

Morning Star Holdings (Australia) Limited

ABN 98 008 124 025

26 August 2009

The Manager
Company Announcements Office
Australian Stock Exchange Ltd
Level 8
2 The Esplanade
PERTH WA 6000

Dear Sir/Madam

NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM

Please find attached a copy of the Company's Notice of General Meeting and Explanatory Memorandum dispatched to shareholders today.

For further information, please contact:

Richard Rossiter or Theo Renard
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MORNING STAR HOLDINGS (AUSTRALIA) LIMITED

ABN 98 008 124 025

NOTICE OF GENERAL MEETING

and

EXPLANATORY MEMORANDUM

Date of Meeting: 24 September 2009

Time of Meeting: 11.00 am (EST)

Place of Meeting: Level 2
3 Spring Street
Sydney NSW 2001

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

ABN 98 008 124 025

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Morning Star Holdings (Australia) Limited (ABN 98 008 124 025) ("**Company**") will be held at Level 2, 3 Spring Street, Sydney NSW 2001 at 11:00 am (EST) on 24 September 2009.

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.

RESOLUTIONS

1. Acquisition of Realm Resources Limited and Change of Activities

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

"That, for the purposes of Listing Rule 7.1, Listing Rule 11.1 and for all other purposes, the shareholders hereby approve and authorise:

- (a) *the Company to change its activities by acquiring all of the shares in Realm Resources Ltd; and*
- (b) *the Directors to allot and issue up to 69,565,217 Shares to the shareholders of Realm Resources Ltd; and*
- (c) *the Directors to allot and issue up to 30,434,783 Shares to Nkwe Platinum (South Africa) (Pty) Ltd or its nominee*

in accordance with the Realm Share Sale Agreement and the Nkwe Share 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 any shareholder of Realm Resources Limited, Nkwe Platinum (South Africa) (Pty) Ltd, any associate of such persons and any person who may obtain a benefit if the resolution is passed (except a benefit solely in the capacity as a holder of shares in the Company). However, a person can vote if the vote is cast 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. Issue of Shares to Mr Richard Rossiter under the Incentive Share Plan

To consider and, if thought fit, to pass, with or without amendment, the following resolution 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 1,000,000 Shares at an issue price equal to the weighted average trading price of Shares on ASX during the 5 day trading period immediately before the date on which the Shares are issued to Mr Richard Rossiter and the provision of a loan for an amount equal to the total issue price of the Shares,

in accordance with the Morning Star 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 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.

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

To consider and, if thought fit, to pass, with or without amendment, the following resolution 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 500,000 Shares at an issue price equal to the weighted average trading price of Shares on ASX during the 5 day trading period immediately before the date on which the Shares are issued to Mr Grant Button and the provision of a loan for an amount equal to the total issue price of the Shares, in accordance with the Morning Star 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 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.

BY ORDER OF THE BOARD



Theo Renard, Company Secretary
DATED: 5 August 2009

MORNING STAR (HOLDINGS) LIMITED

ABN 98 008 124 025

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 2, 3 Spring Street, Sydney New South Wales at 11.00 am (EST) on 24 September 2009.

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 the General Meeting are set out below.

1. Resolution 1

1.1 The Proposed Transaction

Morning Star is seeking shareholder approval to enter into a transaction, pursuant to which Morning Star will acquire all of the shares in Realm Resources Limited (**Realm Transaction**). As discussed below, Realm Resources Limited (**Realm**) has entered into an agreement to acquire an interest in Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited (**Nkwe Transaction**). The Proposed Transaction consists of two share sale agreements, pursuant to which the Company may issue a total of 100,000,000 Shares. Each of the share sale agreements is described below.

The Realm Share Sale Agreement

Under a share sale agreement between the Company, Realm and each of the shareholders of Realm, Morning Star will acquire 100% of the total issued share capital in Realm from the Realm shareholders (**Realm Share Sale Agreement**). Realm is a company incorporated in Australia.

In consideration for the acquisition, Morning Star will allot and issue up to 69,565,217 Shares to the Realm shareholders. The Shares will be issued as follows:

Stage 1: Realm settlement

On the day that is 5 days following satisfaction of certain conditions precedent (**Realm Settlement**), Morning Star will allot and issue 34,775,652 Shares to the shareholders of Realm in consideration for the transfer to the Company of the entire issued share capital of Realm.

Stage 2: Realm option settlement

In the event that the Call Option or Put Option (described below) is exercised by either Realm or Nkwe and certain conditions precedent are satisfied, the Company will allot and issue a further 34,789,565 Shares to the shareholders of Realm (**Realm Option Settlement**). Realm Option Settlement must occur within five business days after the date on which Nkwe Option Settlement (described below) occurs. The last possible date on which Nkwe Option Settlement can occur is 29 December 2009 and therefore the last possible date on which Realm Option Settlement can occur is 5 January 2009.

The Nkwe Share Sale Agreement

Under a share sale agreement between Realm, Nkwe Platinum (South Africa) (Pty) Limited (**Nkwe**), Nkwe Platinum Limited, Masedi Platinum (Proprietary) Limited (**Masedi**) and Nkwe Platinum (Scarlet) (Proprietary) Limited (**NPS**) dated 21 November 2008 (**Nkwe Share Sale Agreement**), subject to the satisfaction of certain conditions precedent, Realm will initially acquire 49.99% of the total issued shares in each of Masedi and NPS, which are beneficially and legally owned by Nkwe. The Nkwe Share Sale Agreement further provides that, subject to the satisfaction of certain further conditions precedent, Realm will have the option to purchase, and Nkwe will have the option to require Realm to purchase, the remaining issued share capital in Masedi and NPS.

In connection with Morning Star's proposed acquisition of the entire issued share capital of Realm, Morning Star has entered into a deed of variation pursuant to which the Nkwe Share Sale Agreement will be amended such that Morning Star becomes a party to the agreement and assumes certain obligations of Realm. For the purposes of this Explanatory Memorandum, the amended and restated Nkwe Share Sale Agreement to which Morning Star will become a party is referred to as the **Amended Nkwe Share Sale Agreement**. Morning Star's obligations under the Amended Nkwe Share Sale Agreement will be conditional on the Realm Share Sale Agreement becoming unconditional.

Under the Amended Nkwe Share Sale Agreement it is proposed that in consideration for the transfer of shares in each of Masedi and NPS to Realm, Morning Star will allot and issue up to 30,434,783 Shares to Nkwe (or its nominee). The allotments will occur on the following basis:

Stage 1: Nkwe Settlement

Within 5 business days after the satisfaction of certain conditions precedent, Morning Star will allot and issue 15,214,348 shares to Nkwe in exchange for the transfer by Nkwe of 49.99% of the total issued shares in each of Masedi and NPS to Realm (**Nkwe Settlement**).

Stage 2: Nkwe option settlement

The Amended Nkwe Share Sale Agreement provides that, subject to the satisfaction of certain further conditions precedent, Realm will have the option to purchase (**Call Option**) and Nkwe will have the option to require Realm to purchase (**Put Option**) the remaining issued share capital in Masedi and NPS in exchange for Morning Star allotting and issuing a further 15,220,435 Shares to Nkwe (**Nkwe Option Settlement**).

If Nkwe Option Settlement has not occurred before 29 December 2009 then the Call Option and the Put Option will lapse.

The following conditions precedent must be satisfied before Nkwe Option Settlement can occur:

- (i) completion of Nkwe Settlement;
- (ii) Realm obtaining the required consent of the South African Minister of Minerals and Energy for the acquisition of a controlling interest in Masedi and NPS (**Ministerial Approval**), in accordance with section 11(4) of the Mineral and Petroleum Resources Development Act 2002 (South Africa) (Act 28 of 2002) (**MPRD Act**); and
- (iii) Ministerial Approval being lodged for registration with the South African Mining Titles Office within 30 days of obtaining the Ministerial Approval, in accordance with section 11(4) of the MPRD Act.

1.2 Realm, Masedi and NPS

(a) *Information on Realm, Masedi and NPS*

Realm is an unlisted public company registered in Australia which has approximately 57.5 million shares on issue.

Following completion of the Amended Nkwe Share Sale Agreement, Realm will hold a controlling interest in Masedi and NPS. Masedi and NPS are each companies incorporated in South Africa. Masedi and NPS own a series of platinum projects in South Africa. These projects comprise various tenements that are collectively referred to as the Ghost Mountain, Kliprivier and Tinderbox projects.

- The Kliprivier project is located on the eastern limb of the Bushveld Complex and is immediately south and along strike of Aquarius Platinum's Everest South platinum project and up dip of the former Anglo Platinum Booyendaal project. An inferred UG2 resource has been defined of 109.6 MT @ 2.3 g/t (3PGE+Au) for 7.6Moz (undiscounted or 6.46Moz applying a 15% discount factor) from surface over a 6km strike length on its 3.300ha permitted share of Kliprivier. There is a lower chromite band with an estimated potential of 4.0 to 4.5Moz of target PGM mineralisation (Source Nkwe - Annual Financial Statements 2008). This target mineralisation is conceptual in nature and future exploration may or may not define this in whole or in part.
- The Ghost Mountain prospect is located on the eastern limb of the Bushveld Complex, with past exploration having identified two mineralised targets. The UG1, UG2 seams and Merensky Reef all outcrop on the southern part of farm Tweefontein, thus Merensky Reef and UG2 Chomitite could underlie parts of the farm Tweefontein. The eastern block of farms hold exploration potential for the discovery of outliers of the PGM reefs as well as of Platreef-Uitkomst type mineralisation.
- The Tinderbox prospect is located 10 km south west of Kliprivier. It is an early stage exploration project. Meaningful and systematic exploration of the area has been hampered by complex mineral rights ownership which has precluded access for exploration. There is thus evidence to interpret that marginal style Critical Zone norite, which could host UG2 mineralisation, may be present on the project.

(b) *Some of the key benefits identified for Morning Star*

- **Mitigation of Hulammin Option** – by diversifying away from the Company's reliance on the aluminium smelting operation in Pietermaritzburg, the Proposed Transaction will allow the Company to continue operations elsewhere should Hulammin decide to execute its option to purchase Aluminor.
- **Exposure to a depressed PGM market** – the PGM market and resources industry is currently depressed and the Board considers this an opportune time to take advantage and develop the projects. By the time the projects have reached a feasibility stage the Board believes the market will be recovering.

(c) *Potential disadvantages of the Proposed Transaction*

Whilst the disadvantages of the Proposed Transaction should be taken into account, the Board of Directors considers the advantages of the Proposed Transaction significantly outweigh the disadvantages.

Some of the factors the Board of Directors has considered are as follows:

- **Political risk** – The PGM projects are located in South Africa, a country thought to be of medium political risk in global terms.
- **The PGM market** – The economics of the PGM projects are highly dependent on PGM commodity prices (in Australian dollar terms) that can be achieved. Exchange rates, resource prices, demand and supply may fluctuate and the price of PGM commodities cannot be guaranteed.
- **Resource risks** – Whilst the mineral resources and reserves have been estimated for the PGM projects based on drilling and other work on the deposit, the actual volumes, grade and recoveries in the deposits may be more or less than these estimates. This may adversely affect the economics of the PGM projects.
- **Development** – The development of the PGM projects will require substantial capital expenditure, experienced personnel and regulatory approvals. Furthermore, there are technical risks with the construction and operation of the processing plants and related infrastructure required to produce the PGM products.

There can be no guarantee that the resources and approvals required for development of the PGM projects in a timely fashion will be readily available. Such developments and operations can also be adversely affected by numerous factors outside of the control of MSH, including adverse weather, industrial disputes and raw material shortages.

1.3 Effect of the Proposed Transaction

(a) *Effect on Capital Structure*

The Company will issue up to 100,000,000 Shares to Realm shareholders and Nkwe in connection with the Proposed Transaction. The following table sets out the capital structure of the Company before and after the issue of Shares to Realm and Nkwe shareholders pursuant to Resolution 1:

Current Issued Shares	108,457,809
Number of Shares to be issued to Realm shareholders at Realm Settlement	34,775,652
Number of Shares to be issued to Nkwe at Nkwe Settlement	15,214,348
Number of Shares to be issued to Realm shareholders at Realm Option Settlement	34,789,565
Number of Shares to be issued to Nkwe at Nkwe Option Settlement	15,220,435
Total number of Shares on issue assuming Realm Option Settlement and Nkwe Option Settlement occur	208,457,809

(b) *Effect on board composition*

It is expected that Neale Fong, a current director of Realm, will join the Company's board of directors following implementation of the Proposed Transaction. It is not expected that any other changes will be made to the Company's board of directors.

(c) *Intentions of Morning Star*

Following implementation of the Proposed Transaction, Morning Star intends to focus on the development of the PGM projects it will acquire pursuant to the Proposed Transaction, as well as to pursue additional opportunities that the Board believes will complement MSH's suite of projects and have the potential to increase shareholder value.

1.4 Change of Activities - Listing Rule 11.1

The Company will be changing its activities as a result of the completion of the Proposed Transaction.

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, 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 has required that the Company obtain the approval of its shareholders to the proposed change in its activities. Such approval is sought under Resolution 1.

1.5 Proposed issue of Shares - Listing Rule 7.1

Resolution 1 also seeks the approval of Shareholders for the issue of Shares to Realm Shareholders and Nkwe for the purposes of 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.

In respect of the issue of up to 34,789,565 Shares to Realm Shareholders on Realm Option Settlement and the issue of up to 15,220,435 Shares to Nkwe on Nkwe Option Settlement, the Company has obtained an ASX waiver from the requirement under Listing Rule 7.3.2 to issue the Shares within 3 months of the Shareholder meeting at which the issue of such Shares was approved. The waiver was issued on the following conditions:

- (a) the full terms and conditions of issue of the securities are disclosed in this Notice;
- (b) this Notice states that the securities will be issued by no later than 12 January 2010;

- (c) the Company releases the terms of the waiver to the market no later than the time of the release of this Notice; and
- (d) the Company include in its future annual reports until and including the annual report for the year ending 30 June 2010, full details of the securities that have been issued and those securities that may be issued in the future.

In accordance with the requirements of Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the proposed issue of Shares:

- (a) The maximum number of Shares to be issued pursuant to Resolution 1 is 100,000,000;
- (b) The issue of the 34,775,652 Shares to Realm shareholders on Realm Settlement and the issue of 15,214,348 Shares to Nkwe or its nominee on Nkwe Settlement will occur no later than three months after the date of the Meeting;
- (c) The issue of the 34,789,565 Shares to Realm Shareholders on Realm Option Settlement and the issue of up to 15,220,435 Shares to Nkwe or its nominee on Nkwe Option Settlement will occur no later than 12 January 2010.
- (d) The Board presently intends to issue the Shares pursuant to Resolution 1 as two allotments. However, the Board reserves the right to issue the Shares progressively;
- (e) The deemed issue price of the Shares is \$0.05;
- (f) The Shares will be issued to Realm Shareholders and Nkwe or its nominee in accordance with the terms and conditions of the Realm Share Sale Agreement and the Nkwe Share Sale Agreement.
- (g) The Shares to be issued by the Company are fully paid ordinary shares in the Company and rank equally with, and are on the same terms as, the existing Shares on issue; and
- (g) No funds are being raised pursuant to the issue of Shares in accordance with Resolution 1. The Shares are being issued as consideration for the acquisition of Realm and the acquisition of an interest in NPS and Masedi as part of the Proposed Transaction.

1.6 Directors' Recommendations and Important Considerations

The Directors unanimously recommend Shareholders vote in favour of Resolution 1. Each of the Directors who hold Shares intends to vote in favour of Resolution 1. Resolution 1 is important and affects the future of the Company. Shareholders are therefore urged to give careful consideration to the Notice of Meeting and this Explanatory Memorandum.

1.7 Competent Persons Statement

The information in this Explanatory Memorandum which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences (AIG), a Corporate Member of the Australasian Institute of Mining & Metallurgy (AusIMM) and independent consultant to the Company. Mr Maynard is the principal of Al Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent

Person as defined in the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Maynard consents to inclusion in this Explanatory Memorandum of the matters based on his information in the form and context in which it appears.

2. Resolutions 2 and 3 - Issue of Shares to Mr Richard Rossiter and Mr Grant Button

2.1 Details of proposed issues

The Company proposes to issue Shares to two directors of the Company, Mr Richard Rossiter and Mr Grant Button in accordance with the terms of the Share Plan.

The proposed issue of Shares to the Recipient Directors 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 when there is an improvement in the Company's share price following the date on which they are issued the Shares.

Resolutions 2 and 3 seek shareholder approval for the issue of Shares to the Recipient Directors as follows:

Name of Director	Number of Shares to be Issued
Mr Richard Rossiter	1,000,000
Mr Grant Button	500,000

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

The issue price of the Shares offered to the Recipient Directors under the Share Plan will be determined at the time of issue of the Shares. The issue price of the Shares will be equal to the weighted average trading price of Shares on ASX during the 5 day trading period immediately before the date on which the Plan Shares are issued.

The Shares to be issued pursuant to Resolutions 2 and 3 may not be transferred or otherwise dealt with and will be subject to a holding lock until the later to occur of the following:

- (a) the loan amount in respect of the relevant shares 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 2 and 3 are in addition to the fee and remuneration packages payable by the Company to the Recipient Directors.

2.2 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 to the Recipient Directors and provision of loans by the Company to the Recipient Directors 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 the provisions of loans by the Company to the Recipient Directors to fund payment of the subscription price of the Shares:

- (c) the Recipient Directors are each related parties of the Company to whom proposed Resolutions 2 and 3 would permit the financial benefit to be given;
- (d) the nature of the financial benefit to be given to Mr Rossiter is the issue of 1,000,000 Shares and a loan in respect of those Shares, being an amount equal to the total issue price of the Shares. If the price of the Shares increases, Mr Rossiter will benefit from any such increase in the price of the Shares whilst the amount repayable on the loan will remain an amount equal to the total issue price of the Shares. If the price of the Shares decreases, the amount repayable on the loan will be the last sale price of the Shares on ASX on the date of repayment of the loan. In this case, when the loan is repaid the Company will receive an amount that is less than the total issue price of the Shares;
- (e) the nature of the financial benefit to be given to Mr Button is the issue of 500,000 Shares and a loan in respect of those Shares, being an amount equal to the total issue price of the Shares. If the price of the Shares increases, Mr Button will benefit from any such increase in the price of the Shares whilst the amount repayable on the loan will remain an amount equal to the total issue price of the Shares. If the price of the Shares decreases, the amount repayable on the loan will be the last sale price of the Shares on ASX on the date of repayment of the loan. In this case, when the loan is repaid the Company will receive an amount that is less than the total issue price of the Shares;
- (f) the Shares will be issued and the loans will be provided under the Share Plan on the terms set out in section 2.5;
- (g) as at the date of this Notice, the capital structure of the Company is as follows:

Capital	Number
Ordinary Shares	108,457,809

If Shareholders approve all resolutions in this Notice (including Resolution 1) and all Shares are issued as contemplated by this Notice, the issued capital of the Company would be as follows:

Capital	Number
Ordinary Shares	209,957,809

If Shareholders approve the issue of 1,500,000 Shares to the Recipient Directors pursuant to Resolutions 2 and 3, the effect will be to dilute the shareholding of existing members by approximately 1.4%, based on the existing number of Shares as at the date of this Notice.

If Shareholders approve the issue of 1,500,000 Shares to the Recipient Directors pursuant to Resolutions 2 and 3 and assuming the issue of shares to Realm Shareholders and Nkwe pursuant to Resolution 1 has occurred, the effect of Resolutions 2 and 3 will be to dilute the shareholdings of members by approximately 0.7%.

- (h) as at the date of this Notice, the Recipient Directors hold the following securities in the Company representing 2.1% of the issued capital:

Director	Number of Shares held directly	Number of Shares held indirectly
Mr R Rossiter	1,500,000	-
Mr G Button	750,000	-

If Shareholders approve all Resolutions contained in this Notice, all Shares are issued as contemplated by this Notice, the Recipient Directors will hold the following securities in the Company, representing 1.8% of the issued capital of the Company:

Director	Number of Shares held directly	Number of Shares held indirectly
Mr R Rossiter	2,500,000	-
Mr G Button	1,250,000	-

- (i) details of the Recipient Directors' remuneration for the financial year end 31 December 2008 (based on information extracted from the Company's 2008 Annual Report) are as follows:

Director	Director fees (\$)	Salary and Consulting (\$)	Superannuation (\$)	Share and option based payments (\$)	Total (\$)
Mr R Rossiter	24,000	13,520	2,160	117,133	156,813
Mr G Button	24,000	-	2,160	58,567	84,727

Details of the estimated remuneration payable to the Recipient Directors for the financial year beginning 1 January 2009 are as follows:

Director	Base fees (\$)	Salary and Consulting (\$)	Superannuation (\$)	Share and option based payments (\$)	Total (\$)
Mr R Rossiter	24,000	81,125	2,160	174,270	281,555
Mr G Button	36,000	-	3,240	58,090	97,330

- (j) the issue price at which 1,500,000 Shares may be issued to the Recipient Directors will be equal to the weighted average price of Shares on ASX over the past 5 trading days immediately before the date on which the Shares were issued to the Recipient Directors, with the issue price being loaned to the Directors in accordance with the terms of the Share Plan. The Shares will be issued on the next business day following the date of the meeting;
- (k) during the last 12 months before the date of lodgement of this Notice with ASIC, the highest trading price of the Shares was \$0.19 on 31 July 2009 and the lowest trading price of the Shares was \$0.04 on 2 December 2009. The market price of the Company's Shares over the 5 day trading period on ASX up to and including 5 August 2009 has been \$0.185 per Share. On 4 August 2009, the last trading day before this Notice of Meeting was lodged with the ASIC, the Shares closed at a price of \$0.185 per Share;
- (l) assuming a market price on the date of repayment of the loans of \$0.185 being the market price on 4 August 2009, the Company will receive \$277,500 from the issue of the Shares to the Recipient Directors. As the amount repayable on the loans will fluctuate depending on the market price of the Shares, there is no guarantee that the Company will receive \$277,500 when the loans are repaid in full. The amount

repayable on the loans will be the lesser of the issue price of the Shares and the last sale price of the Shares on ASX on the date of repayment of the Loan;

- (m) the primary purpose of the issue of the Shares to the Recipient Directors under the Share Plan 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 2 and 3;
- (n) the issue of Shares to the Recipient Directors is a more cost effective incentive for the Company as opposed to the payment of cash compensation;
- (o) Mr Rossiter has a material personal interest in the outcome of Resolution 2 and Mr Button has a material personal interest in the outcome of Resolution 3 as the recipients of the Shares proposed to be issued;
- (p) none of the Recipient Directors wish to make a recommendation to Shareholders about Resolutions 2 and 3 because each has an interest in the outcome of those Resolutions;
- (q) all Directors, apart from the Recipient Directors, recommend to Shareholders that they approve Resolutions 2 and 3. These Directors do not have an interest in the outcome of Resolutions 2 and 3 except as Shareholders of the Company.
- (r) a valuation of the Shares proposed to be issued to the Recipient Directors is set out below;
- (s) additional information in relation to Resolutions 2 and 3 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 2 and 3;
- (t) the Company will incur no liabilities or costs in respect of the proposed issue of the Shares to the Recipient Directors other than:
 - (i) the fees payable to ASX for quotation of the Shares to be issued to Mr Rossiter and Mr Button. At the rates applying at the date of this Notice, these fees would be approximately \$2,000. However, these fees will not be payable until, in relation to Resolutions 2 and 3, after the later of loans in respect of the Shares have been repaid and the vesting periods have expired;
 - (ii) 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
- (u) neither the Board nor the Company is aware of any other information that would be reasonably required by Shareholders in order to decide whether it is in the best

interests of the Company to pass Resolutions 2 and 3, other than as stated in this Explanatory Memorandum.

2.3 Valuation of Shares

The value of the Shares to be granted to the Recipient Directors has been calculated using the Black-Scholes 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 \$0.185 as at 4 August 2009;
- (ii) Risk free rate or return 4.823% for Tranche 1 and Tranche 2 (based on the 3 year bond indicator rate as at 4 August 2009);
- (iii) share price volatility of 118.1%, based on Morning Star's and comparable companies' historical share price volatility;
- (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) one half of the Shares issued under the Share Plan, the expiry of 12 months from the date of issue of the Shares; and
 - 2) the remaining one half of the Shares issued under the Share Plan, the expiry of 24 months after the date of issue of the Shares;
- (v) issue price of \$0.185; and
- (vi) a dividend yield of zero.

Based on the assumptions outlined above, the Black-Scholes pricing model attributes a theoretical value of \$0.116 per Share. This values the Shares to be granted to Mr Rossiter and Mr Button at \$174,270 and \$58,090 respectively.

If the share price on the date of issue assumption was \$0.15 then the Black-Scholes pricing model attributes a theoretical value of \$0.094 per Share. This values the Shares to be granted to Mr Rossiter and Mr Button at \$141,300 and \$47,100 respectively.

If the share price on the date of issue assumption was \$0.25 then the Black-Scholes pricing model attributes a theoretical value of \$0.157 per Share. This values the Shares to be granted to Mr Rossiter and Mr Button at \$235,500 and \$78,500 respectively.

2.4 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.

Each of the Recipient Directors is a Director of the Company for the purpose of Listing Rule 10.14. Accordingly, in order for the Recipient Directors to acquire Shares and Options under the Share Plan and Option Plan, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

2.5 Listing Rule disclosure requirements

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolutions 2 and 3:

- (a) Mr Rossiter and Mr Button are Directors;
- (b) the maximum number of Shares that may be issued to Mr Rossiter under Resolution 2 is 1,000,000 Shares and to Mr Button under Resolution 3 is 500,000 Shares;
- (c) 5,250,000 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) the Shares will be issued on the next business day following the date of the meeting;
- (f) the issue price of the Shares will be the weighted average price of Shares on ASX over the 5 trading days prior to the date on which the Shares are issued;
- (g) subject to compliance with the Listing Rules, the Shares to be issued to Mr Rossiter and Mr Button pursuant to Resolutions 2 and 3 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; andin respect of:
 - (ii) one half of the Shares issued (**Tranche 1**), 12 months after the date of issue of the Shares; and
 - (iii) the remaining one half of the Shares issued (**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 2 and 3 will rank equally with all other Shares on issue;
- (i) the Company will provide loans to Mr Rossiter and Mr Button in relation to the acquisition of the Shares under the Share Plan (**Loans**). 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 the Recipient 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.
- (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 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:

- (i) within 12 months of the date of the event that caused the election where the Director either retired or is retrenched; or

- (ii) within one (1) month in the event that the Director resigns or is terminated.

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.

3. Glossary of Terms

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

"ASIC" means the Australian Securities and Investments Commission.

"ASX" means ASX Limited.

"Board" means the board of Directors.

"Company" and "MSH" means Morning Star Holdings (Australia) Limited.

"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.

"General Meeting" or "Meeting" means the general meeting of Shareholders to be held at Level 2, 3 Spring Street, Sydney at 11:00am (EST) on 24 September 2009 or any adjournment thereof.

"Listing Rules" means the official listing rules of ASX.

"Masedi" means Masedi Platinum (Proprietary) Limited.

"Nkwe" means Nkwe Platinum (South Africa) (Pty) Limited.

"Nkwe Option Settlement" has the meaning given in Section 1.1.

"Nkwe Settlement" has the meaning given in Section 1.1.

"Nkwe Share Sale Agreement" has the meaning given in Section 1.1.

"NPS" means Nkwe Platinum (Scarlet) (Proprietary) Limited.

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

"Option" means an option to apply for one fully paid ordinary share in the capital of the Company.

"Proposed Transaction" means the Realm Transaction and the Nkwe Transaction.

"Realm" means Realm Resources Limited.

"Realm Option Settlement" has the meaning given in Section 1.1.

"Realm Settlement" has the meaning given in Section 1.1.

"Realm Shareholders" means the holders of shares in Realm.

"Realm Share Sale Agreement" has the meaning given in Section 1.1.

"Realm Transaction" has the meaning given in Section 1.1.

"Recipient Directors" means Mr Richard Rossiter and Mr Grant Button.

"Resolution" means a resolution in the Notice of Meeting.

"Section" means a section of this Explanatory Memorandum.

"Shareholders" means registered holders of Shares.

"Share Plan" or "Morning Star Share Plan" means the Morning Star Share Plan approved by Shareholders on 18 July 2008.

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

Morning Star Holdings (Australia) Limited

ABN 98 008 124 025

000001 000 MSH
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Morning Star Holdings (Australia) Limited
Suite 1308, 3 Spring Street
Sydney NSW 2001 Australia

Alternatively you can fax your form to
(within Australia) (02) 8249 4001
(outside Australia) +61 2 8249 4001

For all enquiries call:

(within Australia) (02) 8249 4542
(outside Australia) +61 2 8249 4542

Proxy Form

For your vote to be effective it must be received by 11:00am (EST) Tuesday 22 September 2009

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- ☒ Review your securityholding
- ☒ Update your securityholding

Your secure access information is:

SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Morning Star Holdings (Australia) Limited hereby appoint

☐ the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Morning Star Holdings (Australia) Limited to be held at Level 2, 3 Spring Street, Sydney, New South Wales, Australia on Thursday, 24 September 2009 at 11:00am (EST) and at any adjournment of that meeting.

Important for Resolution 2: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Resolution 2 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolution 2 and your votes will not be counted in computing the required majority if a poll is called on this Resolution. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2 of business.

☐ I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of the Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Acquisition of Realm Resources Limited and Change of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Issue of Shares to Mr Richard Rossiter under the Incentive Share Plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Shares to Mr Grant Button under the Incentive Share Plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date ____/____/____