

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 2008

Results for Announcement to the Market

	June 2008 \$	June 2007 \$	Change \$	Change %
Finance Income	310,551	216,065	up 94,486	43.73
Profit/(loss) after tax	49,961	(28,856)	N/a*	N/a*
Net profit/(loss) attributable to members	49,961	(28,856)	N/a*	N/a*
Dividends – No dividends were paid or declared during the half year period (2007 – nil)				
	June 2008	Dec 2007		
Net tangible assets per share (cents per share)	5.08	4.93		
	June 2008	June 2007		
Basic earnings per share (cents per share)	0.03	(0.02)		
Diluted earnings per share (cents per share)	0.03	(0.02)		

* Directional and percentage changes are not provided due to the non comparability of the current period profit to the corresponding period loss.

Commentary on the results for the period:

Net profit attributable to members for the half year ended 30 June 2008 was \$49,961 (2007: \$28,856 loss). Finance income for the half year ended 30 June 2008 was \$310,551 (2007: \$216,065). Finance income is the 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 2008

CONTENTS

	Page Number
Company Information	3
Directors' Report	4-5
Auditor's Independence Declaration	6
Directors' Declaration	7
Condensed Income Statement	8
Condensed Balance Sheet	9
Condensed Cash Flow Statement	10
Condensed Statement of Changes in Equity	11
Notes to the Half Year Financial Statements	12-16
Independent Review Report	17

Company Information

DIRECTORS

Dean Lloyd Gallegos
Bruce David Burrell
Richard David Rossiter
Grant Button

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

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Australian & New Zealand Banking Group Limited
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SOLICITORS

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45 St Georges Terrace
Perth WA 6000

Directors' Report

The Directors of Morning Star Holdings (Australia) Limited ("the Company") submit herewith the financial report for the half year ended 30 June 2008.

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 Richard David ROSSITER
Mr Grant BUTTON

REVIEW OF OPERATIONS

Net profit attributable to members for the half year ended 30 June 2008 was \$49,961 (2007: \$28,856 loss). During the period the Company appraised several acquisition opportunities. On the 19 May 2008 the Company announced it had entered into a conditional agreement to acquire 74% of the issued capital of Alumicor SA Holdings (Pty) Ltd ("Alumicor") from Sorrell Enterprises Limited ("Sorrell"). Alumicor operates an aluminium dross and scrap re-smelting business in South Africa through its three fully owned subsidiaries.

Under the terms of the acquisition agreement with Sorrell, the Company has agreed to purchase 100% interest in Alumicor for a total consideration of South African Rand ("R") R32,022,736 (A\$4,527,168), which consist of a cash consideration of R16,022,736 (A\$2,265,191) and share consideration of R16 million (A\$2,261,977) which has been based on a pre consolidation of capital number of 22,619,770 fully paid ordinary shares in the Company.

As part of the Alumicor acquisition, the Company entered into an associated agreement to sell a 26% interest in Alumicor to African Dune Investments 114 (Pty) Ltd ("African Dune") for R8 million, therefore reducing the Company investment in Alumicor to 74%. This was to enable the Company to comply with the South African Broad Base Black Economic Empowerment Act, as African Dune qualifies as a Black Person under this Act, therefore reducing the Company investment in Alumicor to 74%.

The Company and African Dune has also entered into a loan agreement, where the Company will lend African Dune the required R8 million at commercial interest rate to acquire its 26% interest in Alumicor. Under the terms of this agreement the Company will be entitled to have its loan repaid from future dividends distributable from Alumicor to African Dune.

The Company also entered into a Co-operation agreement with Sorrell. Under the terms of this agreement Sorrell with its expertise and experience will assist the Company in pursuing and negotiating further business opportunities as it acknowledges the Company's continuing strategies in the identification and development of additional metal treatment projects. This agreement identifies that Sorrell will not tender or enter into any agreement in the aluminium dross processing business other than on behalf of the Company and will be appropriately compensated by the Company depending on the nature and scale of the projects identified.

The above acquisition was subject to approval at the Company general meeting of shareholder held on the 18 July 2008, which it received.

DIVIDENDS

The directors have decided that no dividend will be declared in respect of the half year ended 30 June 2008 (2007: Nil).

Directors' Report (continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Significant events after the balance date are detailed in Note 7 of the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's independence declaration made under Section 307C of the Corporations Act 2001 is set out on page 6 and forms part of this Directors' Report.

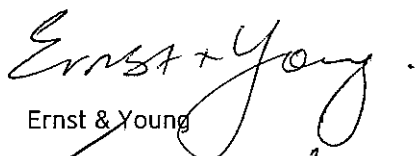


Dean L Gallegos
Chairman

22 August 2008

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

In relation to our review of the financial report of Morning Star Holdings (Australia) Limited for the half year ended 30 June 2008, 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.

A stylized, handwritten signature of 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature of Trent van Veen, consisting of a series of fluid, connected strokes.

Trent van Veen
Partner
22 August 2008

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 Company are in accordance with the Corporations Act 2001 including:
 - i) giving a true and fair view of the financial position of the Company, as at 30 June 2008 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

22 August 2008

MORNING STAR HOLDINGS (AUSTRALIA) LIMITED
HALF YEAR FINANCIAL REPORT

Condensed Income Statement

FOR THE HALF YEAR ENDED 30 JUNE 2008

	Notes	Half year ended 30 June 2008 \$	Half year ended 30 June 2007 \$
Administrative Expenses		(234,853)	(157,206)
Other expenses	2	(30,146)	(88,313)
Loss before net financing income and income tax		(264,999)	(245,519)
Financial Income		310,551	216,065
Financial Expenses		(1,001)	(1,065)
Net financing income		309,550	215,000
Profit/(Loss) before related Income Tax Benefit		44,551	(30,519)
Income Tax Benefit	3	5,410	1,663
Net Profit/(Loss) Attributable to Members		49,961	(28,856)
Basic earnings per share (cents per share)	9	0.03	(0.02)
Diluted earnings per share (cents per share)	9	0.03	(0.02)

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 2008

	Notes	AS AT 30 June 2008 \$	AS AT 31 December 2007 \$
CURRENT ASSETS			
Cash and cash equivalents		9,333,539	9,294,147
Trade and other receivables		-	6,576
Income tax refundable		6,404	3,028
TOTAL CURRENT ASSETS		9,339,943	9,303,751
NON-CURRENT ASSETS			
Deferred tax assets		33,385	27,976
TOTAL NON-CURRENT ASSETS		33,385	27,976
TOTAL ASSETS		9,373,328	9,331,727
CURRENT LIABILITIES			
Trade and other payables		67,886	76,246
TOTAL CURRENT LIABILITIES		67,886	76,246
NET ASSETS		9,305,442	9,255,481
EQUITY			
Share capital	8	7,584,787	7,584,787
Reserves		30,600	30,600
Retained earnings		1,690,055	1,640,094
TOTAL EQUITY		9,305,442	9,255,481

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

Condensed Cash Flow Statement

FOR THE HALF YEAR ENDED 30 JUNE 2008

	Notes	Half year ended 30 June 2008 \$	Half year ended 30 June 2007 \$
Cash flows from operating activities			
Payments to suppliers and employees		(268,123)	(275,942)
Interest received		310,551	216,065
Net income tax paid		(3,036)	(15,000)
Net cash flows from /(used in) operating activities		39,392	(74,877)
Cash flows from financing activities			
Proceeds from issues of equity securities		-	5,879,000
Payment for share issue costs		-	(276,928)
Net cash flows from financing activities		-	5,602,072
Net increase in cash and cash equivalents held		39,392	5,527,195
Add opening cash and cash equivalents at the beginning of the half year		9,294,147	2,626,488
Closing cash and cash equivalents at the end of the half year		9,333,539	8,153,683

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.

Condensed Statement of Changes in Equity

FOR THE HALF YEAR ENDED 30 JUNE 2008

	<i>Issued Capital</i>	<i>Reserves</i>	<i>Retained Earnings</i>	<i>Total</i>
	\$	\$	\$	\$
At 1 January 2007	975,000	-	1,599,950	2,574,950
Share issues during the period	5,879,000	-	-	5,879,000
Options expensed during the period	-	24,975	-	24,975
Share issue costs	(276,928)	-	-	(276,928)
Loss for the period	-	-	(28,856)	(28,856)
At 30 June 2007	<u>6,577,072</u>	<u>24,975</u>	<u>1,571,094</u>	<u>8,173,141</u>
At 1 January 2008	7,584,787	30,600	1,640,094	9,255,481
Profit for the period	-	-	49,961	49,961
At 30 June 2008	<u>7,584,787</u>	<u>30,600</u>	<u>1,690,055</u>	<u>9,305,442</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 2008

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'.

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 2007 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 2007 Annual Financial Report.

The Half Year Financial Report was authorised to be issued by the Directors on the 22nd August 2008.

(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 2007 annual financial report for the financial year ended 31 December 2007.

	Half year ended 30 June 2008 \$	Half year ended 30 June 2007 \$
2. EXPENSES		
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	30,146	88,313
3. INCOME TAX EXPENSE / (BENEFIT)		
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 profit/(loss) at 30%	13,365	(9,156)
• Other tax deductible items	(18,775)	-
• Share based payment	-	7,493
Income tax benefit	(5,410)	(1,663)

Notes to the Half Year Financial Statements

For the half year ended 30 June 2008

4. DIVIDENDS PAID AND PROPOSED

No dividends have been paid or proposed during the half year period (2007: Nil).

5. SEGMENT INFORMATION

To 30 June 2008 the economic entity only operated with in Australia, please refer to Note 7 of the account regarding the after reporting date acquisition and the transformation of the Company's operating environment.

6. GROUP STRUCTURE

As of balance date there are no associates or joint venture entities which form part of the group structure, please refer to Note 7 in relation to the Company acquisition conducted after report date.

7. EVENTS AFTER BALANCE SHEET DATE

As disclosed to the Australian Stock Exchange, on 18 July 2008 after the Company general meeting of shareholders, the nine resolutions put for a shareholder vote were passed unanimously as detailed in the Notice of Meeting dated 13 June 2008 which included:

1. Acquisition of Alumicor.
2. Consolidation of Company capital, on a 1 for 2 basis.
3. Establishment of Director and Employees Incentive Share Plan.
4. Establishment of Director and Employees Incentive Option Plan.
5. Approval to issue of 750,000 at an issue price of 20 cent per share to Mr Grant Button under the Share Plan.
6. Approval to issue of 1,500,000 at an issue price of 20 cent per share to Mr Richard Rossiter under the Share Plan.
7. Approval to issue 1,500,000 options to Mr Dean Gallegos under the option plan.
8. Approval to issue 150,000 options to Mr Bruce Burrell under the option plan.
9. Increase the maximum aggregate fees payable to Director to \$300,000 per annum.

As disclosed to the Australian Stock Exchange, on 1 August 2008, the Company lodged the Information Memorandum required to satisfy the re-listing requirement under the ASX listing rules.

Since 30 June 2008 and up to the date of this report, other than the changes 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.

Acquisition of Alumicor SA Holdings (Pty) Limited

On 13 August 2008, the Company effectively acquired a 74% interest in Alumicor SA Holdings (Pty) Limited, a aluminium dross and scrap resmelting business located in South Africa, through the acquisition of 100% of the ordinary share capital and delivery of a 26% interest in Alumicor to African Dune Investments 114 (Pty) Ltd ("African Dune") for R8 million. This ensured compliance with the South African Broad Base Black Economic Empowerment Act, as African Dune qualifies as a Black Person under this Act.

Notes to the Half Year Financial Statements

For the half year ended 30 June 2008

7. EVENTS AFTER BALANCE SHEET DATE (continued)

The directors' best estimate of the fair value of the identifiable assets and liabilities at the date of acquisition are as follows:

	Carrying Value \$
Cash	190,044
Receivables	664,828
Inventory	94,395
Fixed Assets	2,028,817
Accounts payable	(409,182)
Other liabilities	(49,676)
Interest bearing liabilities	(185,755)
Net Assets	2,333,471
Purchase consideration:	
Cash consideration	2,265,191
Shares issued (11,309,885)	2,261,977
	4,527,168

The above information is provisional as the directors are finalising the fair value of the acquisition that occurred after the year end.

The planned 1 for 2 consolidation of the capital as approved at the Company general meeting has been completed with now a total of 102,457,809 fully paid ordinary share on issue after the issue of 11,309,885 post-consolidated fully paid ordinary shares as part of the total consideration paid to the former shareholders of Alumicor.

Notes to the Half Year Financial Statements

For the half year ended 30 June 2008

8. ISSUANCES, REPURCHASES AND REPAYMENTS OF SECURITIES

	Half year ended 30 June 2008 \$	Half year ended 30 June 2007 \$
182,295,777 fully paid ordinary shares (2007: 164,995,777)	7,584,787	6,577,072

	Half-year ended 30/06/08 \$	Half-year ended 30/06/07 \$	Half-year ended 30/06/08 Number of Shares	Half-year ended 30/06/07 Number of Shares
Reconciliation of Issued Capital :				
Ordinary shares				
Opening balance	7,584,787	975,000	182,295,777	67,012,504
Shares movement during year:				
- 16 February 2007	-	5,000,000	-	83,333,333
- 16 February 2007	-	879,000	-	14,649,940
- Share issue cost	-	(276,928)	-	-
At reporting date	7,584,787	6,577,072	182,295,777	164,995,777

Reconciliation of unquoted options:

Date	Details	Exercise price	Expiry date	Number
1 January 2008	opening balance			3,400,000
30 May 2008	options lapsed	7 cents	31 May 2008	<u>(3,400,000)</u>
30 June 2008	closing balance			<u>-</u>

Notes to the Half Year Financial Statements

For the half year ended 30 June 2008

9. EARNINGS PER SHARE

Earnings Reconciliation:

Net profit / (loss) attributable to members

Half-year ended 30 June 2008	Half-year ended 30 June 2007
\$ 49,961	\$ (28,856)
182,295,777	139,552,607
0.03	(0.02)
182,295,777	139,552,607
0.03	(0.02)

Weighted average number of ordinary shares used in calculating basic earnings per share

Basic earnings per share – ordinary shares (cents per share)

Weighted average number of ordinary shares used in calculating diluted earnings per share

Diluted earnings per share – ordinary shares (cents per share)

No factors exist that would cause a difference in the net profit/(loss) used to calculate basic and diluted earnings per share.

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 balance sheet as at 30 June 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration.

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) and 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 company's financial position as at 30 June 2008 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*. As the auditor of Morning Star Holdings (Australia) Limited, 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.

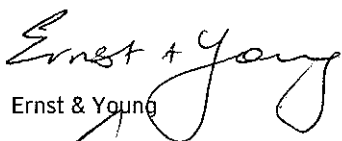
Independence

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 the *Corporations Act 2001*, including:

- i giving a true and fair view of the company's financial position as at 30 June 2008 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*.



Ernst & Young



Trent van Veen
Partner
Sydney
22 August 2008