RESOURCE STAR LIMITED
ABN 71 098 238 585

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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CORPORATE INFORMATION

DIRECTORS

Mr A Bell (Executive Chairman)

Mr C Guy (Non-Executive Director)

Mr G Karantzias (Non-Executive Director)

COMPANY SECRETARY

Ms E Kestel

REGISTERED OFFICE

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Subiaco WA 6008

PRINCIPAL PLACE OF BUSINESS

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Subiaco WA 6008

AUDITORS

HLB Mann Judd (Vic Partnership)

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Melbourne VIC 3000

SOLICITORS

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Level 4 The Read Buildings

16 Milligan Street

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

COUNTRY OF INCORPORATION AND DOMICILE

Australia

DIRECTORS' REPORT

Your directors submit the interim financial report of the consolidated entity consisting of Resource Star Limited and the entities it controlled at the end of, or during the half year ended 31 December 2013. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

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

Mr A Bell	(Executive Chairman)
Mr C Guy	(Non-Executive Director)
Mr G Karantzias	(Non-Executive Director - Appointed 18 December 2013)
Mr C Burrell	(Non-Executive Director - Resigned 18 December 2013)

REVIEW OF OPERATIONS

The principal activity of the group is the continued exploration and resource definition within Africa and Australia in order to identify and explore within the energy and mineral sectors. Activity to date has been primarily in the uranium exploration business.

The Company has recently been strongly focused on identifying and performing due diligence on potential new projects, including oil and gas projects.

During the six (6) month period to 31 December 2013 the Company completed the following:

Livingstonia Uranium Project - Malawi

The Company applied to the Malawi Department of Mines for a two (2) year extension to the term of the Livingstonia tenement.

The Company is now reviewing its options in relation to this tenement. The possibility of a sale is being considered. Any proceeds from the sale of the tenement would be a reflection of the current market but the Board remains open to discussion.

Ilomba Hill Rare Earth Project – Malawi

The Zombae EPL0320/11 and South Rukuru EPL0321/11 licences have been allowed to expire. These tenements are not regarded as core and the rare earth market is not at levels that justify exploration.

Spinifex Uranium Project

Expenditure during the period was limited to administrative costs required under the Heritage Protection Agreement.

Northern Territory Tenements

Work was restricted to project reviews to ensure minimum tenement expenditure commitments were being met.

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 period.

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.

EL26219 the licence held by the Company's 100% owned subsidiary Eastbourne Exploration Ltd was surrendered during the quarter. EL26219 forms part of the Edith River Project; its main targets were uranium and gold. Radiometrics and geological mapping carried out on the license were insufficiently encouraging to justify further exploration work.

Corporate

The period ended December 2013 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.

The Company raised $50,000 new working capital funds from the transfer of Unsecured Convertible Notes in accordance with the transfer and assignment provisions of the Unsecured Convertible Note Facility; originally signed off in June 2013.

The Directors have agreed to suspend their respective Directors' fees until a new project is identified and successfully acquired.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

The Company made the decision to close its Melbourne Office and move operations to the Company Secretarial office in Perth.

The Company has forecast that it will need to seek additional funding in order to meet its operating expenditure and planned exploration expenditure for the next 12 months. The Company notes the difficulties being faced by smaller exploration companies seeking to raise additional capital in the current market, and believes that the rigorous measures it has taken to cut costs and the hard work being done on identification of a new project will be sufficient to enable the Company not merely to survive but to prosper.

The Company has been in discussions with sophisticated, professional and exempt investors in respect to the placement of the Shares available under its ASX Listing Rule 7.1 and 7.1A capacities and placement funds.

The object is to restructure and strength the balance sheet in order to put the Company in a stronger position to consummate a transaction which will add value.

Securities

14,533,334 fully paid Ordinary Shares and 50,000 Unsecured Convertible Notes were issued during the period.

At 31 December 2013, the following Securities were on issue:

- 135,973,088 Fully Paid Ordinary Shares.
- 50,000 Unsecured Convertible Notes

AUDITOR'S INDEPENDENCE DECLARATION

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 review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

Andrew Bell
Executive Chairman

Dated 14th March 2014

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the review of the half-year financial report of Resource Star Limited for the half-year ended 31 December 2013, 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 review; and

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

This declaration is in respect of Resource Star Limited and the entities it controlled during the half-year ended 31 December 2013.

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
14 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	CONSOLIDATED 31 December 2013 $	31 December 2012 $
Other revenue	2(a)	**22,285**	2,059
Exploration expenditure written off		**(237,881)**	(785,372)
Depreciation		**(373)**	(561)
Other expenses	2(b)	**(202,846)**	(310,166)
Loss before income tax		**(418,815)**	(1,094,040)
Income tax expense		**-**	-
Loss after tax from continuing operations		**(418,815)**	(1,094,040)
Other comprehensive income / (loss)		**-**	-
Total comprehensive (loss) for the period		**(418,815)**	(1,094,040)
Net loss and comprehensive loss attributable to:			
Owners of the parent entity		**(418,815)**	(1,094,040)
Non-controlling interest		**-**	-
		(418,815)	(1,094,040)
Basic loss per share (cents per share)		**(0.43)**	(0.96)
Basic loss per share from continuing operations (cents per share)		**(0.43)**	(0.96)
Diluted loss per share (cents per share)		**(0.43)**	(0.96)
Diluted loss per share from continuing operations (cents per share)		**(0.43)**	(0.96)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	*CONSOLIDATED*	
		As at 31 December 2013 $	**As at 30 June 2013 $**
Current Assets			
Cash and cash equivalents		**9,767**	1,358
Trade and other receivables		**27,670**	35,864
Other		**16,331**	8,484
Total Current Assets		**53,768**	45,706
Non-Current Assets			
Deferred exploration and evaluation expenditure	3	**-**	79,023
Plant and equipment		**878**	1,251
Total Non-Current Assets		**878**	80,274
Total Assets		**54,646**	125,980
Current Liabilities			
Trade and other payables		**482,507**	318,429
Borrowings	4	**76,880**	81,644
Total Current Liabilities		**559,387**	400,073
Total Liabilities		**559,387**	400,073
Net Assets		**(504,741)**	(274,093)
Equity / (Net Deficiency of Assets over Liabilities)			
Contributed equity	5(a)	**33,118,949**	32,930,782
Reserves	5(b)	**-**	24,450
Accumulated losses		**(33,623,690)**	(33,229,325)
Total Equity / (Net Liabilities)		**(504,741)**	(274,093)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	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 period	-	(1,094,040)	-	(1,094,040)
Transactions with owners in their capacity as owners:				
Shares issued (net of costs)	5,010	-	-	5,010
Options issued	-	-	1,573	1,573
Options forfeited	-	451,972	(451,972)	-
Total transactions with owners	5,010	451,972	(450,399)	6,583
At 31 December 2012	**32,825,782**	**(30,864,241)**	**22,903**	**1,984,444**
Balance at 1 July 2013	**32,930,782**	**(33,229,325)**	**24,450**	**(274,093)**
Total comprehensive loss for the period	-	(418,815)	-	(418,815)
Transactions with owners in their capacity as owners:				
Shares issued (net of costs)	188,167	-	-	188,167
Options forfeited	-	24,450	(24,450)	-
Total transactions with owners	188,167	24,450	(24,450)	188,167
At 31 December 2013	**33,118,949**	**(33,623,690)**	**-**	**(504,741)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	CONSOLIDATED	
	31 December 2013 $	31 December 2012 $
Cash flows from operating activities		
Interest income	**68**	2,313
Payment to suppliers and employees	**(98,539)**	(178,456)
Net cash flows provided by/(used in) operating activities	**(98,471)**	(176,143)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	**-**	(145,910)
Net cash provided by/(used in) investing activities	**-**	(145,910)
Cash flows from financing activities		
Proceeds from issue of shares and options	**-**	10
Proceeds from borrowings	**106,880**	-
Net cash flows provided by/(used in) financing activities	**106,880**	10
Net increase/(decrease) in cash and cash equivalents	**8,409**	(322,043)
Cash and cash equivalents at beginning of period	**1,358**	342,338
Cash and cash equivalents at the end of the period	**9,767**	20,295

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of half-year report

These general purpose financial statements for the interim reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as the full financial report.

It is recommended that this financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Resource Star Limited ("the Company" or "RSL") during the interim reporting period up to the date of the directors report in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(b) Adoption of new and revised Accounting Standards and Interpretations

In the period ended 31 December 2013, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period.

The Group has adopted the following new and revised Australian Accounting Standards from 1 January 2013 together with consequential amendments to other Standards:

- AASB 10: Consolidated Financial Statements;
- AASB 127: Separate Financial Statements (August 2011);
- AASB 11: Joint Arrangements;
- AASB 128: Investments in Associates and Joint Ventures (August 2011);
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards; and
- AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.

These Standards are mandatorily applicable from 1 January 2013 and thus, became applicable to the Group for the first time in the current half-year reporting period. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

(i) Consolidated financial statements:

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: Business Combinations) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 January 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 January 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 1(e).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adoption of new and revised Accounting Standards and Interpretations (continued)

(ii) Fair value measurements and disclosures

The Group has adopted AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 from 1 January 2013 together with consequential amendments to other Standards. These Standards are mandatorily applicable from 1 January 2013 and thus, became applicable to the Group for the first time in the current half-year reporting period. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. Although these Standards do not change the accounting policies on fair value measurement, they do result in additional disclosures having to be made. New disclosures prescribed by AASB 13 that are material to this interim financial report have been provided in Note 4 as only the convertible notes has been recorded at fair value at period end.

Although these Standards do not change the accounting policies on fair value measurement, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(f), should be incorporated in these financial statements.

(iii) Other

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period are as follows:

AASB 2012–2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle.

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 31 December 2013. 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 its business and, therefore, no likely change necessary to the Group's accounting policies in future periods.

(c) 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 are 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 amortisation 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exploration and evaluation expenditure (continued)

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.

(d) Going concern

In the half-year ended 31 December 2013 the Company recorded a net loss of $418,815 (2012: $1,094,040) and a net operating cash outflow of $98,539 (2012:$176,143), resulting in the Group having a net liabilities position of $504,741 (June 2013: $274,093), despite the Group having a market capitalisation of $1,088,000 as at 31 December 2013.

The Directors anticipate in order to meet its working capital requirements and identify a suitable transaction 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 March 2015, work is progressing on accessing additional funding.

The Company has a history of raising capital to fund its operations and exploration activities, to this end, the Directors have resolved to undertake a Non-Renounceable Rights Issue to raise up to a maximum of $800,000 before costs to assist the Company to extinguish current liabilities and have targeted funds available to seek out new projects.

Planning and execution of the Rights Issue is progressing to plan and the Company intends to dispatch the offer document by the end of March 2014. The Rights Issue is fully underwritten and the Directors have received written confirmation from the Underwriter that at the time of preparing this report, the Underwriter intends to fully underwrite the Rights Issue.

The Company will use the funds raised under the Issue for:

- Business development opportunities to identify a suitable transaction potentially in the energy sector;
- General working capital purposes and costs of the issue

The Company's ability to raise funds is further evident when post 31 December 2013, the Company raised $100,135 from a sophisticated investor through the issue of shares under its 15% Placement Capacity. The funds were used for short term working capital and as at the current date have been fully expended. The same sophisticated investor also loaned an additional $20,000 to the Company in March 2014 for working capital purposes.

The Company also has capacity under the convertible note facility to raise an additional $340,000, should the Rights Issue raising not be sufficient.

In addition the Company has a Letter of Support from Red Rock Resources; the largest Substantial Shareholder, issued as part of the 30 June 2013 audit, whereby Red Rock Resources confirmed its intention, as in previous years, to provide irrevocable financial support to the Company in order to ensure that RSL is able to meet its debts as and when they fall due.

This financial support will be in the form of short-term loans and repayment of loaned funds will be via the issue of equity but should the Company be called upon to repay these funds other than through the issue of Shares the funds will not be callable before September 2014.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Going Concern (continued)

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 March 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.

(e) Principles of Consolidation

The parent entity and its subsidiaries are collectively referred to as the "Group". Entities (including structured entities) over which the parent (or the Group) directly or indirectly exercises control are called "subsidiaries". The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries. The Group controls an entity when the Group 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.

The assets, liabilities and results of subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group companies are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are referred to as "non-controlling interests". The Group recognises any non-controlling interests in subsidiaries on a case-by-case basis either at fair value or at the non-controlling interests' proportionate share of the subsidiarys' net assets. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

(f) Fair Value of Assets and Liabilities

The Group measures some of the assets and liabilities it holds at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard (for the respective accounting policies of such assets and liabilities, refer to the latest annual financial statements). "Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing buyers and sellers operating in a market. "Market" is taken to mean either a market with the greatest volume and level of activity for such asset or liability, or a market that maximises the receipts from the sale of an asset or minimises the payment made to transfer a liability after taking into account transaction costs and transport costs.

Valuation techniques

The Group selects and uses one or more valuation techniques to measure the fair values of a particular asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Fair Value of Assets and Liabilities (continued)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered "observable", whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered "unobservable".

Fair value hierarchy

The Group adopts a "fair value hierarchy" to categorise the fair value measurements derived from the valuation techniques into three levels (as described below). The purpose of this classification is to indicate the relative subjectivity of the fair values derived. This classification is made by prioritising the inputs used in each valuation technique on the basis of the extent to which such inputs are observable.

Level 1 fair values are considered to be the best indication (and therefore the most reliable evidence) of fair value. Inputs used to measure Level 1 fair values are unadjusted quoted prices for identical assets/liabilities in active markets (eg Australian Securities Exchange) where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Inputs used to measure Level 2 fair values are inputs (other than quoted prices included in Level 1) that are observable either directly or indirectly. Level 2 inputs include:

– quoted prices for similar assets/liabilities in active markets;
– quoted prices for similar or identical assets/liabilities in non-active markets;
– foreign exchange rates;
– market interest rates;
– yield curves observable at commonly quoted intervals;
– implied volatilities; and
– credit spreads.

Level 3 fair values use unobservable inputs specific to the particular asset or liability because observable inputs are not available for such asset or liability.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

i) if a market that was previously considered active (Level 1) became inactive (Level 2 or 3) or vice versa; or
ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

	CONSOLIDATED	
	31 December 2013 $	31 December 2012 $
2. REVENUES AND EXPENSES		
(a) Other revenue		
Finance revenue - bank interest	**68**	2,059
Foreign exchange gain	**14,573**	-
Sundry income	**7,644**	-
	22,285	2,059
(b) Other expenses		
Administration expenses	**138,126**	142,594
Auditor's remuneration	**9,680**	15,046
Directors' fees and salaries	**53,318**	145,953
Interest paid	**1,722**	-
Share based payments	**-**	6,573
	202,846	310,166

3. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE	31 December 2013 $	30 June 2013 $
Costs carried forward in respect of areas of interest in the following phase:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	**79,023**	2,198,180
Acquisition of tenement	**75,000**	-
Expenditure incurred	**83,858**	14,601
	237,881	2,212,781
Expenditure written off (a)	**(237,881)**	(2,133,758)
Total deferred exploration and evaluation expenditure	**-**	79,023

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas as disclosed in Note 1 (c).

(a) An assessment of the recoverable amount was completed on all tenements and capitalised expenditure totalling $237,881 (2012 half -year: $785,372) was written off. Write-downs occurred where capitalised expenditure was considered to be unreasonably high, not in the Group's mandated area of "uranium and associated elements" or the licenses have expired.

	CONSOLIDATED	
	31 December 2013 $	30 June 2013 $
4. BORROWINGS		
Loan from related party (i)	**26,880**	81,644
Convertible notes (ii)	**48,047**	-
Convertible note derivative	**1,953**	-
	76,880	81,644

(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 31 December 2013 was $26,880 (30 June 2013: $81,644). 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 31 December 2013 were $48,047 and $1,953 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 $47,012 and $2,988 respectively.

There were no transfers between categories during the period.

	CONSOLIDATED	
	31 December 2013 $	30 June 2013 $
5. CONTRIBUTED EQUITY		
(a) Contributed Equity		
Ordinary shares *(i)*	**33,118,949**	32,930,782

	31 December 2013		30 June 2013	
(i) Movement in ordinary shares	***Number***	***$***	***Number***	***$***
Balance at beginning of period	**121,439,754**	**32,930,782**	114,106,414	32,825,782
Fully paid ordinary shares issued for cash:				
Conversion of convertible notes	**8,800,000**	**104,000**	-	-
Fully paid ordinary shares issued for non-cash:				
Share purchase plan	**-**	**-**	7,333,340	110,000
Equity settled tenement acquisition	**5,000,000**	**75,000**	-	-
Settlement of accrued Director's fees	**733,334**	**9,167**		
Share issue costs	**-**	**-**	-	(5,000)
Balance at end of period	**135,973,088**	**33,118,949**	121,439,754	32,930,782

Fully paid ordinary shares have the right to receive dividends as declared and entitle their holder to vote either in person or by proxy at a meeting of the Company.

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value. Accordingly the parent does not have authorised capital or par value in respect of its shares.

	CONSOLIDATED	
	31 December 2013 $	**30 June 2013 $**

5. CONTRIBUTED EQUITY (continued)

(b) Options reserve

Options reserve (i)	**-**	**24,450**
	-	**24,450**

	31 December 2013		**30 June 2013**	
(i) Movement in options reserve	***Number***	***$***	***Number***	***$***
Balance at beginning of period	**3,000,000**	**24,450**	3,000,000	22,903
Options issued	**-**	**-**	-	1,547
Options expired/forfeited	**(3,000,000)**	**(24,450)**	-	-
Balance at end of period	**-**	**-**	3,000,000	24,450

6. DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed during the period ended 31 December 2013.

7. 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.

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

The following table presents revenue and profit information for the half-year ended 31 December 2013 and 2012 and certain asset and liability information regarding business segments as at 31 December 2013 and 30 June 2013.

	Australia $	Malawi (Africa) $	Total $
31 December 2013			
Segment revenue	**22,285**	**-**	**22,285**
Segment net operating loss after tax	**(346,616)**	**(72,199)**	**(418,815)**
31 December 2012			
Segment revenue	2,059	-	2,059
Segment net operating loss after tax	(1,094,040)	-	(1,094,040)

7. SEGMENT INFORMATION (continued)

	Australia	Malawi (Africa)	Total
	$	$	$
31 December 2013			
Segment assets	**54,646**	**-**	**54,646**
Segment liabilities	**(503,510)**	**(55,877)**	**(559,387)**
30 June 2013			
Segment assets	125,980	-	125,980
Segment liabilities	(400,073)	-	(400,073)

8. EVENTS OCCURRING AFTER THE REPORTING DATE

The Company announced on 4 February 2014 that it had placed 20,026,912 Shares with a Professional Investor at $0.005 to raise a total of $100,135 for short -term working capital. The same sophisticated investor also loaned an additional $20,000 to the Company in March 2014 for working capital purposes.

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.

9. RELATED PARTY TRANSACTIONS

Red Rock Resources Plc is a substantial shareholder of the Company and holds more than 20% of the issued capital. The amount owing to Red Rock Resources Plc (Red Rock) by the Group as at 31 December 2013 was $26,880 (2012: $Nil). The loan funds are being used solely for working capital purposes. The borrowing is unsecured and non-interest bearing.

10. CONTINGENCIES

There have been no changes in contingent liabilities since the last annual reporting date.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

In the opinion of the Directors of Resource Star Limited:

1. The attached interim financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:

   a complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and

   b giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the interim period then ended.

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable taking into account the factors outlined in Note 1 (d) of the interim financial statements.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

Andrew Bell
Executive Chairman

Dated 14th March 2014

HLB Mann Judd
Accountants | Business and Financial Advisers

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Resource Star Limited ("the Company") which comprises the consolidated statement of financial position as at 31 December 2013, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

HLB Mann Judd (VIC Partnership)
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HLB Mann Judd

Accountants | Business and Financial Advisers

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Resource Star Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter – Going Concern Basis

Without qualifying our conclusion, we draw attention to the going concern disclosure set out in note 1 (d) of the half year financial report, which identifies that the interim financial report has been prepared using the going concern basis. The factors identified in note 1(d) of the interim financial report indicate the existence of a material uncertainty that may cast significant doubt upon the ability of the Company and the consolidated entity to continue as a going concern and therefore the Company and the consolidated entity may not be able to realise their assets and extinguish their liabilities in the normal course of business.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
14 March 2014