is contained in Schedule 1.

5. Resolution 9 - Increase in directors fees

The Company seeks shareholder approval to increase the maximum fees payable to the Directors each year from \$100,000 to \$300,000.

The Directors have no immediate plans to change the current Directors fee arrangements. However, with the increasing level of activity within the Company, the Directors consider it prudent to increase the maximum level of fees payable to ensure that the Company can attract and retain appropriate qualified and experienced candidates as Directors.

The proposed maximum fee level is considered comparable to directors' fees paid by other companies of similar size.

6. Glossary of Terms

The following terms and abbreviations used in the Notice of Meeting and this Explanatory Memorandum have the following meanings:

African Dune means African Dune Investments 114 (Pty) Limited, with registration number 2006/037149/07.

Alumicor means Alumicor SA Holdings (Pty) Ltd, with registration number 2005/020818/07.

Alumicor Shares means 100% of the issued capital of Alumicor.

Acquisition Payment means the \$2,265,191 (R16,022,736) to be paid by the Company to Sorrell pursuant to the Sale Agreement.

Acquisition Shares means 11,309,885 Post-Consolidation Shares to be issued to Sorrell pursuant to the Sale Agreement.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

Board means the board of Directors.

Capital Consolidation means the proposed consolidation of every 2 Shares in the share capital of the Company into one Share (fractions rounded up) pursuant to Resolution 2.

Company and **Morning Star** means Morning Star Holdings (Australia) Limited.

Constitution means constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Commonwealth).

Directors means the directors of the Company, from time to time.

Explanatory Memorandum means this explanatory memorandum.

Loan Account means a loan owed by Alumicor to Sorrell of R16,022,736.

Listing Rules means the official listing rules of ASX.

Meeting means the general meeting of Shareholders to be held at Level 15, 25 Bligh Street, Sydney at 11am (EST) on 18 July 2008 or any adjournment thereof.

Notice of Meeting means the notice of the Meeting which accompanies the Explanatory Memorandum.

Option means an option to acquire a Share.

Option Plan means the Morning Star Option Plan proposed to be established in accordance with Resolution 4.

Plan Share means a Share issued pursuant to the Share Plan.

Plans means the Share Plan and the Option Plan.

Post Consolidation Shares means Shares after Capital Consolidation.

Proposed Acquisition means the proposed acquisition by the Company of all of the shares in Alumicor held by Sorrell.

Recipient Directors means Mr Button, Mr Rossiter, Mr Burrell and Mr Gallegos.

Resolution means a resolution in the Notice of Meeting.

Sale Agreement means the agreement between the Company and Sorrell dated 19 May 2008 in respect of the Proposed Acquisition.

Section means a section of this Explanatory Memorandum.

Shareholders means registered holders of Shares.

Share Plan means the Morning Star Share Plan proposed to be established in accordance with Resolution 3.

Shares means fully paid ordinary shares in the capital of the Company.

Sorrell means Sorrell Enterprises Limited.

Schedule 1 - Terms and conditions of the Options

The terms and conditions of the Options proposed to be granted to Mr Gallegos and Mr Burrell pursuant to Resolutions 7 and 8 are as follows:

1. The exercise of each Option will entitle the holder to one fully paid ordinary share in the capital of the Company.
2. The exercise price of each Option is \$0.20.
3. The Options will expire on 31 May 2009.
4. Exercise of the Options is effected by completing the "Election Form to Exercise Options" attached to the invitation to apply for the grant of Options and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company.
5. An Option holder is required to exercise the Option in order to participate in a bonus or entitlement issue of shares made by the Company. Option holders will be provided with written notice of the terms of the issue to shareholders and afforded that period as determined by the Listing Rules to exercise their Options if they wish to participate in the bonus or entitlement issue.
6. If, prior to the expiry of an Option, there is a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Shares subject to the Option and/or the exercise price will be adjusted in the manner required by the Listing Rules.
7. All shares issued upon exercise of the Options will, from the date they are issued, rank equally in all respects with the Company's then issued Shares.
8. Shares allotted and issued pursuant to the exercise of an Option will be allotted within the time prescribed by the Listing Rules. The Company will apply for official quotation of shares issued pursuant to the exercise of Options in accordance with the Listing Rules.
9. A certificate will be issued for Options, which certificate must take effect as a deed.
10. Application will not be made for official quotation of the Options on ASX.
11. Options are not transferable except with the prior written approval of the board of Directors.
12. The Company is not obliged to give an Option holder copies of any notices, circulars and other documents sent by the Company to its shareholders until the Option holder becomes a shareholder by exercising any or all of its Options.