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11 July 2014

ClearStar, Inc.
("ClearStar" or the "Company")

Admission to AIM and First Day of Dealings

ClearStar (AIM: CLST), a technology and service provider to the background check industry, is pleased to announce that its Ordinary Shares were admitted to AIM, a market operated by the London Stock Exchange plc, and trading commenced at 8.00am BST today.

Highlights:

- The Company has successfully raised £8.84 million (\$15.11 million) before costs and expenses via the placing of 15,500,000 new Ordinary Shares (the "Placing") at a price of 57 pence per share (the "Placing Price")
- The total number of Ordinary Shares in issue is 36,302,900, giving the Company a market capitalisation of £20.69 million (\$35.38 million) at the Placing Price
- ClearStar's technology platform, which comprises a collection of IT applications utilising data from over 3,000 sources, has delivered employment intelligence to over 20,000 employers
- The net proceeds of the Placing are intended to be used to provide working capital to fund the Company's continued operations in marketing spend in order to acquire customers, whilst also building out ClearStar's international network, and to fund continued R&D investment in its platform. Admission will also provide the Company with access to capital to support its strategic objectives, if suitable acquisition or other opportunities arise

Centos Securities plc is acting as the Nominated Adviser and Broker to ClearStar.

Robert J. Vale, Chief Executive Officer of ClearStar, said: "We are delighted to be joining AIM. We believe our listing will enhance our credibility and profile within the background screening industry, and will assist us in achieving our strategic objectives. The demand for background check services has never been greater and, with the scalability of our platform and listing on AIM, ClearStar is well-positioned to address the growth in the market. We thank our new investors, and all those who expressed an interest, and look forward to updating them on our progress as we continue to grow."

Copies of the Company's admission document (dated 8 July 2014) are available on the ClearStar website: www.clearstar.net

All values are based on an exchange rate of £1.00: US\$1.71

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Background information on ClearStar

The Company provides employment intelligence to its clients through a suite of IT applications for day-to-day use in their business. Employment intelligence aims to improve business insight to support better recruitment, and other decisions affecting employees generally, by increasing the quality, reliability and visibility of information available to management.

ClearStar's IT suite comprises a collection of applications, which utilises data from over 3,000 sources ranging from résumés to records with local authorities. The Company's primary business involves searching the relevant source of data for specific employment intelligence information based on clients' bespoke requirements for its employment applicants. The Company extracts the required input and this information is then processed, allowing the client to make a swift decision in respect of the relevant applicant, thereby minimising bottlenecks in the hiring process. ClearStar's technology platform has delivered employment intelligence to over 20,000 employers.

The demand for the business application suite as part of the background screening process has generated the following three principal business process channels:

- Channel Partners and Consumer Reporting Agencies ("CRAs") – white labelling technology: data logistics services provided to CRAs or Channel Partners which use ClearStar technology to perform background checks;
- Medical Information Services ("MIS"): services, to date, largely sold direct to employers for the purpose of drug and alcohol tests, but which is starting to move into occupational health (i.e. work medicals/physicals); and
- Direct Services: retail background check services provided direct to employers.

In 2013, ClearStar processed and delivered 5.6 million screening services on over 1.7 million people to over 20,000 end users. Since 2007, despite the worldwide recession, there has been a fourfold increase in revenue with no capital injection. Between the financial years ended 31 December 2011 and 31 December 2013, the Company continued strong revenue growth, increasing by over 50%, which was largely driven by MIS provided to clients. During the same period, ClearStar has had a 90% retention rate of its top 10 customers. For the year ended 31 December 2013, ClearStar generated revenue of \$8.0 million and EBITDA of \$1.0 million, with net cash from operations of \$0.9 million.

Key strengths and opportunities

The Board of Directors of ClearStar (the “Directors”) believe that the Company has the following key strengths and opportunities:

Differentiated product

Whilst there are several cloud-based data recruitment intelligence tools in existence, the Company is not aware of a comparable solution that offers portability and flexibility to customers with a similar ability to optimise analysis of employee data. The ClearStar platform is flexible and able to work with multiple operating systems and databases and has been designed with the principles of speed, ease of use and reliability.

Scalability of product

The ClearStar platform has been designed to be customised and extended to suit the needs of a wide variety of industries, making it scalable for multiple adjacent and vertical markets which, the Directors believe, gives the Company the potential to secure more customers and grow its business. In 2013, ClearStar processed a total of over 1.7 million applicant background checks. The ClearStar platform can accommodate approximately 10 million applicant background checks in its current configuration, which would account for approximately 17% of the employment screening industry in the US and would amount to six-times ClearStar’s current average load.

High profile and broad sector end customers

ClearStar counts many high profile users of the technology. The Company typically distributes through a white label channel partner business model and many users of the technology are not aware that the technology which they use is ClearStar. Although high profile users are validation that the technology is effective in meeting the needs of substantial, global companies, the true value of the technology is in the diversification of industries and businesses that it services. This diversification has kept the Company on a strong growth path despite an economic downturn in the US employment market, as validated by ClearStar being honoured by Inc. Magazine as one of the USA’s fastest growing private companies for the past six years running. The ClearStar platform enables companies to process applications in a rapid and efficient manner.

Direct sales opportunity

Currently, direct sales only account for approximately 4% of the Company’s turnover and yields over 80% gross profit margin. The Directors believe that, with a larger direct sales team, the Company will be able to generate significant growth, thereby leading to greater revenues and the potential for larger profits.

Customer retention

The Company has an extremely high retention rate for customers. Between 2011 and 2013 ClearStar has had a 90% retention rate of its top 10 customers.

Industry overview and market potential

The rise in the screening industry, and particularly the use of criminal background checks to pre-screen job candidates, tenants, vendors and volunteers, stems in large part from the growth in the United States of claims alleging that an employer, organisation or association can be negligent for hiring or retaining an individual who subsequently engages in violence. The advent of the theory of negligent hiring (and negligent retention) greatly increased an organisation's exposure for brand damage and large damage awards, making the use of background checks not only a means to prevent violence, but also a defence to liability should violence occur. Background checks usually include the verification of personal identity, professional licenses held, educational achievements, employment history and information provided by personal and professional references. Finally, background checks may also include drug testing, a physical and even psychological evaluations or assessments. Searches normally involve looking back seven years, and customers require a swift response with accurate results data, in a form which is easy to integrate into their existing operating systems.

The Directors believe that the need to hire the most qualified candidate, and the inherent risk in hiring the wrong candidate, has never been greater. Workplace crime, unethical business practices and misleading resume's are on the rise. The costs of fraud, embezzlement, theft and violence are a multi-billion dollar drain on the US economy. Furthermore, negative publicity associated with negligent hiring – especially as the result of a less than thorough background check – can impact a firm's reputation.

Background checks are being used today not only to screen prospective employees and volunteers, but also to screen prospective business partners, political candidates, board members, trial witnesses, community leaders, sporting coaches and jurors. Additionally, the press frequently uses background checks for its news stories. Background checks are also an integral part of criminal, civil or financial investigations.

The need to make sure that companies recruit a suitable candidate has given the US Direct Market a \$3.7bn opportunity according to IBIS World Market and & HRO today. According to the same sources, the market is fragmented – the top four direct providers of background screening have a \$361m share of this market. In addition, according to a report by Chubb, 80% of all companies use some form of pre-employment screening. There were 4.0 million job openings on the last business day of March 2014 according to the US Bureau of Labor Statistics. If companies were involved in all such employment openings, this indicates a potential monthly screening size of 3.2 million screens per month for jobs alone.

The Workplace Violence Research Institute estimates the annual cost of workplace violence at \$36 billion, while the Substance Abuse and Mental Health Services Administration says that alcohol and drug abuse costs US businesses about \$81 billion each year, totalling approximately \$117 billion per year. IBISWorld expects that industry revenue will increase in the five years to 2018. During that time, industry operators will benefit from slow but steady improvement in the labour market. The Directors believe businesses will turn to industry operators as they hire more employees. This factor will be bolstered by an increasing number of cities and counties that have enacted laws banning companies from asking applicants whether or not they have been convicted of a crime.

Business Strategy

The Directors of ClearStar believe that the Company is well-positioned to pursue its growth strategy through the following avenues:

New customer acquisitions in existing markets

Building on its reputation with existing customers, ClearStar plans to follow a more focused sales and marketing strategy through an increased sales force and enhanced branding within the geographies and industries in which it currently operates.

Larger sales team

Currently the Company has a sales team of two people. ClearStar intends to expand its sales force substantially with a primary focus on targeting retail sales.

Product development

The Directors intend to develop the Company's existing technologies by focusing on higher quality applications for the business application suite. Furthermore, the Directors intend to take advantage of creating additional IP by developing ClearStar's patent portfolio which they believe will further the Company's leading position in the employment intelligence marketplace.

Geographic expansion

Whilst the majority of revenue is delivered in the USA, the international market is evolving and growing. The Company also operates in the Middle East and has opened an office in the United Kingdom, where the general manager of international business is based. The Company will seek to expand into further geographies by adding further customers and partners in different territories.

Acquisition strategy

The Directors intend to pursue a strategy driven by both organic and acquisition growth. Potential acquisitions in the US and internationally would include background screening companies that meet criteria such as profitability and having home-grown technology.