



2 August 2013

## **ASX Announcement/Media Release**

### **Binding Terms Sheet for Oil Project Acquisition**

#### **Abilene, Texas, USA**

#### **Highlights:**

- Resource Star has 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.
- Internal projections to achieve production rate of 500 barrels of oil per day (BOPD) by December 2013 increasing to 1,500 BOPD by December 2014 with a minimum 15 – 25 years + low cost production life.
- Work-over program to be completed over next 18 months with plans to increase production to 1,500 BOPD at estimated cost of USD3 million.
- Total purchase consideration to Searex Petroleum (BIV) Limited comprises \$1 million cash plus 65 million shares on Completion, plus 41,000 performance shares which convert on a 1:10,000 basis into a total of 410 million fully paid ordinary shares subject to performance milestones being met by vesting dates.
- Resource Star to assume Searex purchase price liabilities under Share Subscription Agreement.
- Transaction includes a minimum \$5m fundraising by way of high yield debenture notes.
- Transaction subject to ASX and shareholders approvals, including re-compliance with Chapters 1 and 2 of ASX Listing Rules (if required)

The Board of Resource Star Limited (ASX: RSL) (**RSL or the Company**) is pleased to announce that on 1 August 2013 the Company entered into a legally binding terms sheet with Australian owned Searex Petroleum (BIV) Limited (**Searex**) to acquire a 50% shareholding interest in D-Bar Leasing Inc (D-Bar), a company incorporated in Abilene, Texas, USA which has a 100% working interest in 2,732 acres of oil leases, as well as ownership of freehold land, buildings, plant and equipment (**Acquisition**).

## Resource Star Limited

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In line with the Company's recently announced plan to move into new resource sectors and mining services activities, the Board has resolved to proceed with the Acquisition, subject to and conditional upon the satisfaction of a number of standard commercial condition precedents, including but not limited to the following:

- (a) completion of due diligence within next 45 days;
- (b) completion of a minimum \$5 million capital raising via high yield short term debentures or such other means as agreed by the parties; and
- (c) ASX and shareholder approval, including any approvals and steps necessary to re-list under Chapters 1 and 2 of the ASX Listing Rules (if required).

The Acquisition will involve a change in the nature and scale of RSL's activities and accordingly, the Company anticipates it will need to comply with Chapters 1 and 2 of the ASX Listing Rules if the Acquisition is approved by RSL shareholders.

### Summary of transaction structure

RSL has entered into a legal binding terms sheet (**Terms Sheet**) with Searex pursuant to which RSL has agreed to acquire the 50% share capital interest held by Searex in D-Bar Leasing, Inc and take over the responsibilities of Searex in respect to the payment of the purchase price under the Share Subscription Agreement (**SSA**).

The Consideration for the Acquisition is as follows:

- \$1,000,000 cash on Completion;
- 65 million fully paid ordinary RSL shares on Completion;
- 41,000 performance shares issued in tranches (see below) which convert into fully paid ordinary shares (on a 1:10,000 basis) subject to the following conditions:
  - **(Tranche 1)** 5,000 performance shares once D-Bar is producing 80 BOPD;
  - **(Tranche 2)** 5,000 performance shares once D-Bar is producing 120 BOPD;
  - **(Tranche 3)** 7,500 performance shares once D-Bar is producing 200 BOPD;
  - **(Tranche 4)** 7,500 performance shares once D-Bar is producing 300 BOPD;
  - **(Tranche 5)** 8,000 performance shares once D-Bar is producing 400 BOPD;
  - **(Tranche 6)** 8,000 performance shares once D-Bar is producing 500 BOPD;
- Achievement of the performance shares are subject to vesting expiry dates of 6 months (Tranche 1), 9 months (Tranche 2), 12 months (Tranche 3), 15 months (Tranche 4), 18 months (Tranche 5) and 24 months (Tranche 6);
- If all vesting conditions are met, a total of 410 million fully paid ordinary shares will be issued following conversion of all performance shares; and
- Assume the payment obligations under the SSA (as amended on 24 July 2013 and as set out below).

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On 13 December 2012:

- Searex signed a Share Subscription Agreement (**SSA**) to acquire a 50% direct equity ownership in D-Bar Leasing Inc for a total of USD17.135 million payable in 6 monthly deferred consideration payments of USD2 million subject to production targets being achieved.; and
- Searex, D-Bar Leasing Inc and Danny Hyde (Original Shareholder) also entered into a Shareholders Agreement regulating the business and operational affairs of the D-Bar Leasing Inc.

On 24 July 2013 Searex and Danny Hyde varied the terms of the SSA such that the consideration payable would be as follows:

<b>Amount</b>	<b>Date Due</b>	<b>Details</b>
USD3 million	31 September 2013	<ul style="list-style-type: none"> <li>• USD1 million into a joint operating escrow account to be allocated for work-over program of which USD500,000 is part payment under the SSA</li> <li>• USD2 million Payable to Danny Hyde as part payment of the SSA.</li> </ul>
USD1 million	1 January 2014	<ul style="list-style-type: none"> <li>• USD1 million into a joint operating escrow account to be allocated for work-over program of which USD500,000 is part payment under the SSA.</li> </ul>
USD3 million	30 June 2014	<ul style="list-style-type: none"> <li>• USD1 million into a joint operating escrow account to be allocated for work-over program of which USD500,000 is part payment under the SSA</li> <li>• USD2 million payable to Danny Hyde as part payment of the SSA.</li> </ul>
USD2 million	1 January 2015	<ul style="list-style-type: none"> <li>• Payable to Danny Hyde as part payment of the SSA.</li> </ul>
USD4 million	1 January 2016	<ul style="list-style-type: none"> <li>• Payable to Danny Hyde as part payment of the SSA.</li> </ul>
USD5.635 million	1 January 2017	<ul style="list-style-type: none"> <li>• Payable to Danny Hyde as part payment of the SSA.</li> </ul>

If in any event the last three payments are not paid on the due date, then they will automatically balloon out to the next due payment schedule. The full subscription price (USD17.135 million) is not paid out by 1 January 2017 all parties will mutually agree on the time of payment of final payout figure.

In acquiring the shares in D-Bar, RSL will take over responsibility from SEAREX for payment of the amounts set out in the SSA as set out above.

### Project Location

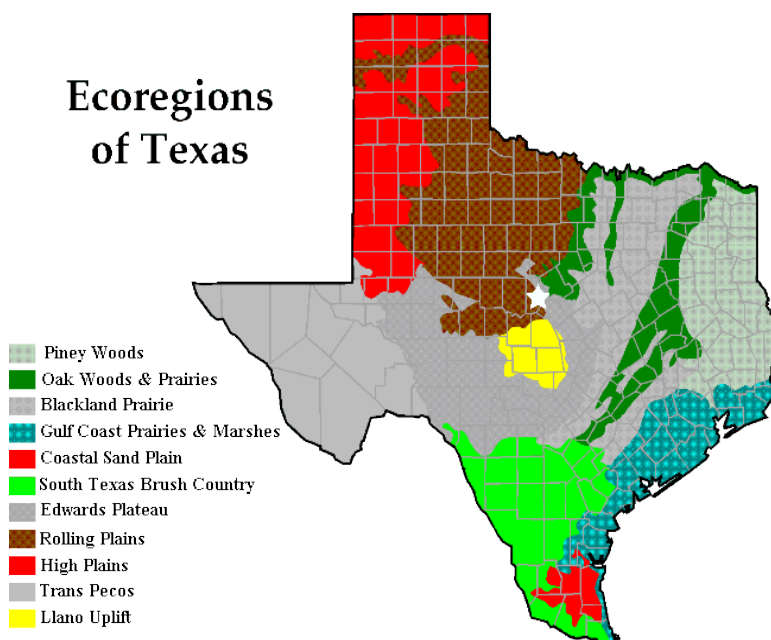
The oil leases are located on the edge of the Llano Uplift in North Central Texas (*yellow patch on map*).

The total combined land area of the existing leases is approximately 2,732 acres.

As recently as 14 July 2013 reports from the Abilene City Council indicate that Abilene is on track for its biggest year in history for oil drilling permits.

In 2013 the Abilene City Council has already approved nine new permits and with four more permits scheduled to be considered for approval.

### Ecoregions of Texas



### Overview of current D-Bar Oil Leases (Current Leases)

D-Bar holds 8 oil producing leases which already have 96 wells located on them, as set out in the table below:

Lease	Area	No of Wells
Contract Area 1 (Adams, Isenhower)	494 acres	36
Alvey Estate	1,598 acres	33
M G Burnam	320 acres	5
James Boyett	200 acres	12
Kessler, Graham, Camp Barkeley	120 acres	10

D-Bar also has the right to take up further acres within the Alvey Estate. This additional area would allow D-Bar to further increase its production capabilities through the development and drilling program of a further 240 new wells which, based on internal projections, could result in 4000+ BOPD in late 2017.

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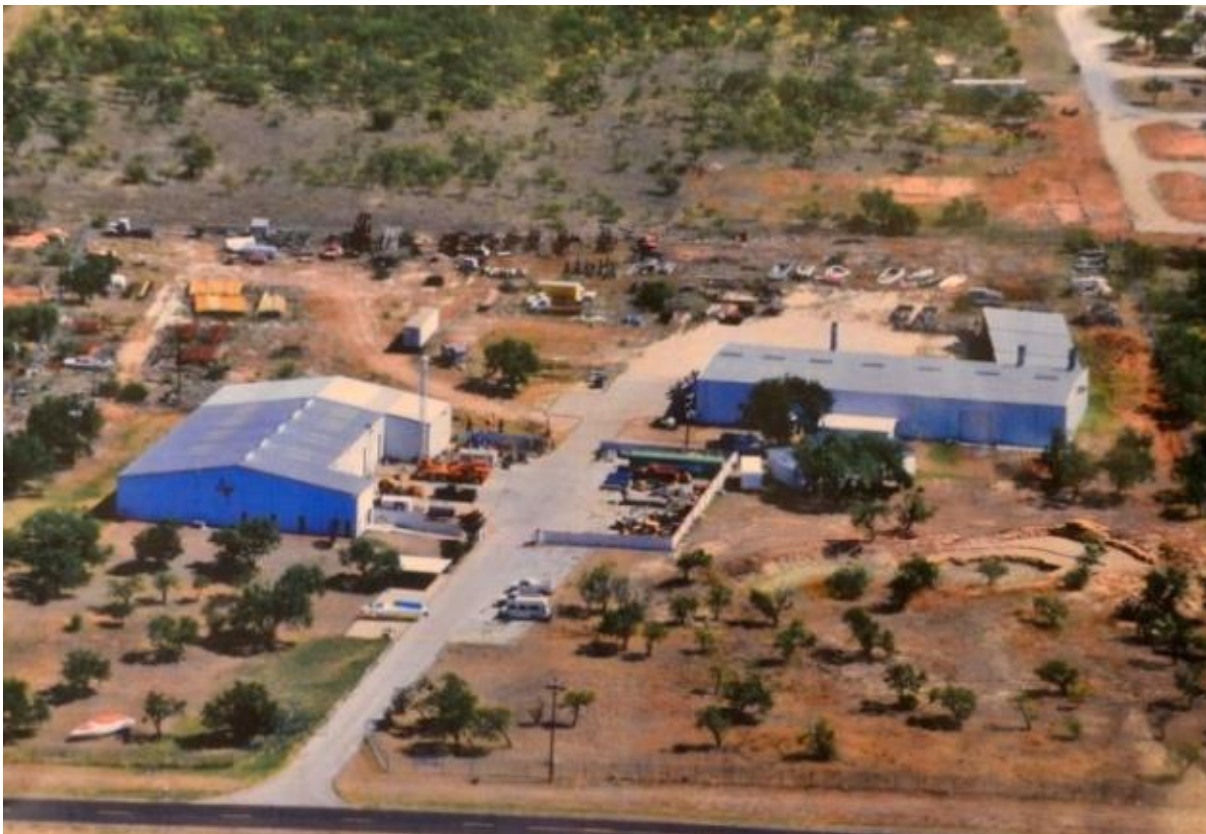
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**Project service facilities**

D-Bar Leasing owns 10 acres of freehold land and buildings just off Highway I-20 in Abeline, Texas, USA.

The buildings consist of 30,000 sq feet of service buildings valued at USD3.5m. Drilling plant and equipment, rig, spares, stores and consumables valued at USD3.5m (photo below).



**Work-over program**

D-Bar has recently completed reworking 4 existing wells at an average cost of USD55,000 per well. Each re-worked well is in the 2800'-3000' depth range and each well is currently producing 15 BOPD.

Reworks plan which has been established for the next 18 months includes pull tubing, replacing bottom hole pump, clean paraffins and sludge, re-perforate and fracking multiple producing horizons.

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Rework of the 80 producing wells is estimated to cost a total of USD3 million based on 10 deep wells (USD55,000 each) and 70 shallow wells (USD35,000 each). Work-over costs also include amounts for extra storage tanks.

Current rework plan/schedule indicates that all re-work can be completed within 12 months if using existing single rig.

### **Corporate, strategic and financial benefits to RSL and its shareholders**

The Board believes that the Acquisition is beneficial to all shareholders for the following key reasons:

- **Guaranteed buyer** – under current state laws the Railroad Commission of Texas must acquire all oil produced at the spot price. This guaranteed buyer structure ensures that storage never reaches capacity for any length of time which would in turn stop or reduce production levels until sold. The process for collection, sale, and payment is well regulated, with payments being made on a monthly basis.
- **Viable and attractive industry sector** – the energy sector in the USA is still an area of strong interest for investors as well as US and global businesses.
- **Asset location** – Abilene is located in the heart of Texas, with easy access via rail, road and air. The area has a rich history of strong oil deposits. The USA is still the strongest economy in the world, has a strong and robust legal system, and the risk of political instability is minimal.
- **Strong fundamentals** – Texas is a proven oil and gas jurisdiction with more than 80 years of continuous production. Moreover, Abilene has a rich history in oil production and has the necessary petroleum infrastructure and technical and operational expertise available.
- **Technical risks mitigated** – new fracking/extraction, water flooding and gas injection techniques coupled with new technology allows for the extraction of oil by efficient and effective means.
- **Opportunities to expand** – As noted earlier, D-Bar has the right to take up further acres of land within the Alvey Estate which offers significant opportunity to further develop oil production capabilities and generate greater revenue returns. Moreover, D-Bar will have the opportunity to acquire other significant lease areas in the region to expand its operations.

### **Capital Raising**

RSL currently has minimal cash reserves but has a convertible note facility for \$500,000. The Company is currently considering whether other options are available to raise short term funding in order to assist RSL with its working capital requirements as well as to complete the various stages leading up to completion of the Acquisition.

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In order to fund the activities of D-Bar Leasing moving forward after Completion, the Company will be seeking interests from sophisticated investors to raise a minimum of \$5 million by way of high yield (11-13%) short term (2 year) debenture notes.

At this stage RSL does not propose that the debenture notes will include a conversion right but remain open to the concept of conversion if terms are acceptable (subject to relevant approvals).

RSL believes that the proposed works-program and subsequent revenues generated will be sufficient to pay back the debenture notes in accordance with their terms.

It is anticipated that all funds received will be applied towards the works program, working capital and administrative costs, and meeting the deferred consideration payments payable by Searex to Danny Hyde pursuant to the SSA (as outlined earlier).

Further details of the exact structure and timing of any form of capital raising will be released over the coming weeks and closer to the lodgement of any prospectus (if required).

**Pro-Forma Capital Structure**

This table below indicates the capital structure of the Company following completion of the Acquisition. They are indicative only and are subject to change:

	<b>Number of Ordinary Shares</b>	<b>Number of Unlisted Options</b>	<b>Number of Performance Shares</b>
Issued capital at date of this Announcement	126,439,754	-	-
Securities to be issued to the shareholders of the vendors upon completion of the Acquisition	65,000,000	-	41,000
<b>Total</b>	<b>191,439,754</b>	-	<b>41,000</b>

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The milestone dates for the Acquisition are set out below. They are indicative only and are subject to change:

<b>Event</b>	<b>Date</b>
ASX Announcement of Acquisition	2 August 2013
Completion of Due Diligence	15 September 2013
Dispatch of Notice of Meeting seeking RSL shareholder approval of the Acquisition and other required resolutions	27 September 2013
Lodgement of Prospectus with ASIC	30 September 2013
Offer Opens	7 October 2013
General Meeting of shareholders to approve Acquisition	27 October 2013
Company placed in suspension from trading on ASX	27 October 2013
Completion Acquisition and capital raising and comply with ASX requirements	1 November 2013
Anticipated date for re-quotation on ASX	11 November 2013

**Pro-Forma Statement of Financial Position**

Annexure A – Pro-forma Statement of Financial Position is annexed to this announcement.

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This announcement may contain '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.

## ANNEXURE A - PRO FORMA STATEMENT OF FINANCIAL POSITION

On the basis that the Acquisition is completed, the pro-forma statement of financial position of the Company will be as follows:

	Note	Unaudited 30 June 2013 \$	Unaudited Pro forma adjustments \$	Unaudited Pro forma 30 June 2013 \$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	1	1,317	4,000,000	4,001,317
Trade and other receivables		43,440	-	43,440
Other		4,044	-	4,044
<b>Total current assets</b>		<b>48,801</b>	<b>4,000,000</b>	<b>4,048,801</b>
<b>Non-current assets</b>				
Exploration and evaluation	2	2,218,278	75,000	2,293,278
Plant and equipment		1,806	-	1,806
Share Investment - D-Bar Leasing Inc	3	-	4,250,000	4,250,000
<b>Total non-current assets</b>		<b>2,220,084</b>	<b>4,325,000</b>	<b>6,545,084</b>
<b>TOTAL ASSETS</b>		<b>2,268,885</b>	<b>8,325,000</b>	<b>10,593,885</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		293,036	-	293,036
Loans and borrowings	4	81,644	5,000,000	5,081,644
<b>Total current liabilities</b>		<b>374,680</b>	<b>5,000,000</b>	<b>5,374,680</b>
<b>TOTAL LIABILITIES</b>		<b>374,680</b>	<b>5,000,000</b>	<b>5,374,680</b>
<b>NET ASSETS</b>		<b>1,894,205</b>	<b>3,325,000</b>	<b>5,219,205</b>
<b>EQUITY</b>				
Issued capital	5	32,930,782	3,325,000	36,255,782
Reserves		22,903	-	22,903
Accumulated losses		(31,059,480)	-	(31,059,480)
<b>TOTAL EQUITY</b>		<b>1,894,205</b>	<b>3,325,000</b>	<b>5,219,205</b>

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**Unaudited  
Proforma 30 June  
2013  
\$**

**NOTE 1: CASH AND CASH EQUIVALENTS**

Unaudited 30 June 2013	1,317
Funds received from High Yield Debenture	5,000,000
Acquisition of Share Capital in D-Bar Leasing Inc	<u>(1,000,000)</u>
Unaudited Proforma 30 June 2013	<u><u>4,001,317</u></u>

**NOTE 2: EXPLORATION AND EVALUATION**

Unaudited 30 June 2013	2,218,728
Acquisition of Spinifex Uranium Project from Thundarra Limited	<u>75,000</u>
Unaudited Proforma 30 June 2013	<u><u>2,293,728</u></u>

**NOTE 3: SHARE INVESTMENT – D-BAR LEASING INC**

Unaudited 30 June 2013	-
Acquisition of Share Capital in D-Bar Leasing Inc	<u>2,040,000</u>
Unaudited Proforma 30 June 2013	<u><u>2,040,000</u></u>

**NOTE 4: LOANS AND BORROWINGS**

Unaudited 30 June 2013	81,644
High Yield Debentures	<u>5,000,000</u>
Unaudited Proforma 30 June 2013	<u><u>5,081,644</u></u>

**NOTE 5: ISSUED CAPITAL**

<b>Ordinary shares</b>	<b>No.</b>	<b>\$</b>
Unaudited 30 June 2013	121,439,754	32,930,782
Shares issued to Thundarra Limited	5,000,000	75,000
Shares issued on completion of D-Bar Leasing Inc	<u>65,000,000</u>	<u>3,250,000</u>
Unaudited Proforma 30 June 2013	<u><u>191,439,754</u></u>	<u><u>36,255,782</u></u>