

23 July 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 an update on trading for the six months ended 30 June 2015, ahead of announcing its interim results in September 2015.

Business Performance

As stated in the FY 2014 results announcement on 16 March 2015, ClearStar has maintained the momentum of the second half of 2014 into 2015. In H1 2015, the Medical Information Services ("MIS") and Direct Services divisions achieved substantial growth, and the Company received increased demand for screening services provided to its Channel Partners and Consumer Reporting Agencies. The Company is also pleased to report that the integration of the SingleSource acquisition has resulted in a significant increase in direct sales customers with an approximate revenue increase of \$1.3m. Consequently, the Company expects revenue for the first half of 2015 to be approximately \$7.5m, representing a 43% increase over the equivalent period in 2014. Additionally during H1 2015, ClearStar experienced gross margin improvement primarily due to economies of scale along with a favourable shift in the product mix with an increased contribution of revenues from higher margin direct sales. The Company therefore anticipates the gross margin percentage for H1 2015 being higher by more than 200 basis points compared with the same period of the previous year, and expects this trend to continue due to both the revenue mix and purchasing economies.

The increase in revenue was due to strong sales growth across all three of the Company's divisions. In the first six months of 2015, ClearStar processed approximately 3.6 million screening services on over 1.1 million people that were provided to over 23,000 end users. The MIS division was awarded its largest single contract to date in February, which is expected to be worth \$1.3m-\$1.5m annually, which is due to start generating revenue in Q3 2015, which is a slight delay from that originally anticipated. This service will be delivered via the Company's paperless chain of custody software (WebCCF). In the newly-formed Direct Services division, the integration of SingleSource expanded ClearStar's number of direct sales customers to over 2,000. Excluding the contribution from SingleSource, direct sales revenue grew from approximately \$150,000 in H1 2014 to \$440,000 in H1 2015, an increase of approximately 190% year-on-year. Additionally, in July 2015, the Company won a direct sales contract with a division of one of the world's largest security companies, with anticipated initial revenues of approximately \$250,000 annually. This contract is expected to start contributing revenue in Q3. The Company's direct sales pipeline is currently over \$10 million in annualised revenue, representing a significant expansion.

Investing in Growth

Since its IPO in July 2014, ClearStar has focused on strategically investing the equity capital raised at the time of IPO and positioning the Company for growth. At the end of 2014, the Board decided that, due to heightened demand for its product offerings domestically as well as internationally, it would accelerate its growth programme. As stated previously, opportunities arose, such as investment in international expansion and an acquisition to accelerate penetration into the direct sales channel, along with planned investment in sales and marketing and R&D, which have resulted in higher operational expenditure and cost structure than anticipated at the time of the IPO. As a result, EBITDA for H1 2015 is expected to be a loss of approximately \$(1.3)m. Due to the increased investment referred to above it is expected that the Company's full year results will be below market expectations with EBITDA around breakeven for H2 2015. The

Board believes that the continued investment into the business will see increased sales and higher margins in the medium term and beyond.

The two main opportunities that the Company invested in earlier than anticipated are:

- (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, customised solution. The estimated investment for 2015 associated with this initiative is \$1.8m. This investment is primarily attributable to cost associated with capitalised software, human resources, and the UK datacentre lease. This has resulted in the creation of a new platform that supports international data elements and user interface globalisation, along with establishing a datacentre presence to meet UK and EU security and privacy requirements.

Additionally, in July 2015, ClearStar signed a contract with an EU-based screening company, located outside the UK, to license ClearStar's new global platform for both background screening and tenant screening. This will be the first multi-lingual implementation of the system. The deal is further evidence of the value of a single multilingual global platform with the ability to provide in-country data residency – something that no other vendor offers.

- (b) Strengthening and expanding the Company's direct sales and service team to capitalise on attractive market opportunities within the growing US screening market. The estimated investment for 2015 associated with this initiative is \$1.6m. The addition of several experienced sales people and operational support personnel has enabled us to go upmarket and resulted in the increase in the direct sales pipeline to over \$10m in annualised revenues.

ClearStar Shares to be traded on CREST

At the time of Admission of ClearStar's Ordinary Shares to trading on AIM on 11 July 2014, restrictions on transfer under the United States securities laws required that its shares had to be in certificated form for a period of at least 12 months following Admission.

On 14 July 2015, ClearStar introduced a Depository Interest programme with Capita IRG Trustees Limited ("Capita") to enable its ordinary shares to be traded in CREST, resulting in two lines of stock, relating to both the restricted and the unrestricted lines of stock.

On the London Stock Exchange, the unrestricted ordinary shares trade under the ticker CLSU and trade as Depository Interests in CREST. The restricted ordinary shares continue to trade outside CREST, due to restrictions imposed by United States securities laws, with the existing ticker CLST.

Robert Vale, CEO of ClearStar, commented: "We are pleased that our team has executed on all fronts of new technology development, diversification of product offerings and expansion into international markets. Our brand is emerging as a market leader in risk mitigation and we have attracted some of the most accomplished sales professionals in our sector. Our built-to-last strategy positions the Company to deliver strong, higher margin, 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.