RESOURCE STAR LIMITED

ABN 71 098 238 585

ANNUAL FINANCIAL REPORT

for the year ended 30 June 2014

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mr A Bell (Non-Executive Chairman)

Mr R Parker (Non-Executive Director)

Mr M Walker (Non-Executive Director)

Mr G Karantzias (Non-Executive Director)

COMPANY SECRETARY

Mr S Cheema

REGISTERED OFFICE

Level 2, 330 Churchill Avenue

Subiaco WA 6008

PRINCIPAL PLACE OF BUSINESS

Level 2, 330 Churchill Avenue

Subiaco WA 6008

AUDITORS

HLB Mann Judd (Vic Partnership)

Level 9, 575 Bourke Street

Melbourne VIC 3000

SOLICITORS

Steinepreis Paganin

6 Milligan St

Perth WA 6000

SHARE REGISTRY

Computershare Investor Services Pty Limited

Level 2, 45 St Georges Terrace

Perth WA 6000

INTERNET ADDRESS

www.resourcestar.com.au

ASX CODES

Shares	RSL
Options	RSLO

COUNTRY OF INCORPORATION AND DOMICILE

Australia

DIRECTORS' REPORT

Your directors submit the annual financial report together with the consolidated financial statements of Resource Star Limited ("the Company") which include the financial statements of the Group. The Group comprises the Company and the entities it controlled during the year ended and as at 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

A Bell, (Non-Executive Chairman) *MA, LLB Appointed 6 August 2007*

Mr Bell was appointed director and chairman on 6 August 2007. Mr Bell is a former Mining Analyst, Fund Manager, and Investment Banker and is Chairman of Regency Mines plc and of Red Rock Resources plc, both companies listed on the AIM market of the London Stock Exchange.

Mr Bell was the Company's acting Chief Executive Officer from 5 July 2010 to 1 May 2011.

Mr Bell is currently a non-executive director of the following ASX listed company:
- Jupiter Mines Limited – May 2008 to current

During the past three years he has not served as a director of any other ASX listed companies.

R Parker, (Non-Executive Director) *Appointed 2 July 2014*

Mr Parker is a businessman based in Western Australia, with over twenty years in managing and developing various projects in Australia. His earlier experience in the transport and mining industries included management positions responsible for plant and maintenance, health and safety, and mine safety.

During the past three years he has not served as a director of any other ASX listed companies.

M Walker, (Non-Executive Director) *Appointed 1 August 2014*

Mr Walker has extensive experience in public company management and in the provision of corporate advice. Specialising in the natural resources sector, Mr Walker has served as executive Chairman or Managing Director for public companies with mineral interests in North America, South America, Africa, Eastern Europe, Australia and Asia.

Currently he serves as a director of West Peak Iron Limited (ASX: WPI) and Chairman of Blue River Mining Limited. He is a director of boutique investment banking firm Alto Capital based in Perth, Western Australia and Chairman of corporate advisory firm Cicero Corporate Services based in London, UK. For twenty years Mr Walker has served as a director of his family livestock business, which was sold in part to Australia's largest beef cattle producer the Australian Agricultural Company Limited (ASX: AAC) in 2006, described by AAC at the time as "the world's largest and most credentialed full blood herd outside of Japan and is viewed as Australia's premier Wagyu Business". Mr Walker is a member of the Australian Institute of Company Directors and holds a Bachelor of Business from the University of Technology, Sydney.

G Karantzias, (Non-Executive Director) *Appointed 18 December 2013*

Mr Karantzias is a director of Alpha Securities Pty Ltd, a boutique financial services company based in Sydney. He has over twenty years' experience in a variety of senior roles in the financial industry, including as Head of Operations at Etrade Australia Securities Ltd.

During the past three years he has not served as a director of any other ASX listed companies.

C Burrell, (Executive Director) *LLB, Graduate Diploma in Legal Practice Resigned 18 December 2013*

C Guy, (Non-Executive Director) *BSc Resigned 2 July 2014*

Company secretary

S Cheema, B.Bus *Appointed 12 September 2014*

Mr Cheema was appointed Company Secretary of Resource Star effective 12th September 2014. He has experience with Australian, American, Mongolian and West African based mineral exploration companies and has previously served as Company Secretary for Mongolian Resource Corporation Limited (ASX: MUB) and Black Fire Minerals Limited (ASX: BFE). Currently Mr Cheema is Company Secretary for West Peak Iron Limited (ASX: WPI) and Vesuvius Minerals Limited. Mr Cheema has completed a Bachelor of Commerce majoring in Accounting at Curtin University and is currently enrolled in the CPA program.

Mr Cheema is not an executive of the Company.

Ms E Kestel resigned as Company Secretary effective 12th September 2014.

Interest in the shares and options of the company

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	Number of Ordinary Shares	Number of Options
A Bell	65,335,134	5,213,290
R Parker	Nil	Nil
M Walker	50,000,000	14,986,544
G Karantzias	Nil	Nil
C Burrell	Nil	Nil
C Guy	Nil	Nil

- The interest in shares and options displayed for Mr Bell are the shares and options owned by Red Rock Resources plc. Mr Bell is a director of Red Rock Resources plc.

Share options
Unissued shares

As at the date of this report, there were 77,974,534 (2013: nil) unissued ordinary shares under options. Details of unissued ordinary shares under options are:

Unissued ordinary shares under options	30 June 2014	Reporting date
Unlisted options exercisable as follows:		
▪ Exercisable at $0.004 and expire 31 March 2016.	78,000,000	77,974,534
Total	**78,000,000**	**77,974,534**

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

There have been no unissued shares or interests under option of any controlled entities within the Group during or since reporting date. For details of options issued to directors and executives as remuneration, refer to the Remuneration Report. No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Dividends

No dividends have been paid or declared since the start of the year and the directors do not recommend the payment of a dividend in respect of the year ended 30 June 2014 (30 June 2013: $Nil).

Principal activities

The principal activity of the entities within the Group during the year was the exploration for natural resources. There have been no other significant changes in the nature of those activities during the period.

Review of operations

The Company's main focus was building its cash position and strengthening its balance sheet and in the process increasing its shareholder base as new shareholders came in to support the future growth of the business.

Resource Star successfully carried out a one for one non-renounceable Entitlement Offer at $0.004 per Share to raise $624,000 before costs during the quarter.

The Company held $460,485 in cash as at 30 June 2014, compared to $13,240 at 30 June 2013. Fund raising for the twelve months to 30 June 2014 was $641,000 before costs. The Company has cash resources and liquidity for the near term but as it looks forward is still reliant on the ongoing support of significant shareholders and directors.

The year ended June 2014 was challenging for the Company with limited funding opportunities and with the decision not to pursue the proposed new oil project on the agreed terms, the focus was on disciplined, restraint and cost cutting measures pending identification of a suitable transaction.

During the twelve (12) month period to 30 June 2014 the Company completed the following:

Ilomba Hill Rare Earth Project – Malawi

No work has been undertaken; other than care and maintenance on EPL0264/08.

Spinifex Uranium Project

The Spinifex project continues to be identified as the near-term priority for Resource Star and the Company is currently reviewing the minimum expenditure condition of $70,000 by October 2014.

The reports and applications have been submitted to the Department of Mines for an extension of term.

Northern Territory Tenements

Work completed on the Northern Territory tenements were of a developmental nature, as opposed to exploratory. On this basis there are no exploration activities to report during in relation to the Northern Territory tenements during the June 2014 quarter.

All tenements in the Northern Territory are applications only.

The Company has until 31 October 2014 to re-apply to the Northern Land Council for the granting of ELA25884 and ELA271749 at Edith River. There was no exploration expenditure on ELA25884 and ELA271749 during the quarter.

The Application For Consent Pursuant to Section 41(2(b) and in accordance with Section 41(5) and 41(6) of the Aboriginal Land Rights in respect to Mt Celica Project ELA24414 is still being reviewed by the Northern Land Council.

Operating results for the year

The statement of comprehensive income shows a net loss attributable to members of $614,347 (2013: loss of $3,459,124).

Significant changes in state of affairs

On 26 July 2013, the Company announced finalisation of the Spinifex Uranium Project Acquisition in accordance with the Agreement for Sale of Mining Assets.

On 2 August 2013, the Company announced that it had entered into a binding terms sheet to acquire a 50% shareholding in D-Bar Leasing Inc. which holds a 100% working interest in 8 oil producing lease groups, 96 wells covering approximately 2,732 acres located in Abilene, Texas, USA.

On 12 August 2013, the Company announced the lapse of 3,000,000 Unlisted Options previously issued to the Managing Director due to the significant price differential between the exercise and share price.

On 5 September 2013, the Company announced the issue of 110,000 Unsecured Convertible Note and the subsequent conversion to 800,000 Fully Paid Ordinary Shares on 13 September 2013 in accordance with the terms and conditions of the Unsecured Convertible Note Deed.

On 18 December 2013, the Company announced the appointment of Mr G Karantzias as non-executive director. At the same time Mr C Burrell stepped down as a director.

On 4 February 2014, Resource Star announced the completion and allotment of 20,026,912 fully paid Ordinary Shares following the receipt of a short term funding application form. Following the allotment, the Ordinary Shares are now a part of the class of quoted securities.

On 28 May 2014, the Company announced the completion of the non-renounceable entitlement offer to raise up to $624,000 (before costs) which opened on 8 April 2014 and closed on 19 May 2014.

Significant events after the reporting date

On 2 July 2014, Mr C Guy resigned as a Non-executive director to the Company. Mr R Parker was appointed as Non-executive director.

On 1 August 2014, Resource Star announced that it has executed a binding terms sheet pursuant to which it has been granted an exclusive Option to conduct due diligence on Western Australian based cloud services provider Cloud Lands for the purpose of determining whether to acquire 100% of the issued capital of Cloud Lands. Due diligence continues up to the date of this report.

On 1 August 2014, Mr M Walker was appointed as Non-executive director to the Company.

On 12 September 2014, Mr S Cheema was appointed as Company Secretary with Ms Eryn Kestel subsequently resigning as Company Secretary.

On 19 September, Resource Star raised $140,000 before costs through issue of 35,000,000 shares under its placement capacity which was approved at the 16 September General Meeting of Shareholders.

Other than the above, there has not been any matter or circumstance that has arisen after the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Likely developments and future results

The management team and Board of Directors ("the Board") of the Company are continuing to review opportunities available to the Company and have secured an exclusive Option to acquire 100% of the issued capital of Australian cloud computing service and infrastructure provider Cloud Lands Digital Fortress Pty Ltd. Due diligence continues up to the date of this report.

Any additional information has not been provided since the Directors believe that there may be an unreasonable prejudice to the Company.

Environmental regulation and performance

The Company's operations are subject to environmental regulations under Commonwealth and State legislation in Australia and Malawi. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

Indemnification and insurance of officers and auditors

During the year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

DIRECTORS' REPORT (continued)

Remuneration report (audited)

This report outlines the remuneration arrangements in place for key management personnel of the Company.

The following persons acted as directors during or since the end of the financial year:

Mr A Bell	Director (non-executive) – appointed 6 August 2007
Mr R Parker	Director (non-executive) – appointed 2 July 2014
Mr M Walker	Director (non-executive) – appointed 1 August 2014
Mr G Karantzias	Director (non-executive) – appointed 18 December 2013
Mr C Burrell	Director (executive) – appointed 9 April 2013, resigned 18 December 2013
Mr C Guy	Director (non-executive) – appointed 9 April 2013, resigned 2 July 2014

The term 'senior management' is used in this remuneration report to refer to Mr M Walker, Mr R Parker and Mr G Karantzias.

The Board believes that the remuneration policy is appropriate and effective in its ability to attract and retain the best senior management to run and manage the Group.

Remuneration philosophy

The performance of the Group depends upon the quality of the directors and senior management. The philosophy of the Group in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- ensure that there is transparency in setting of corporate arrangements;
- link executive rewards to shareholders' value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration. Incentives are only paid once pre-determined KPI's have been met.

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and senior management.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Remuneration report (audited) (continued)

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 28 February 2007 when shareholders approved an aggregate remuneration of $210,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external advisors as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. No external advice was received during the year.

Each director receives a fee for being a director of the Company.

Senior Management and Executives

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external independent advice, where necessary. No such advice was required during the year.

Variable remuneration

The objective of the short term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Employment contracts

Executives

There are no executive employment contracts as at the date of this report.

Performance of shareholders' wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years:

As at 30 June	**2014**	**2013**	**2012**	**2011**	**2010**
Profit / (Loss) per share (cents)	(0.374)	(2.85)	(1.25)	(2.27)	(2.77)
Share price	.003	0.008	0.02	0.05	0.061

The following table provides details of the components of remuneration for each member of the key management personnel of the Group. All remuneration to Key Management Personnel is valued at the cost to the Group and expensed.

DIRECTORS' REPORT (continued)

Remuneration report (audited) (continued)

Remuneration of directors and named executives

Table 1: Directors' remuneration for the years ended 30 June:

		Short Term				Post Employment					
		Salary & Fees	**Cash STI**	**LTI**	**Non Monetary Benefits**	**Super-annuation**	**Retirement**	**Equity Options**	**Other**	**Total**	**% Performance Related**
A Bell	2013	45,000	-	-	-	-	-	-	-	45,000	-
Director	2014	45,000	-	-	-	-	-	-	-	45,000	-
G Karantzias[1]	2013	-	-	-	-	-	-	-	-	-	-
Director	2014	10,083	-	-	-	-	-	-	-	10,083	-
C Guy[2]	2013	10,000	-	-	-	-	-	-	-	10,000	-
Director	2014	42,020	-	-	-	-	-	-	-	42,020	-
R Kestel [3]	2013	18,750	-	-	-	1,688	-	-	-	20,438	-
Director	2014	-	-	-	-	-	-	-	-	-	-
R Benussi [4]	2013	30,000	-	-	-	-	-	-	-	30,000	-
Director	2014	-	-	-	-	-	-	-	-	-	-
Total	**2013**	**103,750**	**-**	**-**	**-**	**1,688**	**-**	**--**	**-**	**105,438**	**-**
	2014	**97,103**	**-**	**-**	**-**	**-**	**-**		**-**	**97,103**	**-**

[1] Appointed 18 December 2013 [2] Resigned 2 July 2014 [3] Resigned 27 November 2012 [4] Resigned 31 March 2013

Table 2: Executive Directors' and named executives remuneration for the period/year ended 30 June:

		Short Term				Post Employment					
		Salary & Fees	**Cash STI**	**LTI**	**Non Monetary Benefits**	**Super-annuation**	**Retirement**	**Equity Options**	**Other**	**Total**	**% Performance Related**
C Burrell[5]	2013	24,000	-	-	-	-	-	-	-	24,000	-
Director	2014	7,818	-	-	-	-	-	-	-	7,818	-
S Heggen[6]	2013	132,381	-	-	-	11,813	-	3,120	-	147,314	2%
Managing Director	2014	-	-	-	-	-	-	-	-	-	0%
Total	**2013**	**156,381**	**-**	**-**	**-**	**11,813**	**-**	**3,120**	**-**	**171,314**	**-**
	2014	**7,818**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,818**	**-**
Grand Total	**2013**	**260,131**	**-**	**-**	**-**	**13,501**	**-**	**3,120**	**-**	**276,752**	**-**
	2014	**104,921**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**104,921**	**-**

[5] Resigned 18 December 2013 [6] Resigned 5 April 2013

Remuneration report (audited) (continued)

Remuneration of directors and named executives

Shareholdings of KMP

Shares held in the Company (number)

2014	Balance at beginning of year 01 July 2013	Exercise options	Net Change / Other	Balance at date of resignation	Balance at 30 June 2014
A Bell	**46,908,554**	**-**	**18,426,580**	**-**	**65,335,134**
M Walker(7)	**-**	**-**	**50,000,000**	**-**	**50,000,000**
G Karantzias(1)	**-**	**-**	**-**	**-**	**-**
C Guy(2)	**-**	**-**	**-**	**-**	**-**
R Parker(8)	**-**	**-**	**-**	**-**	**-**
C Burrell(5)	**-**	**-**	**-**	**-**	**-**
Total	**46,908,554**	**-**	**68,426,580**	**-**	**115,335,134**

2013	Balance at beginning of year 01 July 2012	Exercise options	Net Change / Other	Balance at date of resignation	Balance at 30 June 2013
A Bell	45,908,745	-	999,809	N/A	46,908,554
C Burrell(5)	-	-	-	N/A	-
C Guy	-	-	-	N/A	-
R Kestel(3)	-	-	-	-	N/A
R Benussi(4)	1,000,000	-	-	(1,000,000)	N/A
S Heggen(6)	-	-	212,074	(212,074)	N/A
Total	46,908,745	-	1,211,883	(1,212,074)	46,908,554

(1) Appointed 18 December 2013 (2) Resigned 2 July 2014 (3) Resigned 27 November 2012 (4) Resigned 31 March 2013 (5) Resigned 18 December 2013 (6) Resigned 5 April 2013 (7) Appointed 1 August 2014 (8) Appointed 2 July 2014

Option holdings of KMP

Options held in the Company (number)

2014	Balance at beginning of year 01 July 2013	Options Issued	Options Forfeited	Balance of date of resignation	Balance at 30 June 2014
A Bell	**-**	**5,213,290**	**-**	**-**	**5,213,290**
M Walker(7)	**-**	**14,986,544**	**-**	**-**	**14,986,544**
G Karantzias(1)	**-**	**-**	**-**	**-**	**-**
C Guy(2)	**-**	**-**	**-**	**-**	**-**
R Parker(8)	**-**	**-**	**-**	**-**	**-**
C Burrell(5)	**-**	**-**	**-**	**-**	**-**
Total	**-**	**20,199,834**	**-**	**-**	**20,199,834**

2013	Balance at beginning of year 01 July 2012	Options Issued	Options Forfeited	Balance of date of resignation	Balance at 30 June 2013
A Bell	11,947,648	-	(11,947,648)	N/A	-
C Burrell(5)	-	-	-	N/A	-
C Guy(2)	-	-	-	N/A	-
R Kestel(3)	-	-	-	-	N/A
R Benussi(4)	-	-	-	-	N/A
S Heggen(6)	3,000,000	-	-	(3,000,000)	N/A
Total	14,947,648	-	(11,947,648)	(3,000,000)	-

(1) Appointed 18 December 2013 (2) Resigned 2 July 2014 (3) Resigned 27 November 2012 (4) Resigned 31 March 2013 (5) Resigned 18 December 2013 (6) Resigned 5 April 2013 (7) Appointed 1 August 2014 (8) Appointed 2 July 2014

Remuneration report (audited) (continued)

Other transactions with directors

Other transactions with the Company or its controlled entities

The terms and conditions of transactions with Directors and Executives and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arms length basis unless otherwise stated. The aggregate amount recognised during the year to Specified Directors and Specified Executives and their related entities were as follows:

Red Rock Resources plc

Red Rock Resources Plc (Red Rock) is a substantial shareholder of the Company and holds more than 35% of the issued capital. The amount owed to Red Rock by the Group at 30 June 2014 was $Nil (2013: $86,806). Interest of $Nil (2013: $Nil) was due to Red Rock during the period. Post borrowings were non-interest bearing.

George Karantzias

An amount of $10,083 was owing to George Karantzias by the Group at 30 June 2014 for Directors Fees (2013: $NiL)

Andrew Bell

An amount of $45,000 was owing to Andrew Bell by the Group at 30 June 2014 for Directors Fees (2013: $30,000)

Chris Burrell

There was nothing owing to Chris Burrell by the Group at 30 June 2014 for Directors Fees or any reimbursement of expenses (2013: $29,000).

Bill Guy

An amount of $42,020 was owing to Bill Guy by the Group at 30 June 2014 for Directors Fees (2013: $10,018).

Ross Kestel

There was nothing owing to Ross Kestel by the Group at 30 June 2014 for Directors Fees or any reimbursement of expenses (2013: $4,087).

Robert Benussi

There was nothing owing to Ross Kestel by the Group at 30 June 2014 for Directors Fees or any reimbursement of expenses (2013: $18,333).

Options granted as part of remuneration:

During the 2014 year, 3,000,000 unlisted options previously issued for remuneration expired unexercised. There were no options granted as part of remuneration

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year and the prior year:

	30 June 2014 No.	30 June 2014 Weighted average exercise price	30 June 2013 No.	30 June 2013 Weighted average exercise price
Outstanding at the beginning of the year	**3,000,000**	**0.1875**	5,500,000	0.1941
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**(3,000,000)**	**0.1875**	(2,550,000)	0.2020
Outstanding at the end of the year	**-**	**-**	3,000,000	0.1875
Exercisable at the end of the year	**-**		-	

There was no outstanding balance as at 30 June 2014 as all options had been forfeited.

The outstanding balance as at 30 June 2013 is represented by:

- 1,500,000 options over ordinary shares with an exercise price of $0.15 each, exercisable until 1 December 2013;
- 750,000 options over ordinary shares with an exercise price of $0.20 each, exercisable until 1 December 2013;
- 750,000 options over ordinary shares with an exercise price of $0.25 each, exercisable until 1 December 2013.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is Nil (2013: 0.42 years).

The weighted average exercise price for options outstanding for the year ending 30 June 2014 was Nil (2013: $0.1875).

The fair value of options granted during the year was $Nil (2013: Nil).

The fair value of options forfeited during the year was $24,451 (2013: $451,972).

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT (continued)

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings eligible to attend	Directors' Meetings attended	Audit and Risk Management Committee Meetings eligible to attend	Audit and Risk Management Committee Meetings attended
Mr A Bell	13	13	-	-
Mr R Parker	-	-	-	-
Mr M Walker	-	-	-	-
Mr G Karantzias	6	4	-	-
Mr C Burrell	7	5	-	-
Mr C Guy	13	13	-	-

Auditor's Independence and non-audit services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 13 and forms part of this directors' report for the year ended 30 June 2014.

Signed in accordance with a resolution of the Board of Directors

Andrew Bell

Chairman

30 September 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Resource Star Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Resource Star Limited and to the entities it controlled during the year.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
30 September 2014

HLB Mann Judd (VIC Partnership)
Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001 | DX 154 Melbourne | Tel: +61 (0)3 9606 3888 | Fax: +61 (0)3 9606 3800
Email: mailbox@hlbvic.com.au | Website: www.hlbvic.com.au
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (VIC Partnership) is a member of HLB International. A world-wide network of independent accounting firms and business advisers.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE

The Board of Directors of Resource Star Limited is responsible for establishing the corporate governance framework of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

CORPORATE GOVERNANCE DISCLOSURES

The Board and management are committed to corporate governance and to the extent that they are applicable to the Group have followed the Australian Securities Exchange Corporate Governance Council (**CGC**) published guidelines as well as its own corporate governance principles and recommendations.

In summary, Resource Star departs from the CGC's recommendation in six (6) key areas:

- Recommendation 2.1
  Duriing the year the majority of the Board were not independent. Only one (1) of the three (3) Directors is considered independent; as one Director is the Executive Director and the other Director is a Director of a Company which is a Substantial Shareholder of Resource Star Limited.

- Recommendation 2.2
  The Chair is not deemed to be independent. The current Chair is an Officer of a Company which is a Substantial Shareholder of Resource Star Limited.

- Recommendation 2.4
  Resource Star Limited does not have a separate Nomination Committee. The Company is of a size and a level of current activity that enables the full Board to be able to deal with the matters normally attended to by the Nomination Committee.

  Remuneration levels are set by the Company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

- Recommendation 3.3
  Due to the current nature and scale of Resource Star Limited's activities, the Company is yet to establish measurable objectives for achieving gender diversity to report against.

- Recommendation 4.2
  Resource Star Limited has established an Audit Committee which is comprised of the directors the same as the Board. Whilst this is appropriate for a company the size of Resource Star Limited and with the current level of activity it does mean that a number of the recommendations are not met – does not consist of non-executive directors; does not consist of a majority of independent directors and is not chaired by an independent chair. No meeting was held during the year.

  The Company will address this issue in the forthcoming year by appointing an additional member to the Committee.

- Recommendation 8.1
  Resource Star Limited currently does not have a separate Remuneration Committee. The Company is of a size and a level of current activity that enables the full Board to be able to attend to the matters normally attended to by the Remuneration Committee.

The table below summarises Resource Star Limited's compliance with the CGC's recommendations.

Recommendation	**Compliance Yes/No**
Principle 1 – Lay Solid Foundations for management and oversight	
1.1 Companies should formalise the functions reserved to the Board and those delegated to senior executives and disclose those functions. **The Company's Corporate Governance Polices includes a Board Charter, which discloses the specific responsibilities of the Board.**	Yes

Recommendation	**Compliance Yes/No**
1.2 Companies should disclose the process for evaluating the performance of senior executives. **The Board monitors the performance of senior management including measuring actual performance against planned performance.**	Yes
1.3 Companies should provide the information indicated in Guide to reporting on Principle 1. **The Company has provided details of any departures from Principle 1 in its Annual Report.**	Yes
Principle 2 – Structure the board to add value	
2.1 A majority of the Board should be independent directors. ***During the year only one (1) of the three (3) Board members was independent – one (1) Director is the Executive Director and the other Director is a Director of a company which is a Substantial Shareholder of Resources Star Limited.***	**No**
2.2 The Chair should be an independent director ***The Chair is an officer of a company which is a substantial shareholder.***	**No**
2.3 The roles of chair and chief executive officer should not be exercised by the same individual. **The Company has in place a Non-Executive Chairman and an Executive Director so a segregation of duties exists.**	Yes
2.4 The board should establish a nomination committee ***Resource Star Limited is not of a size to justify having a Nomination Committee. Matters typically dealt with by such a Committee are dealt with by the full Board.***	**No**
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and the individual Directors. **The Board has adopted a policy of evaluating the Board's performance.**	Yes
2.6 Companies should provide the information indicated in Guide to reporting on Principle 2. **The Company has provided details of any departures from Principle 2 in its Annual Report.**	Yes
Principle 3 – Promote ethical and responsible decision-making	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity; 3.1.2 the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and 3.1.3 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices. **The Company's Corporate Governance Policies include a Directors and Executive officers' Code of Conduct Policy, which provides a framework for decisions and actions in relation to ethical conduct in employment.**	Yes
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. **The Company has adopted a Diversity Policy.**	Yes

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation	Compliance Yes/No
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. ***Due to the current nature and scale of Resource Star's activities, the Board is yet to establish measurable objectives for achieving gender diversity to report against.***	**No**
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. **During the year Resource Star Limited had one (1) female employee engaged in a clerical role, one (1) female in a senior position of Company Secretary and no females on the Board.**	Yes
3.5 Companies should provide the information indicated in Guide to reporting on Principle 3. **The Company has provided details of any departures from Principle 3 in its Annual Report.**	Yes
Principle 4 – Safeguard integrity in financial reporting	
4.1 The Board should establish an audit committee. **Resource Star Limited has established an Audit and Risk Management Committee. There were no audit meetings during the year.**	Yes
4.2 The audit committee should be structured so that it: ▪ Consists only of non-executive directors; ▪ Consists of a majority of independent directors; ▪ Is chaired by an independent chair, who is not the chair of the Board; and ▪ Has at least three (3) members **The current Committee comprises the same Directors as the Board with all four (4) of the directors being non-executive. The committee didn't meet during the year.** **The board collectively reviews the audit requirements of the Group. The audit committee is chaired by an independent non-executive director at all times who is not the chair of the Board.**	 Yes No Yes Yes
4.3 The audit committee should have a formal operating charter. **An Audit and Risk Management Committee Charter has been established and is followed.**	Yes
4.4 Companies should provide the information indicated in Guide to reporting on Principle 4. **The Company has provided details of any departures from Principle 4 in its Annual Report.**	Yes
Principle 5 – Make timely and balanced disclosure	
5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. **The Company has a Continuous Disclosure Policy which is designed to ensure compliance with the ASX Listing Rules requirements on disclosure and to ensure accountability at a Board level for compliance and factual presentation of the Company's financial position.**	Yes
5.2 Companies should provide the information indicated in Guide to reporting on Principle 5. **The Company has provided details of any departures from Principle 5 in its Annual Report.**	Yes

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation	Compliance Yes/No
Principle 6– Respect the rights of shareholders	
6.1 Companies should design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation at general meetings and disclose the policy or a summary of the policy. **The Company's Corporate Governance Policies includes a Shareholder Communications Policy which aims to ensure that the shareholders are informed of all material developments affecting the Company's state of affairs.**	Yes
6.2 Companies should provide the information indicated in Guide to reporting on Principle 6. **The Company has provided details of any departures from Principle 6 in its Annual Report.**	Yes
Principle 7– Recognise and manage risk	
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. **The Company's Corporate Governance Policies includes a Risk Management Policy which aims to ensure that all material business risks are identified and mitigated. The Board identifies the Company's "risk profile" and is responsible for overseeing and approving risk management strategies and policies, internal compliance and internal controls.**	Yes
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. **The Board requires that the Managing/Executive Director designs and implements continuous risk management and internal control systems and provides reports at relevant times.**	Yes
7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks. **The Board seeks, at the appropriate times, the relevant assurances from the Managing/Executive Director and the individual appointed to perform the role of Chief Financial Officer.**	Yes
7.4 Companies should provide the information indicated in Guide to reporting on Principle 7. **The Company has provided details of any departures from Principle 7 in its Annual Report.**	Yes
Principle 8– Remunerate fairly and responsibly	
8.1 The Board should establish a remuneration committee. **Resource Star Limited is not of a size to justify having a remuneration committee. Matters typically dealt with by such a committee are dealt with by the full Board.**	**No**
8.2 The remuneration committee should be structured so that it: ▪ Consists of a majority of independent directors; ▪ Is chaired by an independent chair; and ▪ Has at least three (3) members *The remuneration committee when established will be structured as above.*	**Not Applicable**

Recommendation	Compliance Yes/No
8.3 Companies should clearly distinguish the structure of non executive director's remuneration from that of executive directors and senior executives. **The Board distinguishes the structure of non executive director's remuneration from that of executive directors and senior executives. The Company's Constitution provides that the remuneration of non executive directors will not be more than the aggregate fixed sum by a general meeting of shareholders.** **The Board is responsible for determining the remuneration of any director or senior executive, without the participation of the affected director.**	Yes
8.4 Companies should provide the information indicated in Guide to reporting on Principle 8. **The Company has provided details of any departures from Principle 8 in its Annual Report.**	Yes

Unless otherwise stated, Resource Star Limited's corporate governance practices were in place throughout the year ended 30 June 2014.

There is a corporate governance section on the Company's website which sets out the various policies, charters and codes of conduct which have been adopted to ensure compliance with the principles and recommendations referred to above.

A description of Resource Star's main corporate governance practices are set out below.

The Board of Directors

Role and Responsibilities of the Board

In accordance with ASX Principle 1, the Resource Star Limited Board has established a **Board Charter** which is available on the Company website. This Charter outlines the functions of the Resource Star Board and the senior executives and shows that the role and responsibilities of the Board and the senior executives are quite clear and distinct.

The key responsibilities of the Board include:

- Appointing, evaluating, rewarding and if necessary the removal of the Executive Director and Chair;
- Development of corporate objectives and strategy and approving plans, new investments, major capital and operating expenditures and major funding activities proposed;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Monitoring director performance and implementation of strategy;
- Ensuring appropriate resources are in place and available to the directors;
- Reviewing and approving the remuneration of the senior executives;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that the Company's practice is consistent with, a number of guidelines, being:
  - Directors and Executive Officers Code of Conduct;
  - Dealings in Securities; and

- Reporting and Dealing with Unethical Practices.

- Reporting to and advising shareholders.

Composition of the Board

As at the date of this report, the Resource Star Board totals four (4) of which all are Non-Executive Directors.

The table below sets out the detail of the tenure of each director at the date of this Report.

Director	Role of Director	First Appointed	Non Executive	Independent
Andrew Bell	Non Executive Chair	6 August 2007	Yes	No
Richard Parker	Non Executive Director	2 July 2014	Yes	Yes
Mathew Walker	Non Executive Director	1 August 2014	Yes	No
George Karantzias	Non Executive Director	18 December 2013	Yes	Yes

Details of the Board including their experience, expertise and qualifications are set out in the Directors' Report.

STRUCTURE OF THE BOARD

Independence

As outlined in ASX Principle 2, Directors of Resource Star are expected to contribute independent views.

Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.

An independent Director is a non-executive director (i.e. is not a member of management) and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or its subsidiaries, or been a Director after ceasing to hold any such employment;
- is not a principal or employee of a professional adviser to the Company or its subsidiaries whose billings are a material amount of the adviser's total revenue;
- is not a significant supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the Company are a material amount of the supplier's total revenue. A significant customer is one whose amounts payable to the Company are a material amount of the customer's total operating costs;
- has no material contractual relationship with the Company or its subsidiaries other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Bell (substantial shareholder) and Mr Walker (substantial shareholder) are not considered to be independent. Even though only half of the current Board is independent, the Board believes that the current composition of the Board is adequate for the current size and activities and includes an appropriate mix of skills and expertise, relevant to Resource Star's activities.

When a Board vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new Director with particular skills, in the absence of a Remuneration and Nomination Committee, the Board will consider a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Notification

Resource Star has reviewed and considered the positions of each of the four (4) Directors in office at the date of this Annual Report and consider that only two (2) of the four (4) Directors are independent. Mr Karantzias and Mr Parker are independent Directors in accordance with the definition of independence above.

This composition is not unusual for a company the size of Resource Star Limited and undertaking the level of activity that it currently does.

Chair and Non-Executive Director

The roles of the Chair and the Non-executive Directors are not to be exercised by the same individual.

The Chair is responsible for leading the Board, ensuring that Board activities are organised, efficiently conducted and ensuring that the Directors are properly briefed for meetings.

The Non-executive Directors are collectively responsible for the day to day activities of the Group.

The Chair must be appropriately qualified and have the required experience to discharge the responsibilities for leading, managing and delegating and in the absence of a Nomination Committee the Board from amongst themselves have nominated the Director that they believe can fulfil the role of Chair.

There are procedures in place, agreed by the Board, to enable the Directors in furtherance of their duties to seek independent professional advice at the Company's expense.

Board Evaluation Process

In the absence of Nomination and Remuneration Committees, the Resource Star Board reviews its performance and the performance of individual Directors including the Managing/Executive Director.

External consultants are engaged where it is seen to be beneficial to the Company when undertaking the performance evaluation process.

Performance evaluations in respect of the current Board have not yet been completed.

In relation to the term of office, the Constitution specifies that one third of all directors must retire from office annually and are eligible for re-election at the Company's Annual General Meeting.

Remuneration and Nomination Committee

The Board has not established a formal Remuneration or Nomination Committee.

The full Board attends to the matters normally attended to by a Remuneration or Nomination Committee. The Board acknowledges that when the size and nature of the Company warrants a Remuneration and Nomination Committee then the Committee will operate under a Charter approved by the Board.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves with remuneration levels being set in accordance with industry standards to attract suitably qualified and experienced Directors and senior executives.

As at the date of this Report there is no scheme to provide retirement benefits to non executive directors.

Details of the Company's remuneration philosophy and framework and the remuneration received by directors and executives are provided in the Directors' Report under the heading **Remuneration Report.**

Code of Conduct

The Board acknowledges the need for the highest standards of corporate governance and ethical conduct by all directors and senior executives. In light of this, Resource Star Limited has developed a Code of Conduct which has the full backing of the Board and is to be followed by the directors, senior executives and employees.

This policy is regularly reviewed and updated as necessary.

Diversity Policy

Resource Star Limited is committed to workplace diversity and recognises the benefits arising from having a broader pool of quality employees, improving employee retention rates and tapping into all available talent. Diversity includes such areas as gender, age and background.

Resource Star Limited developed and approved a Diversity Policy in 2011 which has a focus of improving gender balance and working towards increasing the representation of women in management roles. The Resource Star Limited Diversity Policy aims to achieve:

- developing a culture which takes into account domestic responsibilities of employees;
- as part of the annual remuneration review, assessing the gender pay parity across the business and implementing action plans to address any areas of concern;
- maintaining a workplace culture that supports difference and that enables each staff member to fully contribute to the best of their ability;
- identifying what is getting in the way of diversity success and taking action to address the issues;
- improved employment and career development opportunities for women;
- an environment that encourages the development of necessary skills and experience for leadership roles; and
- a workplace that is free for all forms of discrimination and harassment

The proportion of women in Resource Star Limited is as follows:

	Women	Proportion
Employees	0	0%
Senior executive position (Company Secretary)	0	0%
Board of Directors	0	0%

The Company currently has no full time employees.

Notification

ASX Principle 3 recommends that companies should disclose in each annual report measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.

Due to the current nature and scale of Resource Star's activities, the Board is yet to establish measurable objectives for achieving gender diversity to report against. No measurable objectives will be established until the number of employees and level of activities of the Company have increased to sufficient levels to enable meaningful and achievable objectives to be developed.

Securities Trading

Resource Star Limited has adopted a **Securities Dealing Policy** which is derived largely from the *Corporations Act 2001* requirements that applies to all directors, senior executives and employees.

Under this Policy and the *Corporations Act 2001*, it is illegal for directors, senior executives and employees who have access to price sensitive information which has not been published or is generally not available to:

(a) apply for, acquire, dispose of or enter into an agreement to apply for, acquire or dispose of Resource Star Securities;

(b) procure another person to apply for, acquire, dispose of or enter into an agreement to apply for, acquire or dispose of Resource Star Securities; or

(c) directly or indirectly communicate the Material Non-Public Information to another person when the Insider knows, or ought reasonably to know, that the other person would or would be likely to:
   (i) apply for, acquire, dispose of or enter into an agreement to apply for, acquire or dispose of Resource Star Securities; or
   (ii) procure another person to apply for, acquire, dispose of or enter into an agreement to apply for, acquire or dispose of Resource Star Securities.

Corporate Reporting

In accordance with ASX Principle 7, a Non-Executive Director and the Chair have made the following certifications to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial positions and operational results of Resource Star Limited; and
- The financial reports are founded in a sound system of internal control and risk management which implements the policies adopted by the Board and the Company's risk management and internal controls are operating efficiently in all material respects.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee comprising of the same members as the board of directors – Mr Bell (Chairman), Mr Guy, Mr Karantzias and Ms Kestel is the Secretary of the Committee. The committee did not meet during the year.

Whilst this is appropriate for a company the size of Resource Star Limited and with the current level of activity it does mean that a number of the recommendations are not met – does not consist of non-executive directors; does not consist of a majority of independent directors and is not chaired by an independent chair

The Committee operates under Charter approved by the Board which is available from the Company's webpage. It is the Committee's responsibility to ensure that an effective internal control framework exists within the Company. The internal controls that the Company have in place include the safeguarding of assets, the maintenance of proper accounting records, identifying and managing risk and attesting to the reliability of financial information as well as non-financial considerations such as the benchmarking of key performance indicators. The Committee also provides the Board with assurance of the reliability of the financial information included in the Interim Financial and Annual Reports. The Audit and Risk Management Committee is also responsible for:

- Liaising with the external auditors on accounting policy and disclosure;
- Reviewing and meeting with the external auditors to review the Interim Financial and Annual Reports before submission to the Board; and
- Overseeing risk management.

In accordance with ASX Principle 7, the Board has established a Risk Management policy, which is designed to safeguard the Group's assets and to ensure the integrity of the financial reporting.

The Company has as a standing Agenda item Risk Management and on a regular basis the Board will assess the Risk Management matrix and amend accordingly.

The Company's Policy is to appoint external auditors who clearly demonstrate independence. The performance of the external auditor is reviewed annually by the Board but when the Committee is established it will be the responsibility of the Committee to complete this review. The auditors have a policy of rotating the audit partner at least every 5 years.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

External Auditors

Resource Star Limited's current external auditors are HLB Mann Judd. As noted in the Audit and Risk Management Committee Charter, the performance and independence of HLB Mann Judd is reviewed by the Committee.

HLB Mann Judd attests to their independence by providing a statement as to their independence; which has been included in the 2014 Annual Report for the year ended 30 June 2014.

Risk Management

The Board recognises that the identification and management of risk, including calculated risk taking, is an essential part of creating long term shareholder value.

The Executive Director reports directly to the Board on the Group's key risks and is responsible for designing, maintaining, implementing and reporting on the adequacy of the risk management and internal control systems.

The Board monitors the performance of the risk management and internal control systems and determines the extent to which it believes the risks are being managed and the adequacy and comprehensiveness of risk reporting from management.

The Board must satisfy itself, on a regular basis, that risk management and internal control systems for the Company have been fully developed and implemented.

The Company has identified specific risk management areas being strategic, operational and compliance. The Board has reviewed risks faced by the Company on a regular basis due to the current finance position of the Company.

A detailed risk identification matrix will be prepared by management. High and very high risk issues will be reported to the Board. The Board is responsible for ensuring the Company complies with its regulatory obligations.

The Board and externally appointed CFO equivalent provide written assurance on an annual basis that to the best of their knowledge and belief, the declaration provided by them in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

These assurances can only be reasonable rather than absolute due to factors such as the need for judgement and possible weaknesses in control procedures.

Any material changes in the Company's circumstances are released to the ASX and included on the Company's website.

Continuous Disclosure

In accordance with ASX Principle 5, Resource Star Limited has established a Disclosure Policy.

The Policy is committed to:

- Ensuring that shareholders have the opportunity to access externally available information issued by the Company;
- Providing full and timely information to the market about the Company's activities; and
- Complying with the obligations contained in the ASX Listing Rules and the *Corporations Act 2001* relating to continuous disclosure.

The Chairman and the Company Secretary have been nominated as the people responsible for communication with the ASX. This involves complying with continuous disclosure requirements outlined in ASX Listing Rules, ensuring that disclosure with the ASX is co-ordinated and being responsible for administering and implementing this Policy.

Shareholder Communication

In accordance with ASX Principle 6, Resource Star Limited has established a communications strategy policy.

The directors of Resource Star recognises the importance of forthright communication and in order to prosper and achieve growth, it must (among other things) earn the trust of employees, customers, suppliers, communities and shareholders by being forthright in its communications and consistently delivering on its commitments.

The Board aims to ensure that the shareholders on behalf of whom they act are informed of all information necessary in order to make effective decisions about Resource Star and to be kept informed of all major developments affecting the Company in a timely and effective manner. Resource Star follows three main forms of information disclosure:

- Continuous disclosure - which is its core disclosure obligation and primary method of informing the market and shareholders;
- Periodic disclosure - in the form of full-year and half-year reporting; and
- Specific information disclosure - as and when required, of administrative and corporate details, usually in the form of ASX releases.

Further it is a Corporations Act requirement that the auditor of Resource Star Limited attends the Annual General Meeting. This provides shareholders with the opportunity to ask the auditor questions concerning the conduct of the audit and the preparation and content of the Auditor Report as contained in the 2014 Annual Report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	*CONSOLIDATED*	
		30 June 2014 $	**30 June 2013 $**
Other revenue	2(a)	**21,662**	2,174
Exploration expenditure written off	8	**(263,446)**	(2,919,130)
Expensed share issue costs		**-**	-
Depreciation	9	**(469)**	(1,116)
Other expenses	2(b)	**(372,094)**	(541,052)
Loss before income tax expense		**(614,347)**	(3,459,124)
Income tax expense	3	**-**	-
Loss after tax from continuing operations		**(614,347)**	(3,459,124)
Net loss for the year	14	**(614,347)**	(3,459,124)
Other comprehensive income / (loss)		**-**	-
Total comprehensive (loss) for the year		**(614,347)**	(3,459,124)
Net loss and comprehensive loss attributable to:			
Owners of the parent entity		**(614,347)**	(3,459,124)
Non-controlling interest		**-**	-
		(614,347)	(3,459,124)
Basic loss per share (cents per share)	4	**(0.374)**	(2.979)
Basic loss per share from continuing operations (cents per share)	4	**(0.374)**	(2.979)
Diluted loss per share (cents per share)	4	**(0.374)**	(2.979)
Diluted loss per share from continuing operations (cents per share)	4	**(0.374)**	(2.979)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	CONSOLIDATED 2014 $	2013 $
Current Assets			
Cash and cash equivalents	5	**460,485**	1,358
Trade and other receivables	6	**13,240**	35,864
Other	7	**7,454**	8,484
Total Current Assets		**481,179**	45,706
Non-Current Assets			
Deferred exploration and evaluation expenditure	8	**-**	79,023
Property, plant and equipment	9	**-**	1,251
Total Non-Current Assets		**-**	80,274
Total Assets		**481,179**	125,980
Current Liabilities			
Trade and other payables	10	**525,228**	318,429
Borrowings	11	**50,000**	81,644
Total Current Liabilities		**575,228**	400,073
Total Liabilities		**575,228**	400,073
Net Assets / (Net Liabilities)		**(94,049)**	(274,093)
Equity / (Net Deficiency of Assets over Liabilities)			
Contributed equity	12	**33,569,173**	32,930,782
Reserves	13	**156,000**	24,450
Accumulated losses	14	**(33,819,222)**	(33,229,325)
Total Equity / (Net Liabilities)		**(94,049)**	(274,093)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	CONSOLIDATED	
		30 June 2014 $	**30 June 2013 $**
Cash flows from operating activities			
Interest income		**373**	2,428
Payment to suppliers and employees		**(161,155)**	(291,921)
Net cash flows provided by/(used in) operating activities	5(a)	**(160,782)**	(289,493)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		**(111,008)**	(238,141)
Payments for plant and equipment		**-**	-
Net cash flows provided by/(used in) investing activities		**(111,008)**	(238,141)
Cash flows from financing activities			
Proceeds from issue of shares and options		**647,363**	110,010
Proceeds from loans		**96,880**	81,644
Repayments of loans		**-**	-
Share issue costs		**(13,326)**	(5,000)
Net cash flows provided by/(used in) financing activities		**730,917**	186,654
Net increase/(decrease) in cash and cash equivalents		**459,127**	(340,980)
Cash and cash equivalents at beginning of year		**1,358**	342,338
Cash and cash equivalents at the end of the year	5	**460,485**	1,358

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Contributed equity	*Accumulated losses*	*Reserves*	*Total Equity/(Net Liabilities)*
	$	*$*	*$*	*$*
Balance at 1 July 2012	32,820,772	(30,222,173)	473,302	3,071,901
Total comprehensive loss for the year	-	(3,459,124)	-	(3,459,124)
Shares issued (net of costs)	110,010	-	-	110,010
Options issued	-	-	3,120	3,120
Options forfeited	-	451,972	(451,972)	-
At 30 June 2013	32,930,782	(33,229,325)	24,450	(274,093)
Balance at 1 July 2013	**32,930,782**	**(33,229,325)**	**24,450**	**(274,093)**
Total comprehensive loss for the year	**-**	**(614,347)**	**-**	**(614,347)**
Shares issued (net of costs)	**638,391**	**-**	**156,000**	**794,391**
Options issued	**-**	**-**	**-**	**-**
Options forfeited	**-**	**24,450**	**(24,450)**	**-**
At 30 June 2014	**33,569,173**	**(33,819,222)**	**156,000**	**(94,049)**

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 Interpretations issued by the Australian Accounting Standards Board ("AASB") and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Resource Star Limited and its subsidiaries (collectively referred to as "the Group").

Except for cash flow information, the financial report has also been prepared using the accrual basis and on a historical cost basis, except for certain financial assets and liabilities, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The Company is a for profit listed public company incorporated in Australia. The Company's principal activity is mineral exploration.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

Standards and Interpretations adopted with no effect on the financial statements:

It has been determined by the Directors that there is no impact, material or otherwise, of any other new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted:

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on the day of the Directors' Report.

The financial report complies with Australian Accounting Standards ("AASB"). Compliance with AASB ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation

These general purpose consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Resource Star Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Resource Star Limited and its subsidiaries are referred to in this financial report as the group or the consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, 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 transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Business combinations have been accounted for using the acquisition method of accounting.

(e) Critical Accounting Estimates and Judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off.

Recovery of deferred tax assets

Deferred tax assets are only recognised as deductible temporary differences when management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies. The Group has been incurring losses and presently, it is not known when the Group will earn taxable income. As such, deferred taxes have not been recognised.

(f) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset, using the effective interest rate method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Cash and Cash Equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of profit or loss and other comprehensive income.

(i) Foreign Currency Translation

Both the functional and presentation currency of the Company and its subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period.

All exchange differences in the consolidated financial report are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(j) Income tax

The income tax expense or benefit for the period is the tax payable on the current year's taxable income (loss) based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge (benefit) is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income tax (continued)

The carrying amount of deferred income tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(k) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property, Plant and Equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 1 to 7.5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in profit or loss.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(m) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the nature of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year/period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Borrowing Costs

Non-derivative financial liabilities are initially recognized at fair value net of directly attributable transaction costs. On subsequent measurement, non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Convertible notes

The company has issued convertible notes that can be converted to share capital at the option of the holder. The company has determined the conversion option is a derivative liability that is required to be valued at fair value. Rather than valuing the liability component of the convertible note at amortised cost and the associated derivative liability at fair value the company has elected to value the combined instrument at fair value. The movement in fair value of the convertible note is recognised in the profit and loss as finance charge. The basis of the fair value calculations and the material terms and conditions of the convertible note are set out in Note 11.

The best evidence of fair value of a financial instrument, at initial recognition, is the transaction price, unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on valuation technique using variable only obtained from observable markets.

The company has elected to fair value the convertible note using valuation models for which not all the inputs are from observable markets. The convertible note was initially recognised at the transaction price which varied from the fair value obtained from the valuation model used.

(p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(q) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Earnings per share

Basic earnings per share is calculated as net profit/(loss) attributable to members of the parent entity, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit/(loss) attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Share based payment transactions

Equity settled transactions

The Group provides benefits to employees (including key management personnel) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (“equity settled transactions”).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in Note 15 and the Remuneration Report. The fair value of options issued as approved by the Directors and shareholders are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using the binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options granted excludes the impact of any non-market vesting conditions (for example (profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(t) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current;

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exchange (swaps) of exploration and evaluation assets are accounted for at the carrying amounts of the assets given up with no gain or loss recognised.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

An ‘area of interest’ is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or an oil or natural gas field, or has been proved to contain such a deposit or field.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Going concern

In the year ended 30 June 2014 the Company recorded a net loss of $614,347 (2013: $3,459,124) and a net operating cash outflow of $160,782 (2013:$ 289,493), resulting in the Group having a net liabilities position of $94,049 (2013: net liabilities of $274,093), despite the Group having a market capitalisation of approximately $0.936 million as at 30 June 2014.

On 28 May 2014, the Company announced the completion of the non-renounceable entitlement offer to raise up to $624,000 (before costs) which opened on 8 April 2014 and closed on 19 May 2014. All Shares available under the Offer had been taken up through a combination of entitlement applications, shortfall applications and the Underwriting Agreement. The number of new ordinary shares subscribed by Shareholders was 28,736,050 or 18% of the total available under the Offer. The remaining 127,263,950 Shares were available to the Underwriter.

The Directors anticipate in order to meet its working capital requirements and progress its planned operational expenditure further funding will be required within the next twelve (12) months and having prepared a cash flow budget of the Group's working capital requirements for the next 12 months to September 2015 and have already commenced planning to access additional funding.

The Company's ability to raise funds is further evident when post 30 June 2014, the Company raised $140,000 from a sophisticated investor through the issue of shares under its 15% Placement Capacity. The funds were used for short term working capital. The Placement Capacity of the Company was revised at the General Meeting of Shareholders on 16 September 2014 and the board intends finalise the issue and allotment of the remaining placement capacity to raise a further $312,000 before costs.

Based on the above factors, the Board has a reasonable degree of confidence in securing sufficient additional funding for at least the next 12 months to September 2015 and believe it would be able to negotiate with interested parties, regarding a number of funding options that includes further debt and capital raisings. Should the Group be unable to raise sufficient funds, it would consider selectively reducing administrative costs It is recognised that in the event that the Company is unable to secure additional funding, it is likely to result in the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the accounts.

(v) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. The financial information for the Parent Entity is disclosed in note 23 and has been prepared on the same basis as the consolidated financial statements.

(w) Operating segments

Operating segments are presented in a manner consistent with the internal reporting provided to the chief operating decision makers ("CODM"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance, and has been identified as the Board Directors of the Company.

	CONSOLIDATED 30 June 2014 $	CONSOLIDATED 30 June 2013 $
2. REVENUES AND EXPENSES		
(a) Other revenue		
Finance revenue – bank interest	**368**	2,174
Gain on Convertible Note	**7,665**	-
Foreign exchange gain	**13,644**	-
	21,662	2,174
(b) Other expenses		
Administration expenses	**129,395**	154,054
Auditor's remuneration	**29,385**	36,211
ASX fees	**20,594**	14,938
Directors' fees and salaries	**65,502**	209,418
Secretarial fees	**60,635**	64,561
Professional accounting fees	**62,746**	53,750
Foreign exchange loss	**391**	-
Interest paid	**3,446**	-
Share based payments	**-**	8,120
	372,094	541,052

3. INCOME TAX EXPENSE

The prima facie tax on profit/(loss) from continuing Operations before income tax is reconciled to the income tax expense/(benefit) as follows:

Prima facie (benefit)/expense on profit/(loss) from continuing operations (30%)	**(184,304)**	(1,037,737)
Tax effect of capitalised exploration costs	**(55,327)**	(75,040)
Tax effect of permanent differences	**791**	2,535
	(238,840)	(1,110,242)
Deferred tax asset not brought to account	**238,840**	1,110,242
Income tax expense for the year	**-**	-

The amounts of tax losses available have not been recognised at the date of the report. It is expected that a certain amount of tax losses would be deductible against future taxable income on the condition that certain criteria imposed by the tax legislation have been met.

The DTA not brought to account will only be realised if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) the Company and Group are able to meet the continuity of business and/or continuity of ownership tests.

4. EARNINGS/(LOSS) PER SHARE

	CONSOLIDATED 2014	CONSOLIDATED 2013
	Cents per share	Cents per share
Basic loss per share:		
Total basic loss per share	**(0.374)**	(2.979)
Diluted loss per share		
Total diluted loss per share	**(0.374)**	(2.979)
The earnings and weighted average number of ordinary shares used in the calculation of basic per share is as follows:	$	$
Loss	**(614,347)**	(3,459,124)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic loss per share	**164,044,483**	116,113,942
Effect of dilution:		
Share options (a)	-	-
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**164,044,483**	116,113,942

(a) Diluted loss per share arising from the options is not reflected as the result is anti-dilutive in nature.

5. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Reconciliation of cash		
Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to items in the consolidated statement of financial position as follows:		
Cash at bank and cash in hand	**460,485**	1,358
	460,485	1,358

Cash at bank earns interest at floating rates based on daily bank deposit rates.

There were no Deposits at call at the end of the 2013 or 2014 financial years.

The Group has no credit standby arrangements, loan or overdraft facilities.

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
5. CASH AND CASH EQUIVALENTS (continued)		
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss	**(614,347)**	(3,459,124)
Adjustments for:		
Depreciation on property, plant and equipment	**469**	1,116
Exploration expenditure written off	**263,446**	2,919,130
Share based payments	**-**	8,120
Loss on sale of equipment	**782**	-
Foreign exchange gain	**391**	-
Convertible Note adjustment	**(7,644)**	-
Equity settled fees	**27,169**	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**10,660**	(2,463)
(Decrease)/increase in trade payables and accruals	**157,262**	240,504
(Increase)/decrease in prepayments	**1,030**	3,224
Net cash provided by/(used in) operating activities	**(160,782)**	(289,493)

6. TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Current		
Accrued income	**-**	-
Other receivables (i)	**13,240**	35,864
	13,240	35,864

(i) Other receivables are non-interest bearing and expected to be received in 30 days.

The Group has no concentration of credit risk with respect to any single counter party or group of counter parties. All of the other receivables are based in Australia. No amounts of other receivables are past due nor impaired.

	CONSOLIDATED	
	2014	2013
	$	$
7. OTHER CURRENT ASSETS		
Current		
Prepayments	**7,454**	8,484
	7,454	8,484

8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE		
Costs carried forward in respect of:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	**79,023**	2,748,019
Expenditure incurred	**184,423**	250,134
Expenditure written off *	**(263,446)**	(2,919,130)
Total deferred exploration and evaluation expenditure	**-**	79,023

* An assessment of the recoverable amount has been completed on all tenements and capitalised expenditure incurred during the 30 June 2014 financial year (2013: $2,919,130) was written off. Write-downs occurred where capitalised expenditure was considered to exceed the recoverable amount, not in the Group's mandated area of "uranium and associated elements" or in relation to expired licenses.

	CONSOLIDATED	
	2014	2013
	$	$
9. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
At 1 July, net of accumulated depreciation and impairment	**1,251**	2,367
Additions	**-**	-
Disposals	**(782)**	-
Depreciation charge for the year	**(469)**	(1,116)
At 30 June, net of accumulated depreciation and impairment	**-**	1,251
Cost	**13,687**	13,687
Accumulated depreciation and impairment	**(13,687)**	(12,436)
Net carrying amount	**-**	1,251

	CONSOLIDATED 2014 $	2013 $
10. TRADE AND OTHER PAYABLES		
Current		
Unsecured Liabilities		
Trade payables	**419,674**	222,132
Accrued expenses	**105,554**	96,297
	525,228	318,429

Included in the above balance are the following amounts payable to current and former Directors and their related entities:

Current and former Directors and their related entities	**119,103**	96,600
	119,103	96,600

Refer to remuneration report for further details.

11. BORROWINGS

Current Liabilities		
Loan from related entities (i)	**-**	81,644
Convertible notes (ii)	**47,098**	-
Convertible note derivative	**2,902**	-
	50,000	81,644

Refer to remuneration report for further details.

(i) Red Rock Resources Plc (Red Rock) is a substantial shareholder of the Company and holds more than 20% of the issued capital. The amount owed to Red Rock by the Group at 30 June 2014 was $Nil (30 June 2013: $26,880). The borrowing is unsecured and non-interest bearing.

(ii) The Convertible Notes have a Face value of $1.00 and a 12 month maturity date from the date of issue and are unsecured. The Notes were issued in October 2013 and are convertible into Fully Paid Ordinary Shares at $0.0125 per Note. Interest is payable at the rate of 5.5% per annum.

For financial reporting purposes, the Company has had to determine the fair value of the convertible note and the derivative liability at initial recognition and period end. The fair value of the convertible notes and derivative liability as at 30 June 2014 were $47,098 and $2,902 respectively and were classified as category 3 instrument for fair value purposes.

Their fair value was estimated by discounting the future contractual cashflows at the current market interest rate that are available to the group for similar instruments without a conversion option. The discount rate used was 12% based on unobservable market input. Had a discount rate of 15% been used, their fair value would have been $45,870 and $4,130 respectively.

There were no transfers between categories during the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

12. CONTRIBUTED EQUITY

	CONSOLIDATED	
	2014 $	2013 $
Ordinary shares issued and fully paid	**33,569,173**	32,930,782
	33,569,173	32,930,782

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of share capital and issued shares do not have a par value.

(i) Movement in ordinary shares on issue	Number	$
At 1 July 2012	113,856,364	32,820,772
Fully paid shares issued for cash		
• Exercise of options – 31 August 2012	50	10
• Share purchase plan – 18 March 2013	7,333,340	110,000
Shares issued other than for cash		
• Exploration Manager as per consultancy agreement – 27 November 2012	250,000	5,000
Share issue costs	-	(5,000)
At 30 June 2013	121,439,754	32,930,782
At 1 July 2013	121,439,754	32,930,782
Fully paid shares issued for cash		
• Equity settled tenement acquisition	5,000,000	75,000
• Shares issued to director for services rendered	733,334	9,167
• Conversion of 110,000 Convertible Notes	8,800,000	104,000
• Share Placement	20,026,912	100,134
• Non-renounceable entitlements issue	156,000,000	468,000
Share issue costs	-	(117,910)
At 30 June 2014	312,000,000	33,569,173

(a) Capital management

Management controls the capital of the Group in order to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. Refer to note 16 for how the Group manages its liquidity risk.

13. RESERVES

	CONSOLIDATED	
	Number	$
Options Reserve		
At 1 July 2012	**51,514,091**	**473,302**
Options issued	**-**	**3,120**
Options exercised	**(50)**	**-**
Options expired/forfeited	**(48,514,041)**	**(451,972)**
At 1 July 2013	**3,000,000**	**24,450**
Options issued as per the non-renounceable entitlement issue	**78,000,000**	**156,000**
Options exercised	**-**	**-**
Options expired/forfeited	**(3,000,000)**	**(24,450)**
At 30 June 2014	**78,000,000**	**156,000**

The reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

14. ACCUMULATED LOSSES

	CONSOLIDATED	
	2014 $	2013 $
Movements in accumulated losses		
At 1 July	**(33,229,325)**	(30,222,173)
Loss attributable to the members of the parent entity	**(614,347)**	(3,459,124)
Options expired/forfeited	**24,450**	451,972
At 30 June	**(33,819,222)**	(33,229,325)

15. SHARE BASED PAYMENTS

Recognised share-based payment expenses

The expense recognised for share-based payment expenses during the year is shown in the table below:

	2014	2013
Expense arising from equity-settled share-based payment transactions - Directors	**-**	3,120
Expense arising from equity-settled share-based payment transactions - Exploration Manager	**-**	5,000
Total expense arising from share-based payment transactions	**-**	8,120

The table below illustrates the number of options, the weighted average exercise price (WAEP) of and movements in share options issued by the Company during the year to key management personnel current and prior:

15. SHARE BASED PAYMENTS (continued)

	30 June 2014 No.	30 June 2014 Weighted average exercise price	30 June 2013 No.	30 June 2013 Weighted average exercise price
Outstanding at the beginning of the period	**3,000,000**	**$0.1875**	5,550,000	$0.1941
Granted during the period	**-**	**-**	-	-
Forfeited during the period	**(3,000,000)**	**$0.1875**	(2,550,000)	$0.2020
Outstanding at the end of the period	**-**	**-**	3,000,000	$0.1875
Exercisable at the end of the period	**-**	**-**	3,000,000	$0.1875

The outstanding balance as at 30 June 2014 for options issued under share based payments is nil.

The weighted average remaining contractual life for the share options as at 30 June 2014 was Nil (2013: 0.42 years).

The weighted average exercise price for options outstanding at year end was $Nil (2013: $0.1875).

The fair value of options granted during the year was $Nil (2013: $Nil).

The fair value of options expired during the year was $24,451 (2013: $451,972).

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board is responsible for monitoring and managing the Group's financial risk exposures by monitoring the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the internal controls relating to currency risk, financing risk and interest rate risk. The overall risk management strategy seeks to assist the Group to meet its targets, while minimising potential adverse effects on financial performance.

The Group's principal financial instruments comprise receivables, payables, cash, convertible notes and financial liabilities from related parties.

The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash, short-term deposits and short-term borrowings. The short-term debt is a fixed rate debt. Since the Group does not have any long-term debt obligations, the Group's exposure to this risk is nominal.

Market risk
The Group's exposure to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices relates primarily to accounts payables. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

	CONSOLIDATED	
	2014 $	2013 $
Financial Assets		
Cash and cash equivalents	**460,485**	1,358
Financial Liabilities	**-**	-
Net exposure	**460,485**	1,358

Credit risk
Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties that could lead to financial loss to the Group. The Group's policy is to trade only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms will be subject to credit verification procedures. Cash and cash equivalents are held with Authorised Deposit Institutions (ADI) or an institution which has a Standard and Poor's (Australia) Pty Ltd rating of 'A-1+' for terms of a year or less.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group. Details with respect to credit risk of trade and other receivables are disclosed in note 6.

Liquidity risk
Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of available funding facilities and capital raising. The liquidity risk is currently managed by the Board by monitoring the Group's cash flow and commitments on a monthly basis.

Refer to Note 1(u) for additional details.

The tables on page 48 reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014 and 2013.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk management

Exposure to foreign exchange risk may result in the fair value of cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial investments and/or financial liabilities which are other than the AUD currency of the Group.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2014	2013	2014	2013
	$	$	$	$
MWK	**7,030**	5,162	**-**	-

Foreign currency sensitivity analysis

The Group is exposed to Malawian (MWK) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar (AUD) strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	AUD impact	
	Consolidated	
	2014	2013
	$	$
Profit or loss	**614**	516

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements. The fair values of financial assets have been calculated using market interest rates.

	Consolidated			
	Level 1	Level 2	Level 3	Total
30 June 2014	$'000	$'000	$'000	$'000
Assets				
Financial assets at fair value through profit or loss	-	-	-	-
Derivatives used for hedging	-	-	-	-
Available-for-sale financial assets	-	-	-	-
	-	-	-	-
Liabilities				
Convertible Note	-	-	50,000	50,000
	-	-	50,000	50,000

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3. There were no significant transfers between levels 1 and 2 during the year.

The following table presents the changes in level 3 instruments for the years ended 30 June 2014 and 30 June 2013.

	Consolidated	
	Convertible Note	Total
30 June 2014	$'000	$'000
Balance at beginning of year	-	-
Initial recognition	48,047	50,000
Disposals	-	-
Gain/(Losses) recognised in other comprehensive income	1,953	1,953
Balance at end of year	50,000	50,000
Total gains or losses for the period included in other income (other expenses that relate to assets held at end of reporting period	7,665	7,665

As at the end of the 30 June 2013 financial year, the Group did not have any financial instruments held at fair value and accordingly, the fair value hierarchy was not required to be applied.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Carrying amount		*Fair value*	
	2014 $	2013 $	2014 $	2013 $
CONSOLIDATED				
Financial assets				
Cash	**460,485**	1,358	**460,485**	1,358
Other financial assets	**-**	-	**-**	-
Trade and other receivables	**13,240**	35,864	**13,240**	35,864
Financial liabilities				
Trade and other payables	**419,674**	222,132	**419,674**	222,132
Borrowings	**50,000**	81,644	**50,000**	81,644

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments:

Year ended 30/6/2014	<1 year $	1-2 years $	2-3 years $	3-4 years $	4-5 years $	>5 years $	Total $	Weighted average effective interest rate %
CONSOLIDATED								
FINANCIAL ASSETS								
Floating rate								
Cash assets	460,485	-	-	-	-	-	460,485	0.99%
Non-interest bearing								
Trade & other receivables	13,240	-	-	-	-	-	13,240	0.00%
FINANCIAL LIABILITIES								
Non-interest bearing								
Trade & other payables	419,674	-	-	-	-	-	419,674	0.00%
Borrowings	50,000	-	-	-	-	-	50,000	5.5%

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Period ended 30/6/2013	<1 year $	1-2 years $	2-3 years $	3-4 years $	4-5 years $	>5 years $	Total $	Weighted average effective interest rate %
CONSOLIDATED								
FINANCIAL ASSETS								
Floating rate								
Cash assets	1,358	-	-	-	-	-	1,358	0.99%
Non-interest bearing								
Trade & other receivables	35,864	-	-	-	-	-	35,864	0.00%
FINANCIAL LIABILITIES								
Non-interest bearing								
Trade & other payables	222,132	-	-	-	-	-	222,132	0.00%
Borrowings	81,644	-	-	-	-	-	81,644	0.00%

17. CONTROLLED ENTITIES

The consolidated financial statements include the financial statements of Resource Star Limited and the controlled subsidiaries listed in the following table:

	Country of Incorporation	***% Equity interest***		***Owing to Parent Company***	
		2014	**2013**	**2014**	**2013**
Orion Exploration Pty Ltd	Australia	**100%**	100%	**3,780**	62,363
Eastbourne Exploration Pty Ltd	Australia	**100%**	100%	**-**	-
				3,780	62,363

The transactions with the subsidiaries were limited to the advance of funds during the year.

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 2 July 2014, Mr C Guy resigned as a Non-executive director to the Company. Mr R Parker was appointed as Non-executive director.

On 1 August 2014, Resource Star announced that it has executed a binding terms sheet pursuant to which it has been granted an exclusive Option to conduct due diligence on Western Australian based cloud services provider Cloud Lands for the purpose of determining whether to acquire 100% of the issued capital of Cloud Lands. Due diligence continues up to the date of this report.

On 1 August 2014, Mr M Walker was appointed as Non-executive director to the Company.

On 12 September 2014, Mr S Cheema was appointed as Company Secretary with Ms Eryn Kestel subsequently resigning as Company Secretary.

On 19 September, Resource Star raised $140,000 before costs through issue of 35,000,000 shares under its placement capacity which was approved at the 16 September General Meeting of Shareholders.

Other than the above, there has not been any matter or circumstance that has arisen after the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

	CONSOLIDATED	
	30 June 2014 $	30 June 2013 $

19. AUDITOR'S REMUNERATION

The auditor of Resource Star Limited is HLB Mann Judd.

Amounts received or due and receivable by HLB Mann Judd for:

	30 June 2014 $	30 June 2013 $
An audit or review of the financial report of the entity and any other entity in the consolidated group	**29,385**	36,211
	29,385	36,211

20. SEGMENT INFORMATION

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (Chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of its geographical segment.

During the year, the Group considers that it has operated in two segments, being mineral exploration in Australia and Malawi (Africa).

Segment information

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding the reporting segments for the years ended 30 June 2014 and 30 June 2013. The accounting policies used to determine the segment information are consistent with those used to prepare the Group's financial statements.

	Australia $	Malawi (Africa) $	Total $
2014			
Segment revenue	**21,662**	**-**	**21,662**
Segment net operating loss after tax	**(614,347)**	**-**	**(614,347)**
Segment assets	**481,179**	**-**	**481,179**
Segment liabilities	**(561,490)**	**(13,738)**	**(575,228)**
Cash flow information			
Net cash flows provided by/(used in) investing activities	**(111,008)**	**-**	**(111,008)**
2013			
Segment revenue	2,174	-	2,174
Segment net operating loss after tax	(1,413,599)	(2,045,525)	(3,459,124)
Segment assets	125,980	-	125,980
Segment liabilities	(400,073)	-	(400,073)
Cash flow information			
Net cash flow provided by/(used in) investing activities	(48,115)	(190,026)	(238,141)

21. RELATED PARTY DISCLOSURES

(a) Details of key management personnel (KMP)

(i) Directors

Mr A Bell	Director (non-executive) – appointed 6 August 2007
Mr M Walker	Director (non-executive) – appointed 1 August 2014
Mr G Karantzias	Director (non-executive) – appointed 18 December 2013
Mr C Guy	Director (non-executive) – appointed 9 April 2013, resigned 2 July 2014
Mr R Parker	Director (non-executive) – appointed 2 July 2014

(ii) Executives

Mr C Burrell	Director (executive) – appointed 9 April 2013, resigned 18 December 2013

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) Remuneration paid or payable

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the years ended 30 June 2014 and 30 June 2013.

The total remuneration paid to KMP of the Company and the Group is as follows:

	CONSOLIDATED	
	30 June 2014 $	30 June 2013 $
Short-term employee benefits	**104,921**	260,131
Post-employment benefits	**-**	13,501
Share-based payments	**-**	3,120
	104,921	276,752

22. CAPITAL AND OTHER COMMITMENTS

Exploration and other commitments

In order to maintain current rights of tenure to exploration of exploration licences, the Group is required to perform a minimum exploration work to meet the minimum expenditure requirements specified by various governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. For the exploration licences held at year end, the aggregate minimum expenditure requirement per annum is $Nil (2013: $Nil).

As at 30 June 2013, the Company had a contractual commitment for the acquisition of the Spinifex Uranium Project in accordance with the Agreement for Sale of Mining Assets, by way of the issue of 5 million shares to the vendor at the deemed price of 1.5 cents per share.

23. PARENT ENTITY DISCLOSURES

(a) Summary of Financial Information

	2014 $	2013 $
Financial position		
Assets		
Current assets	**474,283**	43,465
Non-current assets	**3,780**	63,615
Total assets	**478,063**	107,080
Liabilities		
Current liabilities	**561,490**	381,173
Total liabilities	**561,490**	381,173
Net Assets	**(83,427)**	(274,093)
Equity		
Contributed capital	**33,569,173**	32,930,782
(Accumulated losses)	**(33,808,600)**	(33,229,325)
Reserves		
Options reserve	**(156,000)**	-
Share based payments reserve	**-**	24,450
Total equity	**(83,427)**	(274,093)

	30 June 2014 $	30 June 2013 $
Financial performance		
Loss for the year	**(603,725)**	(3,282,601)
Other comprehensive income (loss)	**-**	-
Total comprehensive income (loss)	**(603,725)**	(3,282,601)

(b) Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2014, the Company had no contractual commitments for the acquisition of property, plant and equipment (2013: Nil), other than those disclosed in note 22.

(c) Guarantees and contingent liabilities

As at 30 June 2014, the Company had no guarantees or contingent liabilities (2013: Nil), other than those already disclosed in note 24.

24. CONTINGENCIES

There were no contingencies as at 30 June 2014 and 2013.

25. COMPANY DETAILS

The registered office of the company is:

Level 2, 330 Churchill Avenue

Subiaco WA 6008

The principal place of business is:

Level 2, 330 Churchill Avenue

Subiaco WA 6008

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2014

1. In the opinion of the directors of Resource Star Limited (the "Company"):

   (a) the financial statements, notes and additional disclosures included in the director's report designated as audited are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year then ended; and

      (ii) complying with Australian Accounting Standards (including the Australian Interpretations) and the *Corporations Regulations 2001*;

   (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, based on the factors outlined in note 1(u); and

   (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as outlined in note 1(c).

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the *Corporations Act 2001* for the year ended 30 June 2014.

This declaration is signed in accordance with a resolution of the Board of Directors.

Andrew Bell
Chairman

30 September 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report to the Members of Resource Star Limited

Report on the Financial Report

We have audited the accompanying financial report of Resource Star Limited ("Resource Star" or " the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd (VIC Partnership)
Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001 | DX 154 Melbourne | Tel: +61 (0)3 9606 3888 | Fax: +61 (0)3 9606 3800
Email: mailbox@hlbvic.com.au | Website: www.hlbvic.com.au
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (VIC Partnership) is a member of HLB International. A world-wide network of independent accounting firms and business advisers.

HLB Mann Judd

Accountants | Business and Financial Advisers

Opinion

In our opinion:

(a) the financial report of Resource Star Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (c).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 (u) in the financial report, which indicates that the Group incurred a loss of $614,347 (2013: loss of $3,459,124) and experienced a net operating cash outflow of $160,782 during the year (2013: outflow of $289,493). Those conditions, along with other matters set forth in Note 1 (u), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Resource Star Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
30 September 2014

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd, and not shown elsewhere in this report is as follows. The information is current as at 30 September 2014.

(a) Distribution of equity securities

(i) Ordinary share capital

- 351,025,466 fully paid shares held by 1,464 shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

Analysis of numbers of equity security holders by size of holding are:

	Class of Equity Security	
	Number of Holders	**Fully Paid Ordinary Shares**
1 – 1,000	543	141,542
1,001 – 5,000	277	687,846
5,001 – 10,000	176	1,203,157
10,001 – 100,000	335	11,444,125
100,000 and over	133	337,548,796
Total Holders	1,464	351,025,466

There are 1,287 shareholders holding less than a marketable parcel of shares.

(b) Twenty largest holders of quoted equity securities (fully paid ordinary shares)

	Number held	**Percentage %**
CITICORP NOMINEES PTY LIMITED	63,031,450	17.96
RED ROCK RESOURCES PLC <YA GLOBAL (2) A/C>	57,335,134	16.33
MR MATHEW DONALD WALKER	50,000,000	14.24
ECOMETRIX PTY LTD	22,057,330	6.28
AVIEMORE CAPITAL PTY LTD	20,000,000	5.70
SABRELINE PTY LTD <JPR INVESTMENT A/C>	12,500,000	3.56
MR WILLIAM MURRAY MITCHELL + MRS DIANE JOAN MITCHELL <MITCHELL SUPER FUND A/C>	10,000,000	2.85
RED ROCK RESOURCES PLC <YA GLOBAL (2) A/C>	8,000,000	2.28
RAVENHILL INVESTMENTS PTY LTD <HOUSE OF EQUITY A/C>	6,250,000	1.78
ECOMETRIX PTY LTD	5,061,406	1.44
LUKE ANDREW HALL	5,000,000	1.42
THUNDELARRA LTD	5,000,000	1.42
WIMALEX PTY LTD <TRIO SUPER FUND A/C>	5,000,000	1.42
TROMSO PTY LTD	4,400,000	1.25
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,872,141	1.10
MS LORAINE VON DER WEID-DE WECK	3,500,000	1.00
MR PAUL BARBER <HUSSELBEE SUPER FUND A/C>	2,600,000	0.74
MR GARRY BENJAMIN RALSTON	2,250,000	0.64
BONVIEW ORCHARDS PTY LTD <SUPERFUND A/C>	2,000,000	0.57
MR MATTHEW COOK	2,000,000	0.57
	289,857,461	**82.57**

ASX ADDITIONAL INFORMATION

(c) Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
CITICORP NOMINEES PTY LIMITED	63,031,450	17.96
RED ROCK RESOURCES PLC <YA GLOBAL (2) A/C>	57,335,134	16.33
MR MATHEW DONALD WALKER	50,000,000	14.24
ECOMETRIX PTY LTD	22,057,330	6.28
AVIEMORE CAPITAL PTY LTD	20,000,000	5.70

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

(e) Business Objective

The Company has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

(f) Schedule of Tenements as at 29 September 2014

WESTERN AUSTRALIA

Project	Tenement	Interest
Spinifex	**E80/3572**	**Application**

NORTHERN TERRITORY

Project	Tenement	Interest
Edith River Project	**ELA25884**	**Application**
	ELA27149	**Application**
	ELA28903	**Application**
Celia Prospect	**ELA24414**	**Application**
Woolgni Mine Area	**MLA24342**	**Application**

MALAWI (AFRICA)

Project	Tenement	Interest
Ilomba Hill	**EPL0264/08**	**90%**
Ulindi	**EPLA**	**Application**