

Resource Star Limited

Suite 9, Level 2, 330 Churchill Avenue, Subiaco WA 6008
P. +61 8 6489 1600 F. +61 8 6489 1601

ABN 71 098 238 585



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The Manager
Market Announcements Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

UPDATE ON CLOUD LANDS TRANSACTION

ASX In-Principle Approval and Consolidation Ratio

As announced on 1 August 2014, Resource Star Limited (**RSL** or the **Company**) has an exclusive option (**Option**) to acquire 100% of the issued shares of Cloud Lands Digital Fortress Pty Ltd (**Cloud Lands**). The parties are currently completing their due diligence investigations.

If the Company exercises the Option, and the Company acquires Cloud Lands (**Acquisition**), the Company must re-comply with Chapters 1 and 2 of the ASX Listing Rules, including completing a consolidation of its securities so that its Shares are valued at least \$0.20 each, and its issued options have an exercise price of at least \$0.20 each.

The Company currently has 78,000,000 listed options on issue (exercisable at \$0.004 each on or before 31 March 2016) (**Listed Options**). To satisfy the \$0.20 exercise price requirement above, the Company would have to consolidate its securities on a 50:1 basis. This is a much higher consolidation ratio than would otherwise be required, given the historical trading price of the Company's Shares, which would allow a consolidation ratio of approximately 20:1.

The Company is pleased to announce that it has received in-principle approval from the ASX that it is likely to grant a waiver of ASX Listing Rule 1.1 Condition 11 to allow the Listed Options to have an exercise price of less than \$0.20 if the Company acquires Cloud Lands (**In-Principle Approval**).

This waiver will allow the Company, if it exercises the Option, to select a consolidation ratio based on its Share price at the time Shareholder approval is sought for the Acquisition, rather than having to consolidate on a 50:1 ratio.

The In-Principle Approval, which is valid to 10 December 2014, is subject to the condition that the Listed Options comprise not more than 5% of the Company's fully diluted share capital (as at re-listing following the Acquisition).

Variation to Cloud Lands Acquisition Terms

The In-Principle Approval only applies in respect of the 78 million Listed Options on issue prior to the announcement of the Acquisition (ie before 1 August 2014). The waiver will not be granted for any new Listed Options issued after that date.

The Company and Cloud Lands have therefore agreed that:

- (a) the 3,000,000 Listed Options that were to be issued as part consideration for the Acquisition will instead be replaced with 3 million unquoted options exercisable at \$0.20 each (on a post-Consolidation basis) expiring on 31 December 2017 (**New Options**); and
- (b) subscribers to the Company's proposed \$452,000 initial placement (as disclosed in its Notice of Meeting dated 16 August 2014) (**Initial Placement**) will now be issued two New Options for every three Shares subscribed for, rather than one free Listed Option for every two Shares subscribed, as was previously agreed, with the New Options to be issued on completion of the Acquisition.

General Meeting of Shareholders

The Company is seeking Shareholder approval for the issue of Shares and free attaching Listed Options as part of the Initial Placement. The Company draws Shareholders' attention to the above change to the terms of the free attaching options being offered. The Company will seek further Shareholder approval at its upcoming AGM meeting to the extent considered necessary to provide for this change.

Mathew Walker
Director