FairStar Resources Limited

ABN: 38 115 157 689

Interim Financial report for the half-year ended
31 December 2013

www.fairstarresources.com

Interim Financial report for the half-year ended 31 December 2013

Corporate directory

DIRECTORS

Kevin J Robertson
(Managing Director - Executive)

Timothy Symons
(Non-Executive Director)

Constantino Markopoulos
(Non-Executive Director)

COMPANY SECRETARY

Madhukar Bhalla

PRINCIPAL OFFICE

Unit 3, 136 Main Street
OSBORNE PARK WA 6017
Telephone: (08) 9242 5111
Facsimile: (08) 9242 5677

REGISTERED OFFICE

Unit 3, 136 Main Street
OSBORNE PARK WA 6017

AUDITORS

Stantons International Audit and Consulting Pty Ltd
Level 2, 1 Walker Avenue
West Perth WA 6005

SHARE REGISTRY

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

STOCK EXCHANGE LISTING

Australian Stock Exchange
Home Exchange: Perth, Western Australia
Code: FAS, FASO

Directors' report

The directors of FairStar Resources Ltd ("FairStar") submit herewith the financial report for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Name	
Kevin J Robertson	
Constantino Markopoulos	
Wayne Wan	(resigned 28 November 2013)
Timothy Symons	(appointed 14 August 2013)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating Results

The operating loss of the company for the six months ended 31 December 2013 amounted to $3,380,627 (December 2012 – Loss of $10,684,065).

Review of operations

(a) Exploration Activity

- Iron ore rights over SHIP North tenement converted to full Company ownership
- Discussions with process plant engineers and laboratory regarding the pilot plant test of up to 100t of SHIP ore
- Extension of Term Application submitted to the Department of Mines and Petroleum for SHIP tenement E28/1766 and has been granted for a further five years
- Continued progress on immediate SHIP requirements once funding is achieved
- Mapping, costeaning and sampling program conducted at Kurnalpi South to follow up on previous high grade sample results
- Previously submitted Extension of Term Application for tenement E28/1749 has been granted by the Department of Mines and Petroleum for a further five years. This tenement contains the Kurnalpi prospects of Halfway Hill, Area 9, Area 7 and Hacketts Well
- Extension of Term Application for a further five years, submitted to the Department of Mines and Petroleum for Music Well tenement, E37/894
- Further validation of the Company's extensive data base, particularly on the Kurnalpi Project, Halfway Hill and Area 9 data

Directors' report (cont)

(b) Project Funding

The company has been very active in negotiations with potential financiers and investors.

As announced on 5 June 2013, FairStar secured a conditional irrevocable commitment with Alliance Super Holdings Pty Ltd, for 80% funding for its SHIP, which included a budget to clear outstanding company debt. However, following extensive investigation, FairStar formally terminated this arrangement in March 2014 as it was considered not in the best interests of the Company.

On March 3 2014, FairStar announced it had secured vendor financing with CSR Ziyang Co. Ltd of up to US$176 million for SHIP's rolling stock and associated rail infrastructure requirements.

The agreement with CSR Ziyang is on competitive commercial terms and provides a five year repayment term with a two year holiday. This reduces pressure on FairStar's cash flow as the Company gears up to commence production and generates cash flow and revenue.

Under the agreement, FAS is to provide a 15% deposit to commence manufacture; the Company can confirm discussions are underway with a range of interested financiers.

Fairstar has engaged the services of Creafin & Associates (Creafin), on a non-exclusive basis, to assist FAS in raising project funding for infrastructure development of its SHIP tenement. Creafin is a Singapore-based boutique financial and consulting practice with significant experience in corporate finance and structuring project financing for the natural resource and infrastructure sector using a variety of debt instruments. On FairStar's behalf, Creafin's Managing Director, Mr Patrick Teo has made an application to several European asset managers with the aim of monetising FairStar's major asset, being the tenement at Steeple Hill. The Company is awaiting a response from the asset management entity and will inform shareholders as soon as practicable.

As stated above, FairStar is also in discussions with a range of other potential funders to ensure the Company secures the best possible terms and outcomes in a competitive process.

(c) Short Term Funding

During the half-year ended 31 December 2013, the Company financed its operations by utilising the 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 $12.285 million has been drawn down pursuant to this facility as at 31 December 2013. 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.

Furthermore, FairStar has a number of short-term loan facilities in place. Details of these loans repayable are provided in Note 4 to the financial statements. The Company is in constant negotiations with its financiers and lenders and continues to seek further loan or equity funding.

Directors' report (cont)

Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the half-year financial report

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors

Kevin J Robertson
Managing Director
14 March 2014

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

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Australia

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14 March 2014

Board of Directors
Fairstar Resources Limited
Unit 3
136 Main Street
OSBORNE PARK WA 6017

Dear Sirs

RE: FAIRSTAR RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Fairstar Resources Limited.

As Audit Director for the review of the financial statements of Fairstar Resources Limited for the period ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik

Martin Michalik
Director

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
FAIRSTAR RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Fairstar Resources Limited, which comprises the Statement of financial position as at 31 December 2013, the Statement of profit or loss and other comprehensive income, Interim statement of changes in equity, and Interim statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Fairstar Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fairstar Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, has been provided to the directors of Fairstar Resources Limited on 14 March 2014.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Fairstar Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Significant Uncertainty Regarding Going Concern and Carrying Values of Non-Current Assets

Without qualification to the conclusion expressed above, attention is drawn to the following matter:

As referred to in Note 1 (a) to the financial statements, the financial statements of Fairstar Resources Limited have been prepared on a going concern basis.

At 31 December 2013, the Company had incurred a loss before tax for the period ended 31 December 2013 totalling $3,380,627 (31 December 2012: loss of $10,684,065) a total comprehensive loss for the period ended 31 December 2013 of $3,344,292 (31 December 2012: loss of $8,699,071) and has a net working capital deficiency as at 31 December 2013 of $10,872,290 (30 June 2013: $11,209,356). The Company has cash at bank as at 31 December 2013 totalling $448,579. The Company's net operating cash outflows for the period ended 31 December 2013 amounted to $1,962,863 (31 December 2012: operating cash outflows $1,849,586). Since 31 December 2013 and to the date of this report the Company has raised $700,000 in cash in the form of new equity.

The Company at 31 December 2013 has a loan owing to a financier totalling $2,031,507 (principal and accrued interest to 31 December 2013). The loan amount is past due since 12 January 2013. The loan attracts an effective interest rate of 79.26% per annum. The loan is secured by a fixed charge over the assets over the Company. The loan principal and interest remains unpaid at the report date.

The Company at 31 December 2013 has another loan owing to a second financier totalling $2,826,322 (remaining principal and accrued interest to 31 December 2013). The loan amount is past due since 1 May 2013. The loan attracts interest payable of $27.27% per annum.

The Company at 31 December 2013 has a further loan owing to a third financier totalling $1,656,000 (remaining principal and accrued interest to 31 December 2013). The loan amount is past due. The loan attracts an effective interest rate of 169% per annum. The loan remains unpaid at the date of this report. This loan is partly secured by 1,500,000 GWR Group Limited shares whose market value approximates $225,000 as at the date of this report. Subsequent to the balance sheet date, the financier has sold all of the 1,500,000 GWR Group Limited shares. The net proceeds of $183,000 have been deducted from the balance outstanding on the loan. The remaining loan principal and interest remains unpaid at the report date.

The Company had issued convertible notes in 2011. The balance outstanding from these notes as at 31 December 2013 of $700,000 and the related accrued interest as at 31 December 2013 of $284,595, which accrue interest at a rate of 20% per annum, remains past due and unpaid at the report date.

The Company, as at 31 December 2013, has trade and other payables of $4,348,188 outstanding, of which $2,599,662 is outstanding in excess of 60 days.

The Company holds 1,816,708 shares in GWR Group Limited. Of this total, as noted in the above mentioned paragraphs, 1,500,000 GWR Group Limited have been pledged as security for a loan and were subsequently sold after the balance date for $183,000. The market value of the Golden West Resources Limited shares held by the Company as at 31 December 2013 amounted to $272,506.

The above noted matters indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is subject to the successful renegotiation of the above mentioned loans and the recapitalisation of the Company by the injection of new funds in the form of new equity. In the event that the Board is not successful in recapitalising the Company and in raising further funds, the Company will not be able to meet its liabilities in the normal course of business as they fall due and it may not be able to realise its assets at the amounts stated in the financial report. The financial report does not include any adjustment relating to the recoverability and classification of the recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

The recoverability of the Company's carrying value of Property, plant and equipment of $271,931 and Capitalised exploration expenditure of $3,247,522 as at 31 December 2013 is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate profits at amounts in excess of the book values. In the event that the Company is not successful in commercial exploitation and/or sale of the assets, the Company may not be able to continue as a going concern and the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
14 March 2014

Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes set out on pages 12 to 20 are in accordance with the Corporations Act 2001, including:

(a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance, as represented by the results of its operations and its cash flow, for the half-year ended on that date.

2. In the directors' opinion, having regard to the factors detailed in Note 1(a) to the financial statements, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Kevin J Robertson
Director
14 March 2014

Statement of profit or loss and other comprehensive income for the six months ended 31 December 2013

	Note	Half-year ended 31 Dec 2013 $	Half-year ended 31 Dec 2012 $
Revenue – other	2(a)	13,420	294,682
Employee and contractors expenses		(1,112,725)	(1,054,216)
Occupancy expenses		(106,835)	(81,256)
Administration expenses		(280,369)	(179,835)
Consultants expenses and professional costs		(191,594)	(490,387)
Finance Costs	2(b)	(923,007)	(1,669,891)
Depreciation		(30,160)	(39,208)
Travel expenses		(71,348)	(38,131)
Capitalised exploration expenditure written off		(50,000)	(200,000)
Exploration and evaluation expenses		(549,621)	(620,799)
Share based payments	2(b)	(115,308)	(494,444)
Settlement monies received under legal claim		36,920	36,920
Loss on disposal of financial assets	2(b)	-	(6,147,500)
(Loss) from continuing operations before income tax expense		(3,380,627)	(10,684,065)
Income tax expense		-	-
(Loss) from continuing operations for the period		(3,380,627)	(10,684,065)
Other comprehensive income			
Items that will not be reclassified to Profit or Loss		-	-
Items that may be reclassified subsequently to Profit or Loss			
Gain/(Loss) arising during the period on revaluation of available for sale financial assets		36,335	(272,506)
Transfer of loss to Profit or Loss		-	2,257,500
Income Tax relating to Other Comprehensive Income		-	-
Other comprehensive income for the period		36,335	1,984,994
Total (loss) and other comprehensive income for the period		(3,344,292)	(8,699,071)
(Loss) per share:			
Basic (cents per share)		(0.23)	(1.07)

Diluted earnings per share is not disclosed as the company incurred a loss and the options are not deemed to be dilutive.

The accompanying condensed notes form part of this interim financial report.

Statement of financial position as at 31 December 2013

	Note	31 December 2013 $	30 June 2013 $
Current assets			
Cash and cash equivalents		448,579	154,572
Trade and other receivables		281,922	1,922
Other		750	868
Total current assets		731,251	157,362
Non-current assets			
Other receivables		189,600	176,600
Financial assets		272,506	236,171
Capitalised exploration expenditure		3,247,522	3,297,522
Property, plant and equipment		271,931	302,091
Total non-current assets		3,981,559	4,012,384
Total assets		4,712,810	4,169,746
Current liabilities			
Trade and other payables	3	4,348,188	4,243,035
Borrowings	4	7,245,353	7,113,683
Provisions		10,000	10,000
Total current liabilities		11,603,541	11,366,718
Non – current liabilities			
Borrowings	4	6,063	17,538
Total non – current liabilities		6,063	17,538
Total liabilities		11,609,604	11,384,256
(Net asset deficiency)		(6,896,794)	(7,214,510)
Equity			
Issued capital	5	123,818,854	120,156,846
Reserves		1,249,790	1,213,455
Accumulated losses		(131,965,438)	(128,584,811)
Total equity (deficiency)		(6,896,794)	(7,214,510)

The accompanying condensed notes form part of this interim financial report.

Statement of changes in equity for the half-year ended 31 December 2013

For the period ended 31 December 2012	Attributable to equity holders				
	Ordinary Shares $	Option Reserve $	Available for Sale Investment Revaluation Reserve	Accumulated Losses $	Total Equity $
At beginning of period	116,644,804	1,201,734	(2,455,286)	(113,479,771)	1,911,481
Other comprehensive income					
Revaluation of available for sale investments	-	-	(272,506)	-	(272,506)
Transfer of loss to Profit or Loss	-	-	2,257,500	-	2,257,500
(Loss) for the period	-	-	-	(10,684,065)	(10,684,065)
Total comprehensive result for the period	-	-	1,984,994	(10,684,065)	(8,699,071)
Transactions with owners in their capacity as owners:					
Issue of shares and options during the period	1,892,197	-	-	-	1,892,197
Share issue costs	(20,400)	-	-	-	(20,400)
Option reserve adjustment	-	11,722	-	-	11,722
At end of period	118,516,601	1,213,456	(470,292)	(124,163,836)	(4,904,071)

For the period ended 31 December 2013	Attributable to equity holders				
	Ordinary Shares $	Option Reserve $	Available for Sale Investment Revaluation Reserve	Accumulated Losses $	Total Equity $
At beginning of period	120,156,846	1,213,455	-	(128,584,811)	(7,214,510)
Other comprehensive income					
Revaluation of available for sale investments	-	-	36,335	-	36,335
(Loss) for the period	-	-	-	(3,380,627)	(3,380,627)
Total comprehensive result for the period	-	-	36,335	(3,380,627)	(3,344,292)
Transactions with owners in their capacity as owners:					
Issue of shares and options during the period	3,662,008	-	-	-	3,662,008
At end of period	123,818,854	1,213,455	36,335	(131,965,438)	(6,896,794)

The accompanying condensed notes form part of this interim financial report.

Statement of cash flows for the half-year ended 31 December 2013

	Note	Half-year ended 31 Dec 2013 $	Half-year ended 31 Dec 2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,975,290)	(1,576,832)
Interest received		13,420	6,342
Interest and other cost of finance paid		(993)	(279,096)
Net cash (used in) operating activities		(1,962,863)	(1,849,586)
Cash flows from investing activities			
Payment for capitalised exploration and evaluation expenditure		(310,000)	-
Settlement monies received under legal claim		36,920	36,920
Net cash (used in)/ provided by investing activities		(273,080)	36,920
Cash flows from financing activities			
Proceeds from issues of ordinary shares (net of share issue costs)		3,166,700	1,022,353
Proceeds from options		-	11,718
Proceeds from borrowings		-	1,060,000
Repayment of convertible notes		(50,000)	(100,000)
Repayment of hire purchase liability		(23,541)	(26,507)
Payment of security bonds		(13,001)	(13,000)
Repayment of secured loans		-	(150,000)
Repayment of unsecured loans		(550,208)	-
Net cash provided by financing activities		2,529,950	1,804,564
Net decrease in cash and cash equivalents		294,007	(8,102)
Cash and cash equivalents at the beginning of the half-year		154,572	12,749
Cash and cash equivalents at the end of the half-year		448,579	4,647

The accompanying condensed notes form part of this interim financial report.

Condensed notes to the interim financial statements for the half-year ended 31 December 2013

1. Basis of Accounting and Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 *'Interim Financial Reporting'* and other mandatory professional reporting requirements. The interim financial statements were approved by the Board of Directors on 14 March 2014. The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2013.

This interim financial report is intended to provide users with an update on the latest annual financial statements of FairStar Resources Ltd. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2013, together with any public announcements made during the following half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

New accounting standards and interpretations

In the half-year ended 31 December 2013, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

(a) Going Concern

As at 31 December the Company has a shortfall of working capital (being current assets less current liabilities) of $10,872,290. The net loss for the half year ended 31 December 2013 was $3,380,627. The Company as at the date of this report has short term borrowings of approximately $7.3 million and trade and other payables of $2.6 million that are due or past due (total trade and other payables of $4.3 million).

The financial statements have been prepared on a going concern basis which requires the company to extinguish its debts as and when they fall due. The ability of the company to continue as a going concern and meet its planned expenditure commitments is subject to raising further equity and/or loan capital.

The Board is aware of the significant net asset deficiency, the significant shortfall of working capital and the challenges facing the Company. However the Board is confident the going concern basis of preparation remains appropriate for the following reasons:

- FairStar has 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 approximately $12.285 million has been drawn down pursuant to this facility from date of initial drawdown to 31 December 2013. The Company is confident the facility will continue to be made available as required and have in place an agreement for a new facility.
- The Company announced on 3 March 2014 that it had secured vendor financing with CSR Ziyang Co. Ltd of up to US $176 million for SHIP's rolling stock and associated rail infrastructure requirements.

Condensed notes to the interim financial statements for the half-year ended 31 December 2013 (cont)

(a) Going Concern (cont)

- As at 31 December 2013, loan facilities totalling approximately $7.5 million are due to be repaid (being borrowings as at 31 December 2013 of $7,245,353 – refer note 4 – plus interest accrued. The Company is confident that these facilities can be either extended, funds will be available from the Gurney Capital facility, or alternatively funds will be available from new funding facilities.
- The Company has the option of raising further capital from shareholders by way of a rights issue if required.
- The Company continues to receive ongoing support from its creditors and lenders and believe this support will continue to be made available.
- Since 31 December 2013, the Board of Directors have terminated all contracts with consultants and advisers, including the corporate advisory contract of Mr. C. Markopoulos. The Board will enter into fresh contracts as and when required and with full consent of the board. This will result in ongoing cost savings that will save approximately $65,000 per month.

In the event that the Company is unsuccessful with the above, and cannot raise any further equity, the Company may not be able to continue as a going concern and may not be able to realise its assets at their stated amounts. The Directors are confident the above measures will be successful or further capital could be raised if required and repay all debts as or when they fall due.

2. Profit/(Loss) for the half-year

The following items are relevant in explaining the financial performance for the interim period:

	31.12.2013 $	31.12.2012 $
(a) Other Income		
Sale of gold and samples	-	24,340
Profit on disposal of tenement	-	214,000
Rental recovery	-	50,000
Interest revenue	13,420	6,342
	13,420	294,682
(b) Expenses The loss before income tax has been arrived at after charging the following specific expenses:		
Finance costs:*		
Interest expense	920,041	1,663,734
Hire purchase charges	2,966	6,157
	923,007	1,669,891
* Excluded from the above amounts are finance costs included in share based payments as follows:		
Borrowing expenses on loans	-	360,000
Interest on convertible notes	21,808	30,753
	21,808	390,753
Share based payments		
Borrowing expenses on loans	-	360,000
Interest on convertible notes	21,808	30,753
Professional fees	93,500	103,691
	115,308	494,444
Loss on disposal on financial assets		
Loss on disposal of shares in listed company	-	6,147,500

Condensed notes to the interim financial statements for the half-year ended 31 December 2013 (cont)

3. **Current Trade and Other Payables**	**31.12.2013** **$**	**30.06.2013** **$**
Trade payables and accruals (i)	3,041,281	2,765,037
Accrued interest	284,959	253,425
Employee entitlements	216,545	178,081
Royalty prepayments payable	640,500	600,000
Amounts owing for tenement acquisition costs	40,000	350,000
Goods and Services Tax (GST) payable	124,903	96,492
	4,348,188	4,243,035

(i) Trade payables are normally settled on 30 day terms. Trade payables are currently being settled on 60-90 day terms. The amount of payables at balance date exceeding normal trading terms is $2,599,662.

4. **Interest Bearing Borrowings**	**Note**	**31.12.2013** **$**	**30.06.2013** **$**
Current			
Unsecured loans		-	569,821
Secured loan	4(b)	2,826,322	2,499,231
Secured loan	4(a)	1,656,000	1,422,000
Secured loan	4(c)	2,031,507	1,729,041
Unsecured loans (former convertible note holders)		700,000	850,000
Hire purchase contracts		31,524	43,590
		7,245,353	7,113,683
Non –current			
Hire purchase contract		6,063	17,538

(a) The secured loan represents a loan from an unrelated entity. The security for the loan is the transfer of shares held by FairStar in shares in listed companies, valued at $225,000 at 31 December 2013. Subsequent to balance date, the financier disposed of these shares (refer Note 10(c)).

(b) The secured loans represent a loan from an unrelated entity. Security granted is the mortgage over ML 28/373.

(c) The loan is secured by a charge under PPSA. The company has granted PPSA security interest over all PPSA personal property and a fixed charge over all other property.

(d) Assets pledged as security.
The carrying amount of assets pledged as security at 31 December 2013 for current interest bearing liabilities are:

Current – Security under PPSA	731,251	157,362
	731,251	157,362
Non-current – Security under PPSA	623,285	973,188
Non-current – Hire purchase contract	75,752	86,674
Non-current – Mortgage over shares	225,000	195,000
Non-current – Mortgage over mining lease	3,057,522	2,757,522
	3,981,559	4,012,384
Total assets pledged as security	4,712,810	4,169,746

Condensed notes to the interim financial statements for the half-year ended 31 December 2013 (cont)

5. Issued Capital

Movements in share capital during the six months to 31 December 2013 were as follows:

		Issue Price	Fully Paid Ordinary Shares	$
1 July 2013	Opening balance		1,342,146,877	120,156,846
	Shares issued for services rendered	0.0138	6,754,197	93,500
	Shares issued for working capital purposes (net of costs)	0.0156	220,078,445	3,446,700
	Shares issued as consideration for interest on convertible notes	0.007	17,401,172	121,808
31 December 2013	Closing balance		1,586,380,691	123,818,854

6. Segment Reporting

The company operates predominantly in one industry and one geographical segment, being the Mining industry within Australia. Exploration is undertaken in Western Australia. The operations in Western Australia relate to exploration for gold, base metals, uranium, and iron.

7. Contingent Liabilities

(a) Litigation regarding Mine Camp
A counter-claim against FairStar has been made by a third party in relation to the Company's claim regarding the mine camp as mentioned in Note 8(b).

(b) Legal proceedings have been issued against the Company by a creditor in relation to an amount of $112,126 accrued in the financial statements at 31 December 2013. Interest and costs may be incurred by FairStar in relation to this matter, but the outcome of the proceedings cannot be determined at this time.

(c) Recovery proceedings against the Company have commenced in relation to a trade creditor of approximately $600,000, and a secured creditor of approximately $2.0 million. These liabilities have been included in the Statement of Position. However, the Company may incur further interest and costs in relation to these matters, which cannot be determined at this time. The Company is currently in negotiations with these creditors.

As at balance date to the date of this report, the Directors are not aware of any contingent liabilities.

8. Contingent Assets

(a) Shares disposed by a Financier
FairStar continues to pursue recovery of the balance of monies in relation to the unlawful disposal of shares in Golden West Resources Ltd in 2008, now estimated at US$3.0 million, including costs and interest. No amounts have been recovered in the period ended 31 December 2013.

(b) Litigation regarding Mine Camp
FairStar is currently pursuing recovery of costs and damages in relation to a mine camp owned by the Company, that has been partly disposed by a third party. An amount of $450,000 is being pursued. The third party has made a counter-claim against FairStar in relation to this matter which is being defended. This matter is currently the subject of mediation.

As at 30 June 2013 an impairment charge of $448,480 was made against the value of the mine camp. The outcome cannot be determined as at the date of this report.

Condensed notes to the interim financial statements for the half-year ended 31 December 2013 (cont)

9. Royalty and Capital Commitments

The Company has a number of royalty commitments in relation to its tenement holdings. Details of these commitments are set out in the 2013 annual report. No material change occurred in these commitments during the half year.

10. Subsequent events

(a) Since 31 December 2013, the Company has issued 85,859,274 shares at an average price of $0.008 to raise $700,000 to assist with working capital and exploration commitments.

(b) Since 31 December 2013, the Board of Directors have terminated all contracts with consultants and advisers, including the corporate advisory contract of Mr. C. Markopoulos. The Board will enter into fresh contracts as and when required and with full consent of the board. This will result in ongoing cost savings that will save approximately $65,000 per month

(c) In February 2014, a financier disposed of 1,500,000 shares in listed companies held as security, in part payment of secured loans. The net proceeds of $183,000 has been deducted from the balance outstanding on the loan.

(d) As announced on 5 June 2013, FairStar secured a conditional irrevocable commitment with Alliance Super Holdings Pty Ltd, for 80% funding for its SHIP, which included a budget to clear outstanding company debt. However, following extensive investigation, FairStar formally terminated this arrangement in March 2014 as it was considered not in the best interests of the Company.

(e) The Company announced on 3 March 2014 that it had secured vendor financing with CSR Ziyang Co. Ltd of up to US $176 million for SHIP's rolling stock and associated rail infrastructure requirements

There are no other matters or circumstances that have arisen since 31 December 2013 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.