

## ASX Code: FAS

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ABN 38 115 157 689

### Capital Structure

30th July 2014

**Ordinary Shares on issue:** 1,889 M

**Share price:** \$ 0.04

**Estimated market**

**capitalisation:** \$ 7.56 M

### Board Directors

**Kevin J Robertson** MAICD  
Managing Director

**John-Pierre Reifler**  
Chairman Non Executive

**Con Markopoulos**  
Director Non Executive

**David Allan Rossiter**  
Director Non Executive

**Madhukar Bhalla**  
Company Secretary

## Highlights for the June 2014 Quarter:

- **Continued progress with the funding for the Steeple Hill Iron Project (SHIP)**
- **FairStar executed non-exclusive mandate with Creafin & Associates to enable the required Project funding to be sourced**
- **Continued discussions with CSR Ziyang in regards to the previously agreed vendor finance for rolling stock and associated infrastructure**
- **Areas identified from where 100t of SHIP ore for pilot test will be sourced**
- **Continued negotiations with pastoralist at SHIP in regards to applications for the various Miscellaneous Licences for roads and camp facilities**
- **Complete and submit all necessary tenement disturbance data for the Department's Mine Rehabilitation Fund (MRF)**

## Details of Activities during the Quarter

### Steeple Hill Iron Project (SHIP)

During the Quarter, consultations have continued with CSR Ziyang in regards to the previously announced Vendor Financing Agreement (3rd March, 2014). This Agreement is for the manufacture and supply of required rolling stock and associated infrastructure of up to the value of US\$176 million.

Discussions are progressing well with CSR, who are still fully committed to assisting FairStar achieve the required goals and putting the Steeple Hill Iron Project into production.

Creafin & Associates, with whom the company has a non-exclusive mandate, as per announcement of 12th June 2014, have reassured the Directors that their negotiations are progressing. They have reported that they have more than one interested party with whom they are in consultation to provide the required funds for FairStar's Steeple Hill Iron Project. They are hopeful of a positive outcome in the near future. ***The Company wishes to advise that as of the end of the 30th June 2014 quarter, and as of the date of this report, no funding has been confirmed by Creafin & Associates and investors are cautioned from using this information solely as a basis for trading in the Company.***

A visit to the SHIP site was also undertaken during the Quarter to identify the areas to recover the 100t of ore for the pilot test work. The material will be easily recovered with minimal earthworks required to enable access to the material and transport from site.

Whilst on site, very positive meetings were held with the pastoralist from Avoca Downs Station with regard to progress on the Miscellaneous Licences and Section 79 Lease Application for the necessary roads, pipe lines, camp facilities and rail spur line at SHIP.

### Mines Rehabilitation Fund

Under the requirements of the Department of Mines & Petroleum's new Mines Rehabilitation Fund (MRF), the Company has submitted all disturbance data for all tenements currently held or managed by the Company.

With this data submitted, the Company will have existing Performance Bonds retired which were in place at SHIP and SHIP North. Currently, no Levy is required to be paid into the MRF as all previous disturbances have been rehabilitated satisfactorily.

### Kurnalpi Gold Project

During the Quarter, historic data for the Kurnalpi Gold Project, which includes Kurnalpi North, South and East, has continued to be entered into the Company's extensive database. Data which has been entered is then validated to ensure all information is accurate and reliable for future exploration planning.

The historic data which is being entered and validated is mainly in the form of hand written, historic drill logs and consists of depth, assay values, geology/lithology codes, direction of hole and collar locations, etc.

It is envisaged that the remaining data which is required to be entered and validated, will be satisfactorily completed in the coming Quarter. To date, Kurnalpi East (Colour Dam) has been completed.

### Duchess of York Gold Project

The Company's geologist has predominately worked during the quarter on reviewing and interpreting the historic data for the Duchess of York Project. The review and interpretation of the data has enabled a new exploration program to be created. The exploration program is aimed at extending the known mineralisation in several areas by conducting further drilling. The required Program of Works is being compiled. This will be reviewed and in due course submitted for approval to the DMP. The Company intends to commence this program once the required approvals have been granted and the funds to carry out the comprehensive program are available.

## Other Tenements

All other tenements which are held by or managed by the Company are in good standing, as per the requirements of the DMP.

## FairStar Tenement Schedule

Name of Project	Ownership	Name of Prospect	Tenement Number
<b>Steeple Hill Iron Project</b>	FairStar	Lindsay's Dam	E28/1672, E28/1766, M28/373, L28/38-40 (P), L28/43(P), E28/1997
<b>Kurnalpi-Randalls</b>	FairStar	Kurnalpi North (Halfway Hill) & South (Area 9)	E28/1749, P28/1134 & P28/1135
		Jurangie Hill	E28/1687
		Kurnalpi East – Colour Dam	E28/1561
	FairStar 90%/Westex 10% Alan Rudd	Kurnalpi East – Colour Dam	E28/1748, P28/1131, P28/1133
		Duchess of York	M25/349
		Hampton Hill	E25/393
<b>Mt Padbury</b>	FairStar	Old Trilbar	E51/1147

**Tenement Portfolio consists of the following:**

19 Tenements: 9 Exploration, 4 Prospecting, 2 Mining, 4 Miscellaneous Licences - Pending

## About FairStar Resources

### Background, FairStar - A New Horizon:

FairStar was listed in October 2006 and is a unique Perth-based uranium and gold explorer; and upon discovering Iron mineralisation at Lindsay's Dam commenced with its major Steeple Hill Iron Project (SHIP) that is strategically located near existing transport infra-structure with a clear and unencumbered path to production for relatively low capital expenditure.

FairStar will fast track development and production of its high-value Steeple Hill Iron Project with significant Indicated Resource estimate of hematite rich gravels, which produces a hematite fraction of Direct Shipping Ore to deliver immediate and substantial cash flows.

Significantly, FairStar believes it will be cash flow positive from its first year of production at SHIP.

This will be used to increase shareholder value and fund further high-value projects such as the gold tenements at Kurnalpi and Duchess of York - Hickmans Find, along with uranium at Mt Padbury.

FairStar has an extensive portfolio of projects straddling 562 Km<sup>2</sup> and remains committed to an aggressive expansion campaign to bolster its resource inventory and quickly transition the company from a junior explorer to a highly competitive producer of iron ore, gold and uranium.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Fairstar Resources Limited

ABN

38 115 157 689

Quarter ended ("current quarter")

30 June 2014

#### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(260) (344)	(1,432) (1,762)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	-	11
1.5	Interest and other costs of finance paid	(75)	(194)
1.6	Income taxes paid		
1.7	Other – Net GST (paid)/ refunded	(40)	(238)
<b>Net Operating Cash Flows</b>		(719)	(3,615)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	(310) - -
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
<b>Net investing cash flows</b>		-	(310)
1.13	Total operating and investing cash flows (carried forward)	(719)	(3,925)

+ See chapter 19 for defined terms.

**Appendix 5B****Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(719)	(3,925)
1.14	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	705	4,856
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
	- Secured		
	- Unsecured		
1.17	Repayment of borrowings	-	(976)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Other – share issue costs		
	Other – Settlement sums received	-	37
	<b>Net financing cash flows</b>	705	3,917
	<b>Net increase (decrease) in cash held</b>	(14)	(8)
1.20	Cash at beginning of quarter/year to date	260	254
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	246	246

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	137
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	<b>Explanation necessary for an understanding of the transactions</b>  Directors fees and salaries in normal course of trading and consulting fees paid to Directors & related parties.	

**Non-cash financing and investing activities**

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	Nil
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	Nil

+ See chapter 19 for defined terms.

### **Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	7,477	7,477
3.2 Credit standby arrangements	15,000	13,793

(a) *As at the date of this report, the following short term secured financing facilities are payable:*

<i>Description</i>	<i>Amount Due</i>
<i>Other unsecured loan (former convertible noteholders)</i>	<i>1,054,000</i>
<i>Loan previously secured by shares in listed company</i>	<i>1,193,000</i>
<i>Loan secured by PPSA Security interest</i>	<i>2,130,000</i>
<i>Loan secured over mining lease</i>	<i><u>3,100,000</u></i>
	<i><u>7,477,000</u></i>

(b) *In October 2010 Fairstar entered into a non exclusive standby subscription agreement with Gurney Capital Nominees Pty Ltd. The total facility, of which drawdowns can be made subject to certain terms and conditions, is \$15 million. A total of \$0.7m was drawn down pursuant to this facility in quarter ended 30 June 2014 (cumulative -\$13.793m). Shares are issued at a price representing 80% of the 5 day VWAP for the period immediately prior to the issue of a drawdown notice to Gurney.*

### **Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	50
4.3 Production	
4.4 Administration	350
<b>Total</b>	<b>700</b>

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+ See chapter 19 for defined terms.



**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	83	97
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)	163	163
<b>Total: cash at end of quarter</b> (item 1.22)		246	260

**Changes in interests in mining tenements and petroleum tenements**

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

**Issued and quoted securities at end of current quarter**

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				

+ See chapter 19 for defined terms.

## Mining exploration entity and oil and gas exploration entity quarterly report

7.3	<b>*Ordinary securities</b>	1,839,221,168	1,839,221,168		
7.4	Changes during quarter				
	(a) Increases through issues	150,714,239	150,714,239	Issued for working capital at an average price of \$0.004	
	(b) Decreases through returns of capital, buy-backs	16,266,964	16,266,964	Share issues to satisfy payment of professional fees	
7.5	<b>*Convertible debt securities</b>				
	(description)				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	<b>Options</b>	Total Number	Number Quoted	Exercise price	Expiry date
	(description and conversion factor)	278,221,152	278,221,152	\$0.1000	31/08/2014
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b>				
	(totals only)				
7.12	<b>Unsecured notes</b>				
	(totals only)				

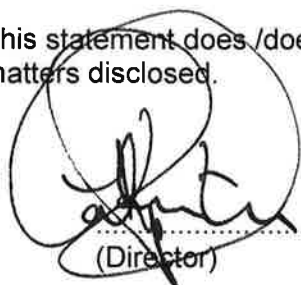
+ See chapter 19 for defined terms.



## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



(Director)

Date: 31 July 2014

Print name: Kevin J Robertson

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.