

21 January 2015

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

Trading Update

ClearStar, Inc. (AIM: CLST), the technology and service provider to the background check industry, is pleased to provide a trading update for the 12 months ended 31 December 2014, ahead of its Preliminary Results to be announced in March 2015.

Business Performance

This was a transformational year for ClearStar with increased business across all three of its divisions from some of the Company's largest existing customers as well as new customers, and new product offerings. In 2014, the Company processed approximately 6.5 million screening services on over 2 million people that were provided to over 27,000 end users. The Medical Information Services ("MIS") division launched a new release of its paperless chain of custody software (WebCCF) that not only makes it simpler to embed into other software offerings, but provides ClearStar customers with a management suite to better service their own clients. MIS was one of the fastest growing segments for the Company and is expected to be a key growth area in 2015. During the year, the Company also updated its background check portal for direct clients to provide increased functionality and accessibility for mobile devices. In addition, the Company commenced building its Direct Sales division, including hiring and training a team of ten salespeople. This has resulted in ClearStar receiving greater interest from employers in its products and offerings, which is expected to translate into increased direct sales revenues in 2015.

As a result of the above, the Company expects to report revenue for the full year 2014 8% ahead of market expectations at approximately \$10.9 million, representing a 37% increase over the previous year. Additionally, the Company continues to achieve strong gross margins and anticipates exceeding gross profit market expectations.

Acceleration of Investment Programme

The Company successfully completed its listing on AIM in July 2014 and raised approximately \$15 million in gross proceeds. This was to enable the Company to expand its operations in the US, as well as internationally, through the setup of a permanent data centre in the UK. As expected, the IPO raised the Company's profile and enhanced the Company's credibility within its marketplace, thereby resulting in heightened demand for its product offerings domestically and internationally. Due to this heightened demand, the Board has been able to accelerate its growth plan and bring forward investment in many key areas that were originally anticipated for 2015 into H2 2014.

These investments include:

- (a) Entry into the UK screening market with the signing of the Company's first agreement with a world-renowned, leading global risk management consultancy for the development and hosting of a white-labelled, customized solution. In order to maximise this opportunity, the Company immediately began technology enhancements to its Aurora platform to support international data elements and user interface globalization, along with establishing a data centre presence to meet UK and EU security and privacy requirements. It also hired experienced programmers specifically to manage this and future opportunities.

- (b) In December 2014, ClearStar paid \$3.2 million out of a total consideration of \$4.0 million to acquire a Florida-based background screening company. This acquisition of SingleSource Services Corporation is designed to accelerate the Company’s stated strategy to increase its market presence in direct sales to end users. The Company incurred additional one-off adviser costs in relation to the acquisition.
- (c) Strengthening and growing the Company’s service team to capitalize on attractive market opportunities within the growing U.S. screening market.

As a result of pursuing these opportunities and making the above investments, some of which had been expected to be incurred in 2015, the Company’s operational expenditure has been higher in Q4 2014 than previously forecast, with the benefit of these actions expected to have a positive impact on the performance of the Company from the second half of 2015 and beyond.

Outlook

As a consequence of the development of new product offerings in the UK, the Company has received indications of interest from a number of potential new clients and existing customers seeking to buy more services from ClearStar. There are also further opportunities derived from the SingleSource acquisition in cross-selling products and entering new market channels. The Board is optimistic about the future and believes the investment in the full year to 31 December 2014 will provide the platform for growth in providing access to new markets, and additional products and services to both new and existing customers internationally.

Robert Vale, CEO of ClearStar, commented: “We are delighted with the progress the Company has made this year, with top line growth ahead of market expectations in all three divisions for 2014. We have delivered on our stated growth strategy for expanding our brand globally, particularly with our successful IPO and the increase in our UK market presence. Our focus is on maintaining our strong organic growth in all divisions, continuing to scale our established technology platform and expanding our UK business. As a result, we have a high level of confidence for delivering strong future growth for years to come.”

Enquiries

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About ClearStar

ClearStar, Inc. is a leading and trusted background check technology, strategic services, and decision-making information provider to employers and background screening companies.

A seven-time Inc. 5000 honouree and founding member of the National Association of Professional Background Screeners, ClearStar has provided innovative technology solutions to businesses in the human capital management industry from its corporate offices in Alpharetta, Georgia since 1995. For more information about ClearStar, please visit: www.clearstar.net.