

Resource Star Limited

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ASX Market Announcements
Markets Announcement Platform
Australian Securities Exchange
SYDNEY NSW 2000

Please Note: the ASX Announcement which follows brings the Company out of the trading halt.

Option to Acquire Australian Cloud Services Provider

Highlights

- Resource Star Limited has 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 (**Cloud Lands**);
- Cloud Lands' business model is to aggregate Tier 2 enterprise and SME customers and provide them full service enterprise grade cloud services with Tier 1 services and support from a leading Tier 1 global multibillion dollar IT services and hardware supplier (**the Service Provider**);
- Cloud Lands also intends to use a world leading global multibillion dollar IT networking and computing hardware vendor (**the Networking Provider**) and the pre-eminent global security equipment and software supplier (**the Security Provider**) to offer an integrated and secure enterprise class hardware, software and service solution; and
- Through its Memoranda of Understanding (**MOUs**) with the Service Provider, Networking Provider and Security Provider, Cloud Lands believes it has a unique and superior product offering to Tier 2 enterprises and SME customers.

Background

Resource Star Limited (ASX:RSL) (**Resource Star** or **the Company**) is pleased to announce that it has 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 for the purpose of determining whether to acquire 100% of the issued capital of Cloud Lands (**Acquisition**).

Subject to the payment of an Option fee of \$100,000, Resource Star has 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. Resource Star may exercise the Option at any time during the 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 condition including completion of a capital raising of not less than \$3,500,000, a consolidation on a ratio of 50:1 (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.

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About Cloud Lands

Cloud Lands intends to become a provider of highly secure cloud services to the 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 an unrivalled cloud services experience.

Cloud Lands has been set up to operate as a wholly Australian owned cloud service provider and plans to have its hosting services initially located in the Service Provider's Perth Data Centre. According to the Service Provider, its Tier III Perth Data Centre meets all critical data governance and compliance requirements as well as being certified to or compliant with Information Security Management Systems (ISMS) ISO 27001, ASIO Technical Note 4 (T4), ITIL IT Service Management and ISO 9001 Quality System. Tier III is the highest rating designated to any Australian data centre and the second highest overall. Additional services are planned from similar east coast facilities to provide customers with physical and geographic diversity.

"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 Resource Star 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 through the Service Provider. 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."

Cloud Lands intends to host its customers on a VCE Company LLC, (**VCE**) Vblock platform. VCE is the provider of the world's most advanced converged infrastructure. Vblock employs market leading hardware from Cisco Systems (for networking and computers), EMC² (for storage) and VMware (for virtualisation and management software). The intention is that VCE will factory build and test the entire virtualisation platform prior to delivery. Cloud Lands also intends to provide "bare metal" infrastructure services for those customers that want to use enterprise class private cloud services.

Converged infrastructure from VCE has many advantages for Cloud Lands over a custom integrated or reference architecture solution. Cloud Lands understands that VCE guarantees to deliver a Vblock system within 45 days from order greatly reducing the time to market. In its Converged Infrastructure Systems Comparative Assessment January 2014, Topline Strategy Group found that 27% of reference architecture cloud systems take more than 6 months to deploy with only 18% deployed in less than 60 days¹. Compounding this discrepancy is the fact that, according to Topline, the average cost to deploy a reference architecture system is 38% of the hardware cost compared with 4% - 5% for Vblock systems.

Cloud Lands considers that VCE takes a similar converged approach to service and support, providing a single point of contact for technical support and with all system patches and software and hardware upgrades fully tested in VCE's facilities on the converged systems and released to customers as a bundle. Cloud Lands considers that this further reduces operational risk and total cost of ownership.

In choosing VCE's Vblock converged infrastructure for its cloud platform and the Service Provider for integration, development and support services, Cloud Lands considers it is essentially de-risking its business from a technology standpoint as well as intending to provide the best possible service to its customers. This has the advantage of allowing Cloud Lands to concentrate on selling its services, developing innovative new offerings and scanning the marketplace for complementary business opportunities.

In its *Forecast Overview: Public Cloud Services, Worldwide, 2011-2016, 4Q12 Update*, Gartner, Inc. predicted substantial growth for Australian public cloud services in the period 2013 to 2016. The same report details that, globally, the fastest growing aspects of cloud services are infrastructure as a service (IaaS) and platform as a service (PaaS). Cloud Lands is initially focussing on these two key growth areas of cloud services.

¹ Source: Topline Strategy Group "Converged Infrastructure Systems Comparative Assessment - VCE Vblock Systems vs. Reference Architectures" January 2014 (see www.vce.com/asset/documents/vce-vs-ref-arch-topline-strategy.pdf)

Cloud Lands' intention is for its customers to enjoy industry leading security provided by the Security Provider's hardware and software. State of the art, multitenant firewalls in the data centre are planned to provide secure access across private communications connections and the public Internet alike. The Security Provider's range of SME customer premises equipment are, in Cloud Lands' view, capable of securely extending the customers' networks into the data centre and Cloud Lands cloud.

Management

The Terms Sheet ensures the management team that has established Cloud Lands' key relationships and business model will continue with the business.

Mr Greg Pennefather will be appointed as Resource Star's Chief Technology Officer on completion of the Acquisition.

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.

Mr Ross Smith founded Cloud Lands and provided the corporate vision for its inception, utilising his extensive contact network within the industry to secure the MOUs. Mr Smith will be appointed as Resource Star's Investor Relations Consultant.

Mr Smith has over 21 years of experience in company promotion, finance, development and management of various technology and resource projects. He has undertaken financing activities in Australia, Canada, United States of America, Hong Kong and the United Kingdom. Mr Smith is extensively travelled and maintains a widespread international network within the investment, stock broking and investment banking communities.

Together, Mr Smith and Mr Pennefather cofounded Australia's first and largest independent wholesaler of broadband services, Request DSL. After 3 years of operations PowerTel acquired the company for approximately \$54M².

What are Cloud Services?

Cloud computing is a term used for delivering hosted services over the Internet to remotely store, process and share digital data.

There are three main categories of cloud computing, although the delineations between service categories are not always distinct, as providers may offer more than one category of service type. These categories are:

- Infrastructure-as-a-Service (IaaS) - IaaS providers offer data-centre capacity, processing resources and storage.
- Platform-as-a-Service (PaaS) - PaaS provides an environment for the development and hosting of applications.
- Software-as-a-Service (SaaS) - SaaS provides software services hosted from the cloud.

In the Australian market there are three main models of cloud computing in use with each of these service categories. They are:

- Private—for the exclusive use of one organisation. It may be managed by the organisation or a third party with the cloud computing service existing on- premises or off-premises.
- Public—made available to the general public or a large industry group and owned by an organisation selling cloud computing. Services offered by Apple, Google and Amazon fit into this category.

² Source: Sydney Morning Herald <http://www.smh.com.au/articles/2004/01/27/1075088004658.html?from=storyrhs>

- Hybrid—a combination of both private and public cloud services.

Change of Activities

As the proposed Acquisition constitutes a change in the nature and scale of Resource Star's activities from mining exploration to both mining exploration and cloud service provider, the Company 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 the Company's shareholders, Resource Star's securities will be 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

Subject to exercise of the Option, the capital structure of Resource Star immediately following completion of the Acquisition, is expected to be as follows:

	Shares	Options	Performance Shares
Securities currently on issue	312,000,000	78,000,000 ¹	Nil
Securities issued pursuant to the Initial Placement	113,000,000	56,500,000 ¹	Nil
Sub-total	425,000,000	134,500,000	Nil
Post -Consolidation ²	8,500,000	2,690,000	Nil
Securities issued on completion of Capital Raising ⁴	17,500,000	Nil	Nil
Consideration Securities issued on completion of the Acquisition	3,000,000	3,000,000 ³	10,000,000
Securities issued to Mr Greg Pennefather	Nil	Nil	2,000,000
TOTAL	29,000,000	5,690,000	12,000,000⁵

Notes:

1. Quoted Options exercisable at \$0.004 (pre-Consolidation) on or before 31 March 2016.
2. Assumes a Consolidation on a ratio of 50:1.
3. Quoted Options exercisable at \$0.20 (post-Consolidation, assuming a 50:1 Consolidation) on or before 31 March 2016.
4. Based on a minimum capital raising of \$3,500,000 at an issue price of \$0.20 per Share.
5. The terms of the Performance Shares are subject to approval by the ASX. It is proposed that they will be convertible into Shares in the Company according to the milestones summarised in the Annexure.

Indicative Timetable (assuming Resource Star exercises its Option to acquire Cloud Lands)

Event	Date
Announcement of the transaction	31 July 2014
Despatch of notice of meeting seeking shareholder approval for, amongst other things, the issue of securities under the Initial Placement	11 August 2014
Shareholder meeting to approve amongst other things, the issue of securities under the Initial Placement	10 September 2014
Subject to exercise of the Option, despatch of notice of meeting to approve, amongst other things, the Acquisition	6 October 2014
Lodgement of prospectus with respect to the Capital Raising	15 October 2014
Shareholder meeting to approve, amongst other things, the Acquisition	5 November 2014
Closing date of the Capital Raising	12 November 2014
Completion of Acquisition	17 November 2014
Anticipated date of reinstatement to official quotation on ASX	25 November 2014
End date to satisfy conditions precedent in the Terms Sheet	31 December 2014

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.

Annexure - Acquisition Terms

The key terms of the Terms Sheet are as follows:

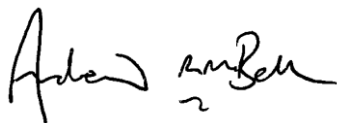
- (a) **(Option):** Cloud Lands and the shareholders of Cloud Lands (CL Shareholders) grant to Resource Star an exclusive 90 day option (Option) to conduct due diligence on Cloud Lands, its business and its assets for the purpose of determining whether to purchase 100% of the issued share capital of Cloud Lands.
- (b) **(Option Fee):** The Company must pay the CL Shareholders a non-refundable Option fee of \$100,000 (**Option Fee**).
- (c) **(Consideration):** Subject to the valid exercise of the Option and the satisfaction or waiver of certain conditions (as summarised further below), the Company has agreed to provide the following consideration to the CL Shareholders for the Acquisition:
 - (i) a cash payment of up to \$500,000 (**Cash Consideration**);

- (ii) 3,000,000 fully paid ordinary shares in the capital of Resource Star (on a post-Consolidation basis) (**Shares**);
- (iii) 3,000,000 options (to be quoted) to acquire Shares, exercisable at \$0.20 each (on a post-Consolidation basis) and expiring on 31 March 2016 (**Options**); and
- (iv) 10,000,000 performance shares in the capital of Resource Star (**Performance Shares**),
- (together, the **Consideration**). The Shares, Options and Performance Shares are together referred to as the **Consideration Securities**.
- (d) (**Conditions**): Settlement of the Acquisition is subject to a number of conditions, including:
- (i) **Due Diligence**: completion of mutual financial, legal and technical due diligence;
- (ii) **Initial Placement**: subject to the Company obtaining any necessary shareholder approvals, completion of a capital raising by Resource Star 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 one (1) free attaching quoted Option (on a pre-Consolidation basis) for every two (2) Shares subscribed for, to investors who fall within section 708 of the *Corporations Act 2001 (Cth)* (**Corporations Act**) or otherwise do not require a disclosure document to be issued Shares and Options (**Initial Placement**). Funds raised from the Initial Placement are to be applied towards the short term working capital requirements of the Company;
- (iii) **Shareholder Approvals**: Resource Star obtaining all necessary shareholder approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow Resource Star to lawfully complete the matters set out in the Terms Sheet (other than the Initial Placement), including under ASX Listing Rule 11.1.2, for the issue of the Consideration Securities and to change Resource Star's name to "Cloud Lands Digital Limited";
- (iv) **Regulatory Approvals**: Resource Star obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow Resource Star to lawfully complete the matters set out in the Terms Sheet, including but not limited to, approval to reinstatement to official quotation on ASX following completion of the Acquisition on conditions satisfactory to Resource Star;
- (v) **Consolidation**: completion of a consolidation of capital by Resource Star on a ratio of 50:1 or such other ratio as required for Resource Star to be reinstated to official quotation on ASX following completion of the Acquisition (**Consolidation**);
- (vi) **Re-compliance Capital Raising**: completion of a capital raising by Resource Star 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 \$0.20 each (on a post-Consolidation basis) (**Capital Raising**); and
- (vii) **Resource Star Performance Shares**: Resource Star obtaining approval from ASX that the terms of the Performance Shares satisfy ASX Listing Rules 6.1, 6.2 and 12.5.
- (e) (**End Date**): The Conditions must be satisfied (or waived) before 5.00pm (Perth time) on 31 December 2014.
- (f) (**Escrow**): If required by ASX, the Consideration Securities will be escrowed for such time period determined under the ASX Listing Rules.
- (g) (**Board composition**): Upon settlement of the Acquisition, the directors of Resource Star will consist of no more than four (4) persons to be mutually agreed between Resource Star and Cloud Lands prior to settlement.

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The Performance Shares to be issued will, subject to ASX approval, be convertible into Shares in the Company (on a one for one basis) as follows:

- (a) 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;
- (b) 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
- (c) 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.



Andrew Bell
Chairman

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