

Resource Star Limited

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The Manager
Market Announcements Office
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Exchange Centre
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OPTION TO ACQUIRE AUSTRALIAN CLOUD SERVICES PROVIDER EXERCISED

Highlights

- Resource Star has 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**).
- A number of the conditions precedent to completion of the acquisition of Cloud Lands have now been satisfied, with the details of the capital raising and general meeting of RSL shareholders to be announced shortly.

Background

Resource Star Limited (ASX:RSL) (**Resource Star** or **the Company**) is pleased to announce that the Company has exercised its option to acquire 100% of the issued share capital of Cloud Lands (**Acquisition**) pursuant to the terms of executed binding terms sheet (**Terms Sheet**) (refer to the Company's ASX announcement of 1 August 2014).

Completion of the Acquisition remains 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.

Further details of the key terms of the Terms Sheet are set out in the Annexure to this announcement.

About Cloud Lands

Cloud Lands is a wholly Australian owned company which is in the process of becoming a provider of highly secure cloud services to the Tier 2 enterprise and small- and medium-enterprise (**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 an unrivalled cloud services experience. To

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achieve this, Cloud Lands is planning to use world class support, services, hardware and software providers to deliver its services.

Cloud Lands will begin by providing shared computing resources, such as servers. Customers will pay a monthly fee to Cloud Lands to have their servers and the applications, and services running on them, hosted in Cloud Lands' cloud.

Cloud Lands' business model is for critical information and data to be backed up to Cloud Lands' enterprise class backup service so as to allow customers to recover entire servers or single files as required. This will be located in a secure purpose built data centre, where space will be leased by Cloud Lands, with strict environment controls, fire detection and suppression and a clean and reliable power supply ensuring very high service availability.

The hardware platform Cloud Lands intends to select will start small to conserve Cloud Lands' capital but it will be capable of scaling up incrementally to meet growing customer numbers.

As announced on 16 October 2014, Cloud Lands has entered into two formal binding agreements with IT services provider Fujitsu Australia Limited (**Fujitsu**).

The first agreement, a Master Services Agreement, is a framework agreement which provides Cloud Lands with access to Fujitsu's professional IT services and on-going support.

The second agreement, a Data Centre Services Agreement, which is effective from 1 December 2014, provides Cloud Lands with access to Fujitsu's premier data centre in Perth. Under the Data Centre Services Agreement, Cloud Lands will seek to obtain sufficient space to house its cloud services platform, and have access to Fujitsu's fully managed, highly secure data centre.

"We believe Cloud Lands will fill a gap in the market by offering its customers an enterprise class cloud platform complemented by Tier 1 IT services and support," said RSL Chairman Andrew Bell. "Our view is that the large cloud service providers offer a premium platform but little in the way of service or support to mid-size companies and SMEs whereas those providers that do offer support tend to have lower end platforms. And they simply don't measure up to the Tier 1 enterprise level services and support Cloud Lands intends to offer. This is where Cloud Lands steps in and offers a premium service with strong security features. As the cloud market broadens service expectations will increase; it is Cloud Lands' strong proposition in this segment of the market that attracted us to their business model."

Board and Management

As announced on 3 November 2014, it is intended that Mr Neil Verrall will be appointed to the RSL board of directors (**Board**) upon settlement of the Acquisition.

Following settlement of the Acquisition, the parties have agreed that the Board will comprise:

- (a) Mr Neil Verrall (Chairman);
- (b) Mr Andrew Bell;

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- (c) Mr Mathew Walker; and
- (d) Mr Richard Parker.

None of the existing RSL directors will resign, each remaining in their existing role following settlement of the Acquisition.

In addition, Mr Greg Pennefather will be appointed as the Company's Chief Technical Officer upon settlement of the Acquisition.

A summary of the background and experience of Mr Verrall and Mr Pennefather is set out below.

Mr Neil Verrall – *Proposed Non-Executive Chairman*

Mr Verrall is a well-known and respected information technology and communications (ICT) industry veteran, with over 30 years of industry experience. Throughout his career he has held senior executive sales and marketing positions with a variety of successful ICT companies including Telstra, Leighton Telecommunications Group, Nextgen Networks and Powertel. In 2002 he joined Uecomm and was responsible for overseeing the assembly of its sales channel, and successfully turned around the company during a challenging economic period.

Mr Greg Pennefather – *Proposed Chief Technology Officer*

A qualified engineer, Mr Pennefather started in the ICT industry almost 25 years ago and has worked in Australia and the United Kingdom. Mr Pennefather has founded several ICT businesses and served in executive (as CEO) and non-executive director roles in a number of ASX listed companies as well as holding the position of Principal Consultant in a prominent Perth ICT consultancy.

Mr Pennefather holds a Bachelor of Engineering (Electronic) from the University of Western Australia and studied for his Master of Engineering Science (Telecommunications and Networking) at the Australian Telecommunications Research Institute (ATRI) at Curtin University.

Change of Activities

As the Acquisition constitutes a change in the nature and scale of RSL's activities from mining exploration to both mining exploration and cloud service provider, RSL will be required, pursuant to ASX Listing Rule 11.1.2, to obtain approval from its shareholders at a general meeting and pursuant to ASX Listing Rule 11.1.3 to re-comply with Chapters 1 and 2 of the ASX Listing Rules. The indicative timetable to achieve this is set out below.

If the transaction is approved by RSL's shareholders, Resource Star's securities will remain suspended from trading following the general meeting until the requirements of Chapters 1 and 2 of the ASX Listing Rules have been satisfied.

Further information regarding the acquisition and the change of activities will be available in the notice of meeting convening the general meeting to approve the Acquisition, to be dispatched to shareholders in due course.

Pro-forma Capital Structure

The capital structure of Resource Star immediately following completion of the Acquisition is expected to be as follows:

	Shares	Options	Performance Shares ⁵
Securities currently on issue ¹	429,025,466 ²	153,307,867 ³	Nil
Post –Consolidation (5:1) ¹	85,805,093	30,661,574	Nil
Securities issued on completion of Capital Raising ⁴	125,000,000	Nil	Nil
Consideration Securities issued on completion of the Acquisition	30,000,000	30,000,000 ⁶	100,000,000
Securities issued to Mr Greg Pennefather	Nil	Nil	20,000,000
TOTAL	240,805,093	60,661,574	120,000,000⁵

Notes:

1. Assumes no further securities are issued prior to completion of the Acquisition, other than as set out in the table. The post-Consolidation issued capital of the Company is only an estimate and is subject to variation, for example arising from rounding of individual security holdings.
2. Includes 113,000,000 Shares issued pursuant to the Initial Placement. Shareholder approval for the issue of the Shares was obtained at the Company's general meeting held on 16 September 2014.
3. Comprises:
 - (a) 15,594,907 Listed Options exercisable at \$0.02 each (on a post-Consolidation basis) on or before 31 March 2016; and
 - (b) 15,066,667 unquoted Options exercisable at \$0.04 each (on a post-Consolidation basis) on or before 31 December 2017. Shareholder approval for the issue of the unquoted Options is being sought at the Company's annual general meeting to be held on 28 November 2014.
4. Assumes a maximum capital raising of \$5,000,000 at \$0.04 per Share.
5. The Performance Shares will be convertible into Shares on satisfaction of the milestones summarised in the Annexure.
6. Unquoted Options exercisable at \$0.04 each (on a post-Consolidation basis) on or before 31 December 2017 and otherwise on the terms and conditions set out in Schedule 2.

Indicative Timetable

Event	Date
Announcement of the transaction	1 August 2014
Despatch of notice of meeting to approve, amongst other things, the Acquisition	19 November 2014
Lodgement of prospectus with respect to the Capital Raising	20 November 2014
Shareholder meeting to approve, amongst other things, the Acquisition	19 December 2014
Closing date of the Capital Raising	30 December 2014
Completion of Acquisition	13 January 2015
Anticipated date of reinstatement to official quotation on ASX	20 January 2015
End date to satisfy conditions precedent in the Terms Sheet	31 January 2015

The above timetable is indicative only and may be varied in consultation with ASX. Shareholders should also note that Resource Star's securities will be suspended from trading on the day of the general meeting seeking approval for the Acquisition and if such approval is obtained will remain suspended until such time as Resource Star has satisfied Chapters 1 and 2 of the ASX Listing Rules.

Pro-forma Balance Sheets

The effect of the Acquisition on the audited balance sheet of Resource Star as at 30 June 2014 is shown in Annexure B.

For and on behalf of the Board of Resource Star Limited

Mathew Walker

Director

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ANNEXURE A - ACQUISITION TERMS

The key terms of the Terms Sheet are as follows:

- (a) **(Consideration):** Subject to the satisfaction or waiver of certain conditions (as summarised further below), RSL has agreed to provide the following consideration to the CL Shareholders for the Acquisition:
- (i) a cash payment of up to \$500,000 for reimbursement of historical expenditure as reasonably evidenced by invoices (**Cash Consideration**);
 - (ii) 30,000,000 fully paid ordinary shares in the capital of RSL (on a post-Consolidation basis) (**Consideration Shares**);
 - (iii) 30,000,000 unquoted options to acquire Shares, exercisable at \$0.04 each (on a post-Consolidation basis) and expiring on 31 December 2017 (**Consideration Options**); and
 - (iv) 100,000,000 performance shares in the capital of RSL (**Consideration Performance Shares**),
- (together, the **Consideration**). The Consideration Shares, Consideration Options and Consideration Performance Shares are together referred to as the **Consideration Securities**.
- (b) **(Conditions):** Settlement of the Acquisition remain, at the date of this announcement, subject to the following conditions precedent:
- (i) **Initial Placement:** subject to RSL obtaining any necessary Shareholder approvals, completion of a capital raising by RSL to raise \$452,000 (before costs) through a placement of Shares at an issue price of no less than \$0.004 per Share (on a pre-Consolidation basis), together with two (2) free attaching unquoted Options for every three (3) Shares subscribed for, to investors who fall within section 708 of the Corporations Act or otherwise do not require a disclosure document to be issued Shares and Options (**Initial Placement**). RSL has issued 113,000,000 Shares (on a pre-Consolidation basis) under the Initial Placement to raise \$452,000 (before costs). RSL is seeking shareholder approval at its annual general meeting, to be held on 28 November 2014, for the issue of 75,333,333 free attaching Options to the subscribers to the Initial Placement;
 - (ii) **Shareholder Approvals:** RSL obtaining all necessary shareholder approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow RSL to lawfully complete the matters set out in the Terms Sheet, including under ASX Listing Rule 11.1.2, for the issue of the Consideration Securities and to change RSL's name to Cloud Lands Digital Limited;
 - (iii) **Regulatory Approvals:** RSL obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow RSL to lawfully complete the matters set out in the Terms Sheet, including but not limited to, approval to

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reinstatement to official quotation on ASX following completion of the Acquisition on satisfactory conditions to RSL;

- (iv) **Consolidation:** completion of a consolidation of capital by RSL on a ratio of 5:1 or such other ratio as required for the Company to be reinstated to official quotation on ASX following completion of the Acquisition (**Consolidation**);
- (v) **Re-compliance Capital Raising:** completion of a capital raising by RSL using a prospectus to raise a minimum of not less than \$3,500,000 through the issue of Shares at an issue price of not less than \$0.04 each (on a post-Consolidation basis) (**Capital Raising**);
- (vi) **Mr Pennefather Agreement:** RSL entering into an executive services agreement with Mr Greg Pennefather under which Mr Pennefather will be appointed, on completion of the Acquisition, as chief technology officer of RSL on terms consistent with the Corporations Act and ASX Listing Rules, and will, subject to necessary shareholder approval and execution of any ASX required escrow agreement, be issued 20,000,000 Performance Shares (on a post-Consolidation basis);
- (vii) **Pre-emption rights:** if required, each of the CL Shareholders waiving all pre-emptive or other rights over any of the Cloud Lands shares conferred by the constituent documents of Cloud Lands, any shareholders agreement relating to the Cloud Lands shares or in any other way (if any); and
- (viii) **Verona:** Verona Capital Pty Ltd (ACN 158 336 317) (**Verona**) and/or its nominees entering into binding subscription agreements to subscribe for at least \$400,000 worth of Shares under the Capital Raising.
- (c) **(End Date):** The Conditions must be satisfied (or waived) before 5.00pm (Perth time) on 31 January 2015.
- (d) **(Escrow):** If required by ASX, the Consideration Securities will be escrowed for such time period determined under the ASX Listing Rules.
- (e) **(Board composition):** Upon settlement of the Acquisition, the directors of RSL will consist of no more than four (4) persons to be mutually agreed between RSL and Cloud Lands prior to settlement. Following settlement, it has been agreed that the Board will comprise:
- (ii) Mr Neil Verrall (Chairman);
 - (iii) Mr Andrew Bell;
 - (iv) Mr Mathew Walker; and
 - (v) Mr Richard Parker.
- (f) **(Performance Shares):** The Performance Shares to be issued will be convertible into Shares in the Company (on a one for one basis) as follows:

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- (i) 33.33% of the Performance Shares (**A Class Performance Shares**) will convert into Shares upon Cloud Lands having achieved \$2,000,000 in cumulative EBITDA as determined by Cloud Lands' auditor at any time within four (4) years of the issue date;
- (ii) 33.33% of the Performance Shares (**B Class Performance Shares**) will convert into Shares upon Cloud Lands having achieved \$5,000,000 in cumulative EBITDA at any time within four (4) years of the issue date as determined by Cloud Lands' auditor; and
- (iii) 33.34% of the Performance Shares (**C Class Performance Shares**) will convert into Shares upon Cloud Lands having achieved \$10,000,000 in cumulative EBITDA at any time within four (4) years of the issue date as determined by Cloud Lands' auditor.

ANNEXURE B – PRO FORMA BALANCE SHEETS

	RSL AUDITED BALANCE SHEET 30 June 2014	RSL PROFORMA MINIMUM CAPITAL RAISING 30 June 2014	RSL PROFORMA MAXIMUM CAPITAL RAISING 30 June 2014
CURRENT ASSETS			
Cash	460,485	4,111,479	5,509,053
Trade and other receivables	13,240	13,240	13,240
Inventories	-	-	-
Other current assets	7,454	7,454	7,454
Total Current Assets	481,179	4,132,173	5,529,747
NON-CURRENT ASSETS			
Investment in subsidiary	-	-	-
Goodwill	-	3,532,173	3,322,537
Project Costs	-	-	-
Other intangible assets	-	-	-
Total Non-current Assets	-	3,532,173	3,322,537
TOTAL ASSETS	481,179	7,664,346	8,852,284
CURRENT LIABILITIES			
Trade and other payables	525,227	525,227	525,227
Short-term provisions	50,000	-	-
Total Current Liabilities	575,227	525,227	525,227
NON-CURRENT LIABILITIES			
Borrowings	-	-	-
Trade and other payables	-	-	-
Loan - Skye Equity	-	-	-
Total Non-current Liabilities	-	-	-
TOTAL LIABILITIES	575,227	525,227	525,227
NET ASSETS	(94,049)	7,139,119	8,327,057
SHAREHOLDERS' EQUITY			
Issued Capital	33,569,173	4,073,300	4,073,300
Reserves	156,000	-	-
Accumulated losses	(33,819,222)	-	-
Non-controlling Interest	-	3,065,818	4,253,756
TOTAL SHAREHOLDERS' EQUITY	(94,049)	7,139,118	8,327,056

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