

ASX Code: FAS

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ABN 38 115 157 689

Capital Structure

28th January 2015

Ordinary Shares on issue: 1,903 M

Share price: \$ 0.004

Estimated market

capitalisation: \$ 7.61 M

Directors

Kevin J Robertson MAICD
Managing Director

John-Pierre Reifler
Chairman Non Executive

Con Markopoulos
Director Non Executive

David Allan Rossiter
Director Non Executive

Company Secretary

Madhukar Bhalla

Highlights for the December 2014 Quarter:

- **Development has continued to achieve full funding for the Steeple Hill Iron Project**
- **Convertible Note Agreement entered into with I-World totalling AUD 10,000,000**
- **Historic data entry and validation has been completed on the Company's entire Kurnalpi Gold Project**

Steeple Hill Iron Project (SHIP)

During the Quarter, the Company has continued to aggressively pursue, with the assistance of Creafin & Associates, the required financing to enable the project to move forward into production.

On the 27th October 2014, FairStar announced that the Company had signed a Convertible Note Agreement with I-World International Group Limited (I-World), of Taiwan. They have committed to invest up to \$10,000,000.00. In negotiating the Agreement and I-World seeking to convert their investment into equity, the Company reached a difficult situation given the current share price. FairStar persisted in providing I-World with a deeper understanding of the Steeple Hill Iron Project and the future prospects for FairStar. The Company is pleased to report, that I-World has the right to convert the first \$5 million at a rate of 1.6 cents per share and the second \$5 Million at 2.0 cents per share. This should provide the Company's shareholders with an indication of the potential, viability and promise that the Steeple Hill Iron Project returns to us all. The issue of Notes to enable I-World to convert to shares was granted shareholder approval on the 27th November 2014, at the Annual General Meeting.

FairStar will use the funds, from I-World, for working capital purposes, retirement of debt and development of the Steeple Hill Iron Project.

During the Quarter, the Company became aware of an additional two Complaints lodged against two of the SHIP tenements. As previously stated, the Company would like to assure its Shareholders that all necessary procedures have been taken to protect the Company's interests and will inform of the outcome in due course. Further, the Company confirms that all necessary reporting and expenditure requirements have been satisfied as required by the DMP.

Kurnalpi Gold Project

As previously reported, the Company has been actively compiling all historic data for the Kurnalpi Gold Project into the extensive database. The Company is pleased to report that all data has satisfactorily been entered into the database and correctly verified.

Work has now commenced internally to create suitable work programs to conduct future drilling. The areas that are being targeted are Halfway Hill, Area 9, Area 7, Hacketts Well and Kurnalpi East – Colour Dam. Once the work programs are completed, a further study will be undertaken to prioritise the areas that hold the best potential for the discovery of additional mineralisation.

It is the Company's intention that once the required funds are available and DMP approval is gained, this work will be commenced immediately.

Other Tenements

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

Tenement Portfolio consists of the following:

18 Tenements: 8 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 Km² 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")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(71)	(189)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	3	6
1.5 Interest and other costs of finance paid	(72)	(144)
1.6 Income taxes paid		
1.7 Other – Net GST (paid)/ refunded		(25)
Net Operating Cash Flows	(321)	(836)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	-
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) – Dividend from Opes Prime	147	147
Net investing cash flows	147	147
1.13 Total operating and investing cash flows (carried forward)	(174)	(689)

+ 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)	(174)	(689)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	195
1.15	Proceeds from Convertible Note	150	150
1.16	Proceeds from borrowings		
	- Secured	-	-
	- Unsecured	32	219
1.17	Repayment of borrowings	-	(69)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Other – share issue costs		
	Other – Settlement sums received	-	-
Net financing cash flows		182	495
Net increase (decrease) in cash held		8	(194)
1.20	Cash at beginning of quarter/year to date	44	246
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	52	52

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	15
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 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

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	7,995	7,995
3.2 Credit standby arrangements	15,000	590

- (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>1,100,000</i>
<i>Loan previously secured by shares in listed company</i>	<i>1,190,000</i>
<i>Loan secured by PPSA Security interest</i>	<i>2,380,000</i>
<i>Loan secured over mining lease</i>	<i><u>3,325,000</u></i>
	<i><u>7,995,000</u></i>

- (b) *Fairstar has 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. 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.*
- (c) *In October 2014 Fairstar entered into a Convertible Note agreement in order to raise \$10 million. Full details are contained in ASX announcement dated 27 October 2014. \$150,000 was received as under 1.15.*

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	30
4.3 Production	
4.4 Administration	150
Total	380

+ See chapter 19 for defined terms.

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

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	(21)	(29)
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)	73	73
Total: cash at end of quarter (item 1.22)	52	44

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 Preference securities (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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.3	+Ordinary securities	1,903,757,210	1,903,757,210		
7.4	Changes during quarter (a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	Total Number	Number Quoted	<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ 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: Date: 30 January 2015
(Company Secretary)

Print name: Madhukar Bhalla

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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