

APPENDIX 4E

Preliminary final report

Year ended 31 December 2008

PRELIMINARY RESULTS FOR ANNOUNCEMENT TO THE MARKET

Lodged with the ASX under Listing Rule 4.3A

Entity: Morning Star Holdings (Australia) Limited
ABN: 98 008 124 025

Reporting Period Year Ended 31 December 2008
Previous reporting Period Year Ended 31 December 2007

Revenue from ordinary activities	up	482.5%	to	\$ 2,939,449
Loss before tax and minority interests		Note 1		(919,957)
Loss from ordinary activities after tax attributable to members		Note 1		(754,176)

Note 1: The directional change is not shown as the Group went from a profit position (Company) in 2007 to a Group loss position in 2008

Earnings Per share	31 December 2008	31 December 2007
	\$	\$
Basic earnings per share	(0.78)	0.0253
Diluted earnings per share	(0.78)	0.0253
NTA Backing	31 December 2008	31 December 2007
	\$	\$

Net tangible asset backing per ordinary share	0.072	0.051
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Note 2. Ordinary shares in issue at the end of December were consolidated on a 2:1 basis during 2008

Dividends	Amount per security	Franked amount per security
Interim dividend	N/A	N/A
Previous corresponding period	N/A	N/A
Record date for determining entitlements to the dividends		N/A

Morning Star Holdings (Australia) Limited
Year ended 31 December 2008

Director's Report

Your directors submit their report for the financial year ended 31 December 2008

Directors

As part of the re-alignment of the business the board was changed during the year. The names of the company directors in office during the financial year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Grant Button – continues as Chairman and Non Executive Director

Richard Rossiter – appointed as Managing Director (previously Non-Executive Director)

Clive Sinclair-Poulton – appointed as Non-Executive Director on 25 August 2008

Dean Gallegos – resigned as an Executive Director on 25 August 2008

Theo Renard – appointed as Executive Director and Company Secretary on 1 October 2008 and 25 August 2008

Bruce Burrell – resigned as Non Executive Director on 1 October 2008

Review of Results and Operations

Morning Star Holdings (Australia) Limited ("Morning Star") has recorded revenue from ordinary activities of \$2,939,449 (\$504,586 in 2007) and a net loss for the year ended 31 December 2008 of \$(745,176) (a profit of \$40,144 in 2007). The 2008 result was affected by:

- Morning Star's acquisition of Alumicor SA Holdings Proprietary Limited ("Alumicor") on 1 August 2008 and the associated move from a cash shell to an operating company;
- Increased costs associated with one-off corporate restructuring and operational issues at Alumicor(detailed below);
- Provisioning for a potential administration fine of \$129,716 imposed by The Department of Agriculture and Environmental Affairs ("DAEA") in South Africa. The fine is being appealed (detailed below).

On 1 August 2008, Morning Star took ownership of 74% of Alumicor SA Holdings Proprietary Limited ("Alumicor"), an aluminium dross treating business in Pietermaritzburg South Africa.

Smelting and recovery performance comparison

Alumicor SA	Q3	Q4	% change
Tons smelted	3960	3168	-20%
Average recovery %	38%	51%	36%

Operations

Interruptions to the continuous smelting of dross occurred regularly due to management intervention aimed at improving recoveries and reducing costs. The decline in recovery largely resulted from the salt flux producer supplying incorrect formulation flux to Alumicor. In response to these declining recoveries, Hulamin reduced deliveries of dross until the problem was identified and solved, and insisted that extensive trials under strictly supervised conditions were conducted. These trials, which proved to be successful, disrupted the

normal production cycle thereby reducing volumes treated. The main problems were identified and consequently flux formulations and recoveries were rectified. The new flux formulations however were significantly more expensive, thereby increasing Alumicor's overall dross treatment costs. Alumicor was, however, able to negotiate a payment make up for the increased flux cost differential.

Towards the end of the year, volumes were further affected by the Christmas shut down at Hulamin and reduced production levels in response to the reduction in global economic activity. Management has engaged extensively with Hulamin on the subject of volumes and agreed that where possible, Hulamin will deliver as much dross as practical together with virgin aluminium scrap. The aim is to fully utilise the installed capacity at Alumicor and return the operations to profitability as the business is volume driven.

Management and system controls at Alumicor continue to be reviewed and improved to ensure that operational efficiency is maximised and safety, health and environmental standards are met and exceeded.

Financial

Revenues were negatively impacted by lower volumes while costs suffered due to rising input costs, resulting in losses being incurred at Alumicor. Costs were largely affected by the significant increase in the cost of salt flux, a component of which is used in the competing fertilizer and bio fuel industry, together with increased management and supervision costs required to resolve the recovery problems. Attempts to lower the amount of flux used and negotiate a reduction of the flux prices have not been successful to date.

Efforts are now being directed at renegotiating the commercial arrangement with Hulamin to ensure that Alumicor operations remain profitable in volatile input cost environments and yield adequate returns for MSH shareholders (Note:- toll conversion fees per ton of dross have to date been negotiated annually providing limited flexibility to accommodate fluctuating input costs). Alumicor has further requested rebates for losses incurred to date, with negotiations being hampered by the overall downturn in the aluminium market.

Morning Star expects to make an announcement on these negotiations as soon as they are finalised.

Subsequent events

The fine imposed by The DAEA, relates to perceived technical infringements to the application permit. Following discussions with the DAEA we have been informed that numerous problems have been experienced with the recently introduced "new fine calculator" and that on appeal we should expect a significant reduction in the fine given our situation. The fine is being contested with expert help and an appeal will be lodged with the DAEA in the short term. A successful outcome is anticipated which may result in a write-back of most if not all of the fine amount recorded in the income statement.

STRATEGY AND BUSINESS DEVELOPMENT

The board and management have been actively pursuing strategies to:-

- Return MSH's investment in Alumicor SA to profitability via renegotiating the commercial agreement with Hulamin and improving operational performance of the asset;
- Grow MSH via identifying and developing additional business opportunities;
- Conserve cash resources (\$6.3m as at 31 December 2008).

Business development activities have been focussed on:-

Morning Star Holdings (Australia) Limited
Year ended 31 December 2008

- Introducing site dedicated aluminium dross treatment plants to Australia and elsewhere. Detailed negotiations are now underway with two Australian primary aluminium smelters to treat trial batches of dross at Alumicor SA with the ultimate aim of developing dedicated smelting facilities at each site in Australia.
- Sourcing good quality resource sector projects, which are now becoming increasingly available following the downturn in commodity markets.

CORPORATE

During the year under review the following capital restructuring occurred:

Ordinary Shares on issue at beginning of the year	182,295,777
Ordinary shares on issue following consolidation	91,147,924
Shares issued as consideration for Alumicor	11,309,885
Share plan shares issued	2,250,000
Ordinary shares in issue at end of year	104,707,809

Agreed in accordance with a resolution of directors.



Richard Rossiter

Managing Director

26 February 2009

Morning Star Holdings (Australia) Limited
Year ended 31 December 2008

Consolidated Income Statement

For the year ending 31 December 2008

	31 December 2008 \$	31 December 2007 \$
Revenue		
Revenue from continuing operations	2,352,556	-
Interest Revenue	586,893	504,586
	<hr/>	<hr/>
Total revenue	2,939,449	504,586
	<hr/>	<hr/>
Other Income		
Foreign exchange gain	55,121	-
Expenses		
Cost of goods sold	(2,179,659)	-
Finance Costs	(23,379)	-
Administration and corporate expenses	(1,370,794)	(425,458)
Share based payment expenses	(340,695)	(33,300)
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Total Expenses	(3,914,527)	(458,758)
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(loss)/profit before tax	(919,957)	45,828
Income tax Benefit/(Expense)	59,271	(5,684)
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Profit after tax	(860,886)	40,144
Loss attributable to minority interest	115,510	-
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Net (loss)/profit attributable to members	(745,176)	40,144
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Basic earnings per share	(0.78)	0.0253
Diluted earnings per share	(0.78)	0.0253

The income statement is to be read in conjunction with the notes to the financial statements set out in the notes to this report.

Morning Star Holdings (Australia) Limited
Year ended 31 December 2008

Consolidated Balance Sheet

As at 31 December 2006

	Notes	31 December 2008 \$	31 December 2007 \$
CURRENT ASSETS			
Cash and cash equivalents		6,583,519	9,294,147
Trade and other receivables		912,695	6,576
Inventories		103,820	-
Other current assets		-	3,028
TOTAL CURRENT ASSETS		7,600,034	9,303,751
NON-CURRENT ASSETS			
Available-for-sale financial assets		46	-
Loans		1,739,804	-
Property, plant and equipment		2,144,353	-
Deferred tax assets		87,246	27,976
Goodwill		1,242,967	-
TOTAL NON-CURRENT ASSETS		5,214,416	27,976
TOTAL ASSETS		12,814,450	9,331,727
CURRENT LIABILITIES			
Trade and other payables		1,057,501	76,246
Interest-bearing loans & borrowings		99,062	-
Current tax liabilities		25,507	-
TOTAL CURRENT LIABILITIES		1,182,070	76,246
NON-CURRENT LIABILITIES			
Interest-bearing loans & borrowings		63,396	-
TOTAL NON-CURRENT LIABILITIES		63,396	-
TOTAL LIABILITIES		1,245,466	76,246
NET ASSETS		11,568,984	9,255,481
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Contributed equity		10,296,765	7,584,787
Retained earnings		925,518	1,640,094
Reserves		437,076	30,600
PARENT INTERESTS		11,659,359	9,255,481
MINORITY INTERESTS		(90,375)	-
TOTAL EQUITY		11,568,984	9,255,481

The balance sheet is to be read in conjunction with the notes to the financial statements set out in the notes to this report.

Morning Star Holdings (Australia) Limited
Year ended 31 December 2008

Statement of Changes in Equity

For the year ended 31 December 2008

CONSOLIDATED

	Contributed Capital \$	Reserves \$	Retained Earnings \$	Total \$
Balance at 1 January 2008	7,584,787	30,600	1,640,094	9,255,481
Shares issued	2,261,978			2,261,978
Employee share plan	450,000			450,000
Transfer of options expense		(30,600)	30,600	
Loss for the period			(745,176)	(745,176)
Share based compensation		340,695		340,695
Foreign Currency Translation		96,381		96,381
Balance as at 31 December 2008	10,296,765	437,076	925,518	11,659,359

Morning Star Holdings (Australia) Limited
Year ended 31 December 2008

Consolidated Cash Flow Statement

For the year ended 30 June 2006

	31 December 2008	31 December 2007
	\$	\$
Cash flows from operating activities		
Receipts from customers	2,203,435	-
Payments to suppliers and employees	(3,209,339)	(429,014)
Interest received	537,373	504,586
Income tax payments		(15,000)
Net cash flows from/(used in) operating activities	(468,531)	60,572
Cash flows from investing activities		
Acquisition of subsidiary	(1,452,019)	-
Purchase of property, plant and equipment	(61,747)	-
Net cash flows from/(used in) investing activities	(1,513,766)	-
Cash flows from financing activities		
Proceeds from issue of shares		6,920,000
Share issue cost		(312,913)
Repayment of borrowings	(23,597)	-
Loan made	(1,182,466)	-
Net cash flows from/(used in) financing activities	(1,206,063)	6,607,087
Net increase/(decrease) in cash and cash equivalents	(3,188,360)	6,667,659
Net foreign exchange differences	119,231	-
Cash and cash equivalents at beginning of period	9,652,648	2,626,488
Cash and cash equivalents at end of period	6,583,519	9,294,147

The cash flow statement is to be read in conjunction with the notes to the financial statements set out in the notes to the report.

Cash flow statement reconciliation

	31 December 2008	31 December 2007
	\$	\$
Reconciliation of net profit after tax to net cash flows from operations		
Net (Loss)/Profit	(860,686)	40,144
<i>Adjustments for:</i>		
Depreciation	202,688	-
Bad debt written off	3,944	-
Share based payments	340,695	33,300
Foreign exchange differences	(55,121)	-
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other debtors	(146,690)	42,016
(Increase) in inventories	(101,695)	-
Increase/(decrease) in trade and other creditors	207,605	(40,608)
Increase/(decrease) in tax provision	(59,271)	(14,280)
Net cash flows from/(used in) operating activities	(468,531)	60,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board. The financial report has also been prepared on a historical cost basis.

The Company is a listed public company incorporated and domiciled in Australia, with operations in South Africa. The financial statements are presented in Australian dollars.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 December 2007, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 January 2008.

Since the acquisition of Alumicor the following additional policies are now applicable:

(i) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Morning Star Holdings (Australia) Limited and its subsidiaries as at 31 December each year (the Group).

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiary are not prepared for the same accounting period as the parent company, and are prepared using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Morning Star Holdings (Australia) Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

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Year ended 31 December 2008

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(ii) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2007 and any public announcements made by Morning Star Holdings (Australia) Limited and its controlled entities during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

The subsidiary's financial reports are prepared in accordance with the requirements of the South African Companies Act, South African Accounting Standards and other authoritative pronouncements of the South African Accounting Standards board

This financial report does not include full disclosures of the type normally included in an annual financial report.

Comparative information provided is for the company only as the group was formed through the acquisition of Alumicor.

Morning Star Holdings (Australia) Limited
Year ended 31 December 2008

3. Profit before income tax expense

Profit before income tax expense includes the following items of income and expense which together with other disclosures in this report are relevant in explaining the financial performance for the year:

	31 December 2008	31 December 2007
	\$	\$
Expenses		-
Finance costs	23,374	-
Depreciation	202,688	-
Fine	129,716	-
Employment benefits expense	697,129	178,832
Restructuring costs	234,071	-

4. Events subsequent to reporting date

The negotiations with Hulamin are likely to affect discussions currently underway with Ernest and Young ("The Auditors"). Management are in discussion with the auditors regarding the fair value of the investment in Alumicor and the loan to African Dune. In the event that negotiations with Hulamin prove to be unsuccessful, the carrying value of the investment and loan will be re-evaluated and impairment may be required.

The fine imposed by The DAEA, relates to perceived technical infringements to the application permit. Following discussions with the DAEA we have been informed that numerous problems have been experienced with the recently introduced "new fine calculator" and that on appeal we should expect a significant reduction in the fine given our situation. The fine is being contested with expert help and an appeal will be lodged with the DAEA in the short term. A successful outcome is anticipated which may result in a write-back of most if not all of the fine amount recorded in the income statement.

5. Share Capital

	31 December 2008	31 December 2007
	\$	\$
Issued and paid-up capital		
104,707,809 (2007: 182,295,777) fully paid ordinary shares	10,296,765	7,584,787
Movements in ordinary share capital:		
Balance at the beginning of the reporting period	7,584,787	975,000
Shares issued during the financial period	2,711,978	6,922,700
Shares issue cost	-	(312,913)
Balance at the end of the reporting period	10,296,765	7,584,787

Morning Star Holdings (Australia) Limited
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6. Retained Earnings

	31 December 2008 \$	31 December 2007 \$
Retained earnings at the beginning of the financial period	1,640,094	1,599,950
Reverse prior year option expense	30,600	-
Net (loss)/profit attributable to members	(745,176)	40,144
Retained earnings at the end of the financial period	925,518	1,640,094

7. Business Combination

Acquisition of Alumicor SA Holdings Proprietary Limited

On 1 August 2008 Morning Star Holdings (Australia) Limited acquired 74% of the voting shares of Alumicor SA Holdings Proprietary Limited, an unlisted proprietary company based in South Africa specialising in aluminium dross treatment.

The total cost of the combination was \$3,728,762 and comprised an issue of equity instruments, the payment of cash and costs directly attributable to the combination. The Group issued 11,309,885 ordinary shares with a fair value of \$0.24.

The fair value of the identifiable assets and liabilities of Alumicor SA Holdings Proprietary Limited as at the date of acquisition were:

	Recognised on acquisition \$	Carrying value \$
Plant and equipment	2,195,090	2,195,090
Cash and cash equivalents	358,501	358,501
Trade Receivables	733,236	733,236
Inventories	135,083	135,083
Investment	44	44
	<u>3,421,954</u>	<u>3,421,954</u>
Trade payables	737,566	737,566
Interest bearing debt	186,915	186,915
	<u>924,481</u>	<u>924,481</u>
Cost of the combination:		
Shares issued, at fair value	2,261,977	
Cash paid	1,161,753	
Direct costs relating to the acquisition	290,267	
Total cost of the combination	<u>3,713,996</u>	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	358,501	
Cash paid	(1,161,753)	
Net consolidated outflow	<u>(803,252)</u>	

Morning Star Holdings (Australia) Limited
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Abbreviated Income Statement of Alumicor SA Holdings for the five months ended 31 December 2008:

	5 months ending 31 December 2008
	\$
Revenue	2,352,556
Net loss	444,271

8. Significant features of operating performance

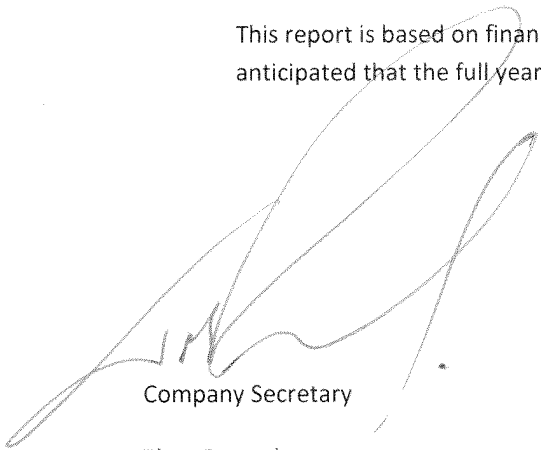
See Director's report.

9. Segment Information

The group operates in the aluminium dross refining business in South Africa

10. Compliance statement

This report is based on financial statements that are in the process of being audited. It is anticipated that the full year financial statements will be available by 31 March 2009.



Company Secretary

Theo Renard

26 February 2009