

ASX Code: FAS

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ABN 38 115 157 689

Capital Structure

29th July 2013

Ordinary Shares on issue: 1,342 M

Share price: \$0.013

Estimated market

capitalisation: \$ 17.45 M

Board Directors

Kevin J Robertson MAICD
Managing Director

Wayne N Wan
Director Non Executive

Con Markopoulos
Director Non Executive

Madhu Bhalla
Company Secretary

Highlights for the Quarter:

Steeple Hill Iron Project

- FairStar secures irrevocable commitment to fund 80% (\$AU260 million) of Steeple Hill Iron Project (SHIP)
- Negotiations continue with a range of parties for remaining 20% funding and off take of SHIP ore
- Agreed budget retires FAS debt; Company debt free
- Additional access to funds from a credit line totalling \$AU640 million if and when needed
- FRL Commodity Management mortgages discharged from SHIP tenements
- Continued discussions with relevant parties/agencies regarding SHIP development and transition to production

Other Projects

- Up to **108g/t Au** from rock chip sampling conducted at Kurnalpi in areas that previously returned good results
- Areas identified to conduct costeaning program at Kurnalpi
- Application for Program of Work approved by DMP at Kurnalpi for scraping and detecting purposes
- Auger sampling program conducted at Kurnalpi East
- Mining lease granted at Duchess of York Gold Project



Photograph:

*Sample location at
Kurnalpi South
– 108g/t Au*

Details of Activities during the Quarter

Steeple Hill Iron Project (SHIP)

As announced during the quarter, FairStar secured irrevocable commitment for 80% (\$AU260 million) funding for its Steeple Hill Iron Project (SHIP).

The funding deal between FairStar and Alliance Super Holdings Pty Ltd is non dilutive and will transition SHIP to production via a 50/50 profit sharing Joint Venture.

As part of the business plan and budget, all FairStar's debt will be retired and the Company will become debt free.

In addition, a line of credit totalling \$AU640 million, above and beyond the \$AU260 million invested by Alliance Super Holdings - and well in excess of the \$AU320 million capital/funding requirements for SHIP - has been secured as additional capital/funding available to the JV if and when needed.

FairStar confirmed that Alliance Super Holdings Pty Ltd and its affiliated and associated Companies have the funding in place, the only conditions remaining to be met are:

- FairStar securing its 20% and;
- Execution of formal JV agreement.

FairStar continues discussions with four parties to secure the 20% as well as off take.

The Company discharged the FRL Commodity Management mortgages following years of negotiations during which time no funds were advanced to FairStar by FRL.

FairStar continued discussions with all relevant parties and agencies regarding the development of the Project to ensure swift transition into mining and production.

Upon funding completion, the already approved drill program at SHIP North is anticipated to commence immediately.

Kurnalpi Gold Project

Kurnalpi South

Additional rock chip samples have been collected from an area previously sampled. Samples collected along a small quartz reef have returned results as high as **108g/t Au**.

Previous sampling also returned results as high as 23.6g/t. Approximately 1.5kms from this area to the northwest and along the same strike, a row of old workings were located and the mullock from these workings sampled.

Results from the samples are highly encouraging with grades as high as **11g/t Au**.

*Photograph: Row of old workings located at Kurnalpi South – assays as high as **11g/t Au***



A review of historical data reveals no drilling was conducted in the area. Approval from the DMP has been granted to conduct a program of costeaning in the area. These costeans will allow for detailed mapping and additional sampling to be conducted. The costeaning is planned for July.

A Program of Work has also been approved by the DMP to enable scraping and metal detecting work to be done over several areas. This work will be conducted by prospectors under agreement with FairStar, to assist in identifying potential areas which may warrant bulk processing.

Kurnalpi East

A small program of auger sampling was conducted over an area with moderate alluvial cover to the south of the Colour Dam Pit. From the Company's aeromagnetic imagery, an area was identified which had a similar signature to the Colour Dam Pit.

The program was designed to test material closer to the basement rather than the transported surface material. A total of 15 auger holes were drilled with a hand-held auger to a depth of approximately 600mm.

Samples were submitted and analysed for Silver, Arsenic, Chromium, Copper, Molybdenum, Nickel, Lead, Tungsten, Zinc and Gold. Sample number 15 returned anomalous values for Molybdenum and Copper.

An additional program is being planned to follow up these results. Planning is also underway for an initial air core drilling program.

An Extension of Term Application for 5 years has been submitted to the DMP for tenement E28/1748 which was due to expire on the 1st of July.



Photograph: Auger sampling at Kurnalpi East

Killara Project

A comprehensive evaluation was conducted during the Quarter to assess Killara tenements E51/1148, E51/1149, E51/1449 and E51/1450. After careful consideration, the Company has decided to surrender all interest in these tenements.

Due to the location, difficult terrain, and high annual commitments, FairStar believes that exploration will produce better results and long term shareholder value at the Company's other Projects.

Duchess of York Gold Project

During the Quarter, Mining Lease 25/349 was granted over the Duchess of York area, which formerly consisted of three tenements P25/1856-1858.

This project holds potential to host a sizeable gold resource and is located close to an existing treatment plant. Further exploration will be planned in the coming months.

Other Tenements

All other tenements are in good standing as per the requirements of the DMP.

Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Sheldon Coates, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Sheldon Coates is employed by Iron Resources Pty. Ltd, who is a consultant to FairStar Resources Ltd. Mr. Sheldon Coates has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Sheldon Coates consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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, Duchess of York - Hickmans Find and Music Well, along with uranium and base metals at Mt Padbury and Killara.

FairStar has an extensive portfolio of projects straddling 840 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 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

Name of entity

Fairstar Resources Limited

ABN

38 115 157 689

Quarter ended ("current quarter")

30 June 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	24
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(207)	(1,263)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	-	6
1.5 Interest and other costs of finance paid	-	(279)
1.6 Income taxes paid		
1.7 Other – Net GST (paid)/refunded	(73)	(258)
Net Operating Cash Flows	(497)	(3,080)
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)		
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(497)	(3,080)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(497)	(3,080)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	905	2,489
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
	- secured	-	1,000
	- unsecured	-	330
1.17	Repayment of borrowings	(270)	(580)
1.18	Dividends paid		
1.19	Other	-	-
	Other – share issue costs	(38)	(60)
	Other – Settlement sums received	-	37
	Proceeds from issue of convertible notes	-	-
	Net financing cash flows	597	3,216
	Net increase (decrease) in cash held	100	136
1.20	Cash at beginning of quarter/year to date	154	118
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	254	254

Payments to directors of the entity and associates of the directors
Payments to 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	37
1.24	Aggregate amount of loans to the parties included in item 1.10	0

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

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 (Note (a))	4,880	4,880
3.2 Credit standby arrangements (Note (b))	15,000	9,325

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

Description	Principal Amount Due
Loans (previously secured over Golden West Resources Ltd Shares)	390,000
Loan secured by 1,500,000 shares in Golden West Resources Ltd	990,000
Loan secured by PPSA Security interest	1,300,000
Loan secured over mining lease	<u>2,200,000</u>
	<u>4,880,000</u>

(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 \$0.135m was drawn down pursuant to this facility in quarter ended 30 June 2013 (cumulative -\$9.325m). 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	
4.3 Production	
4.4 Administration	200
Total	500

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	100	-
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details) – Term deposits	154	154
Total: cash at end of quarter (item 1.22)	254	154

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	E51/1148, E51/1149, E51/1449 & E51/1450	Surrendered	100% 0%
6.2	Interests in mining 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 <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	1,342,146,877	1,342,146,877	
7.4	Changes during quarter (a) Increases through issues	147,114,784	147,114,784	Issued for working capital at an average price of \$0.059
		17,536,846	17,536,846	Share issues to satisfy payment of professional fees.
		18,682,737	18,682,737	Share issues to satisfy interest obligations

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	(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	6 Convertible Notes (face value of \$400,000) Expired without exercise			Maturity date – 1 April 2013 Conversion price – \$0.10 Interest rate – 20%pa
7.7	Options <i>(description and conversion factor)</i>	<i>Total Number</i> 278,221,152	<i>Number Quoted</i> 278,221,152	<i>Exercise price</i> \$0.1000	<i>Expiry date</i> 31/08/2014
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 give a true and fair view of the matters disclosed.

Sign here:



Date: 29 July 2013

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 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, 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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