



RESOURCE STAR QUARTERLY REPORT TO 31 DECEMBER 2014

HIGHLIGHTS

- Company executes exclusive Option to acquire Cloud Lands Digital Fortress Pty Limited, a Tier 1 cloud services provider to the Australian SME market
- Two milestone agreements for Cloud Lands secured with Fujitsu, a global tier 1 IT services provider
- Majority of conditions precedent for acquisition completed and the preparation of the re-compliance prospectus well advanced

Resource Star Limited (**Resource Star**, or **the Company**) (ASX: RSL) has today lodged with the ASX its quarterly report for the period ended 31 December 2014.

Resource Star previously announced that it had executed a binding terms sheet (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 Digital Fortress Pty Ltd (Option). During the quarter, Resource Star exercised the Option to acquire 100% of the issued capital of Australian cloud computing service and infrastructure provider Cloud Lands Digital Fortress Pty Ltd (Cloud Lands).

In addition, a key focus for the Company during the quarter was to strengthen the balance sheet and cash position. Through the issue of 78,000,000 new shares a total of \$312,000 in working capital was raised during the quarter.

Option to Acquire Cloud Lands

Cloud Lands is a wholly Australian owned company with a core focus of becoming a leading provider of highly secure cloud based services to the considerable tier 2 enterprise and SME market. It intends to offer a combination of tier 1 enterprise level support and industry leading cloud hardware and software platforms to provide its customers with unrivalled cloud services experience.

Through the payment of the Option fee (\$100,000) under the agreed terms, Resource Star had been granted a 90 day option period from the date of execution of the Terms Sheet (Option Period) in which to conduct due diligence on Cloud Lands.

During the quarter, Resource Star exercised the Option within the prescribed Option Period. Upon the exercise of the Option, each of the shareholders of Cloud Lands (CL Shareholders) will be deemed to have entered into agreements to sell their respective shareholdings in Cloud Lands to Resource Star. Where the Option is exercised by Resource Star, completion of the Acquisition will be conditional upon the satisfaction of a number of conditions including completion of a capital raising of not less than \$3,500,000, a consolidation on a ratio of 5:1 (or such other ratio as required for Resource Star to be reinstated to official quotation on the ASX following completion of the Acquisition) and all other necessary shareholder and regulatory approvals.

Cloud Lands Executes Milestone Agreements with Fujitsu

The Company recently advised that Cloud Lands secured two milestone agreements with Fujitsu Australia Limited setting it firmly on a path to becoming a leading wholesale provider of cloud services to the rapidly growing SME market.

The first agreement with Fujitsu provides Cloud Lands' with access to Fujitsu's top tier professional IT services and on-going customer support. The second agreement provides Cloud Lands with access to Fujitsu's premier, fully managed and highly secure Perth data centre.

The signing of these agreements with a recognised global IT provider provides an important validation of the Cloud Lands business model and product offering. It provides an ideal platform for Cloud Lands to expand into the high growth and largely untapped SME market for specialist cloud based services.

Operations

During the quarter, the company continued to operate its main licenses on a care and maintenance basis with no exploration activity being carried out; although it remains committed to trying to obtain value from its tenement positions.

Tenement maintenance was continued and progressed during the period, including preparation of Half Year Reports and/or Statements of Expenditure as part of the Company's compliance with the various Departments' requirements.

The Company is continuing to review and rationalise its tenement holdings as reasonably required to maintain in good standing.

Mining Tenements Held as at 31 December 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

The Company continues to hold a 0.7% gross revenue royalty interest in any future production from the Machinga niobium-rare earth project in Malawi operated by Globe Metals and Mining Limited.

Corporate

As at 31 December 2014, Resource Star Limited had 1,508 Shareholders, 115 Listed Option holders, 23 Unlisted Option holders and the Share capital position was as follows:

Category	ASX Code	Number on Issue
Issued Ordinary Shares	RSL	429,025,466
Listed Options – 31 March 2016	RSLO	77,974,534
Unlisted Options – 31 December 2017	UNLISTED	75,333,333

Below is a summary of the share register data, during the December 2014 quarter under review:

- On 27 December 2014, Resource Star Shares closed at a price of \$0.005 per Share;
- The highest traded price of Resource Star securities in the quarter was \$0.017 per Shares (16 October 2014) and the lowest traded price was \$0.004 (16 December 2014);
- 78,000,000 Shares were issued during the quarter. The Shares were issued at \$0.004 to raise a total of \$312,000 from a Placement; and
- Issue of 75,333,333 Unlisted Options expiring 31 December 2017 at an exercise price of \$0.008.

The notable equity transaction completed during the quarter was the placement of 78,000,000 new Ordinary Shares to sophisticated investors to raise \$312,000.

The proceeds of the Offer are being used to provide working capital for Resource Star Limited and settle outstanding creditors.

The Company's Substantial Shareholders as at 31 December 2014 are:

Citibank Nominees Pty Ltd	14.68%
Red Rock Resources Plc	13.36%
Mr Mathew Donald Walker	11.65%
Aviemore Capital Pty Ltd	5.48%
Ecometrix Pty Ltd	5.09%

Citibank Nominees Pty Ltd are holding the Shares as custodian for a single entity.

The following changes to the Board structure occurred during the quarter;

- The resignation of George Karantzias as a Non-Executive Director on 6 November 2014.
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Cash Position

The Company held \$76,000 in cash as at 31 December 2014, compared to \$108,000 at 30 September 2014. Fund raising for the three months to 31 December 2014 was \$312,000. The Company has cash resources and liquidity for the near term.

Net operating cash flow for the quarter was (\$327,000). Continued savings in operating costs were derived through prudent management of the business and cost-cutting measures.

Outlook

The Company has focused on identifying new opportunities in the resources sector that have the capacity to add significant long-term shareholder value. However, given the market sentiment worldwide, the number of appropriate and well-priced opportunities continues to diminish and the Company has to also look beyond the energy sector.

Significant progress has been made towards reaching the relevant conditions of the proposed transaction (announced on 1 August 2014). In particular, on 16 October 2014, Cloud Lands secured two milestone agreements with Fujitsu, a global tier 1 IT services provider, to provide its IT professional services and facilities in its Perth data centre to Cloud Lands customers. This was one of the conditions in the binding terms sheet that has now been met.

The signing of these agreements brings the Company one step closer to completing the relevant due diligence required to acquire Cloud Lands.

The Company is confident as a result of the exercise of its Option to acquire Cloud Lands it will enable the Company to enter a new and growing sector for cloud services in Australia. Cloud Lands' business model is to aggregate Tier 2 enterprise and SME customers and provide them with fully supported enterprise grade cloud services from Tier 1 global IT services and hardware suppliers.

Forward Looking Statements

This report contains 'forward-looking information' that is based on the Company's expectations, estimates and projections as of the date on which the statements were made. This forward-looking information might include, among other things, statements with respect to the Company's business strategy, plans, objectives, performance, outlook, growth, shareholder value, projections, targets and expectations, Mineral Reserves and Resources, results of exploration and related expenses, property acquisitions, mine development, mine operations, drilling activity, sampling and other data, grade and recovery levels, future production, capital costs, expenditures for environmental matters, life of mine, completion dates, uranium prices, demand for uranium, and currency exchange rates. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as 'outlook', 'anticipate', 'project', 'target', 'likely', 'believe', 'estimate', 'expect', 'intend', 'may', 'would', 'could', 'should', 'scheduled', 'will', 'plan', 'forecast' and similar expressions. Persons reading this report are cautioned that such statements are only predictions, and that the Company's actual future results or performance may be materially different.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Forward-looking information is developed based on assumptions about such risks, uncertainties and other factors set out herein, including but not limited to the risk factors set out in the Company's Annual Report.

This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. The Company disclaims any intent or obligations to update or revise any forward-looking statements whether as a result of new information.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Resource Star Limited

ABN

71 098 238 585

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) administration	(341)	(739)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid (GST)	12	25
1.7	Other	-	-
	Net Operating Cash Flows	(327)	(711)
Cash flows related to investing activities		-	-
1.8	Payment for purchases or renewal of:		
	(a) prospects (Tenement Sale Agreement and Tenement Applications)	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Option Fee and development costs for acquisition of Cloud Lands Digital Fortress Pty Ltd)	-	(100)
	Net investing cash flows	-	(100)
1.13	Total operating and investing cash flows (carried forward)	(327)	(811)

1.13	Total operating and investing cash flows (brought forward)	(327)	(811)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	312	452
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Placement and capital raising fees)	(17)	(25)
	Net financing cash flows	295	427
	Net increase (decrease) in cash held	(32)	(384)
1.20	Cash at beginning of quarter/year to date	108	460
1.21	Exchange rate adjustments to item 1.20/rounding	-	-
1.22	Cash at end of quarter	76	76

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	20
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments of Director remuneration/fees, superannuation and provision of administration/consulting services.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	10
4.3 Production	-
4.4 Administration	30
Total	40

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	76	108
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	76	108

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter*

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
7.3 +Ordinary securities	429,025,466	429,025,466	-	-
7.4 Changes during quarter, increases through	78,000,000	78,000,000	\$0.004	\$0.004
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	77,794,534	77,794,534	Exercise price \$0.004	Expiry date 31 March 2016
7.8 Issued during quarter	75,333,333	-	Exercise price \$0.008	Expiry date 31 December 2017
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance Statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

(Director)

Date: 28 January 2014

Print name: Mathew Walker

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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