

## Expansion of Energy Projects

### Fairstar takes interest in Oil Prospect

Fairstar Resources Limited (“Fairstar”) is pleased to announce a significant development in the stated objective of pursuing exploration activities with a view of funding and then establishing significant commercial energy projects for the benefit of shareholders.

For some time Fairstar has been seeking diversification opportunities outside of its core geographic area and resource base and into other energy segments. Fairstar has investigated many diverse opportunities around Australia and is pleased to announce an investment in a highly prospective energy segment – Oil.

Fairstar has entered into a Farmin Agreement with Knight Industries Pty Ltd for PEP 165 situated in the Murray Basin in North West Victoria.

#### Highlights

Material components of the PEP 165 Farmin Agreement include:

- **Existing regional seismic data has shown considerable Cooper Basin equivalent sections may be present – extrapolated data estimates up to 100 million barrels**

*There are three prospects in Section 1 – Sea Lake, Noxin and Tyrrell.*

*Sea Lake – the primary prospect - mapping indicates twin reservoirs of an aerial extent of a minimum of 910 hectares with total oil pay ranging from 142m to 191m thickness.*

- **60% carried interest for limited capital exposure**

*Under the Farmin Agreement Fairstar is committed to investing \$100k upfront, a further commitment of \$1.0 million post the [agreement to drill from the Minister for Energy and Resources, Department of Primary Industries of Victoria] and a further \$1.5 million subject to drill results. The board have given due consideration to the cash requirements of this investment and are currently taking steps to source funding as not to have any negative cash flow impact on existing projects.*

#### Commentary

The Managing Director of Fairstar, Mr. Kevin Robertson commented on this exciting development.

“Fairstar has been conscious that diversification is an effective way of managing exploration risk.

We have previously announced to the market our current intention to focus on the Mount Padbury Uranium deposit. We continue to hold this view and will deploy required capital to expanding our knowledge of this resource prior to commencing a defined drilling program.

However the potential of PEP 165 and our Farmin position of 60% relative to the potential capital employed was exactly what the Company has been seeking as a diversification opportunity. We therefore are very excited about this investment and are looking forward to understanding the scope and potential of the PEP 165 prior to the end of the calendar year.

This year, 2007, has been a momentous year to date as Fairstar continues to develop and expand its energy asset base and be focused on delivering value to our shareholders.”

## About PEP 165

PEP 165 (Figure 1) lies about 80 kilometres south of the Robinvale in northwestern Victoria in a gravity low that extends southwards from the concealed NE trending Balaranald Trough beneath the Murray Basin.

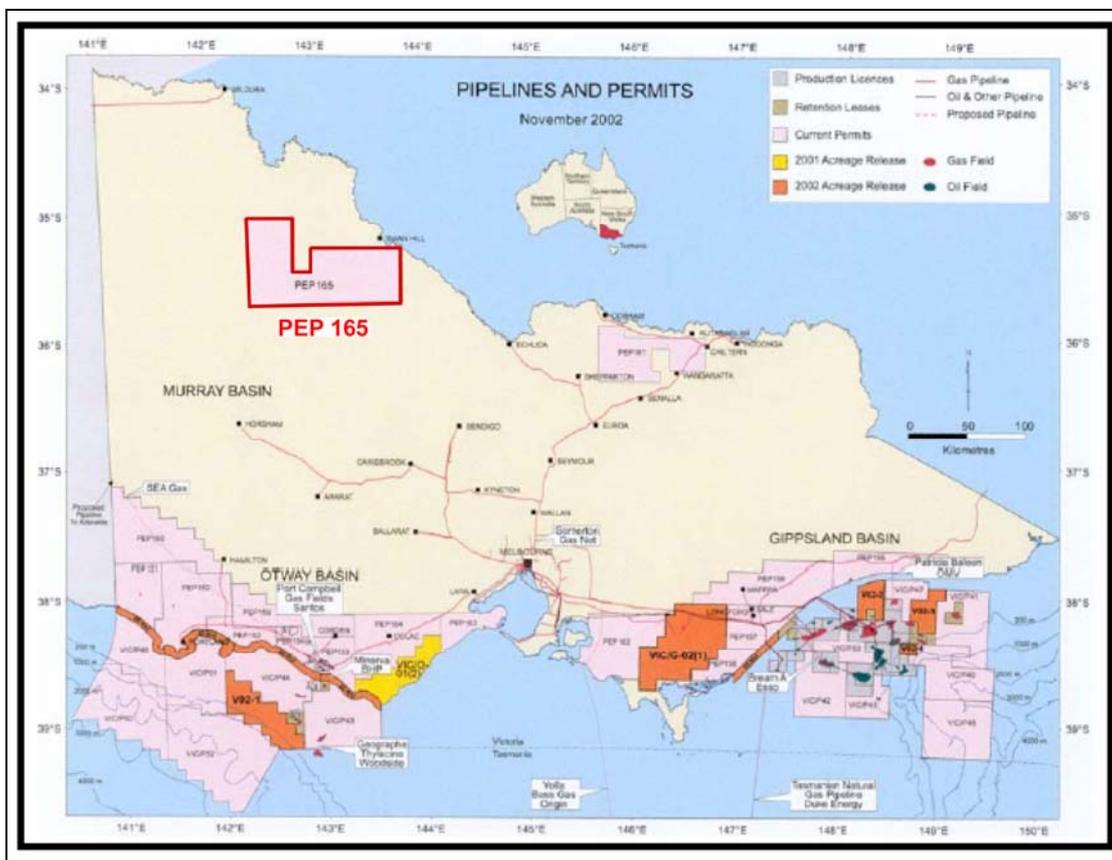


Figure 1: Location of PEP 165

The subject area, Section 1, shown on Figure 2, covers the following three known prospects,

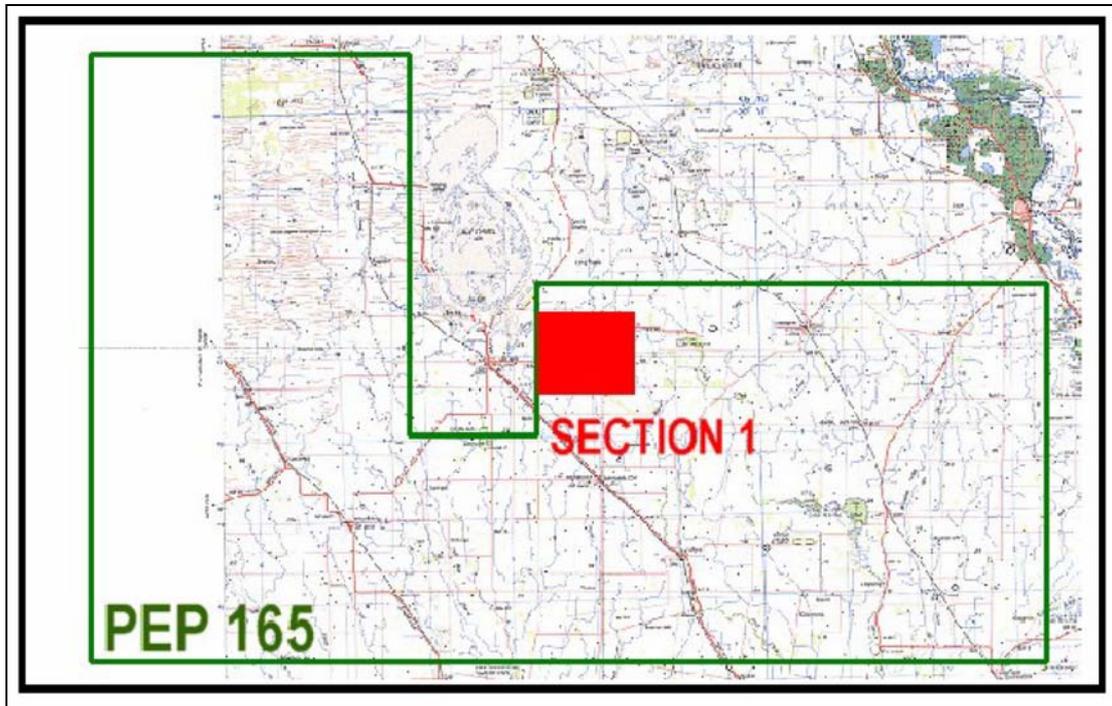


Figure 2: Location of Section 1 in PEP 165

#### **Primary Prospect – Sea Lake**

The Primary Prospect is the western-most of the three prospects shown on Figure 3. The mapping shows twin reservoirs of an aerial extent of a minimum of 910 hectares with total oil pay ranging from 142m to 191m in thickness [av. 159m]. The survey suggests the reservoirs are trapped in a faulted anticline of relatively shallow depth. The surface terrain across the prospect is flat with all weather access.

#### **Secondary Prospect – Tyrrell**

This prospect is in the centre of Section 1 (Figure 3). The expected lithology of this prospect has not yet been drawn. However, preliminary surveys of the perimeter suggest a minimum aerial extent of 450 hectares with a single pay zone ranging from 94m to 164m in thickness. It is thought that this prospect might contain up to 68 million barrels.

#### **Tertiary Prospect – Noxin**

This prospect is the easternmost prospect shown on Figure 3. The expected lithology of this prospect has also not yet been completed. However surveys indicate a twin reservoir for this prospect; with a minimum aerial extent of 310 hectares. The single pay zone measurement taken to date on this prospect showed a spot thickness of 92m and 58m respectively for each of two pay zones.

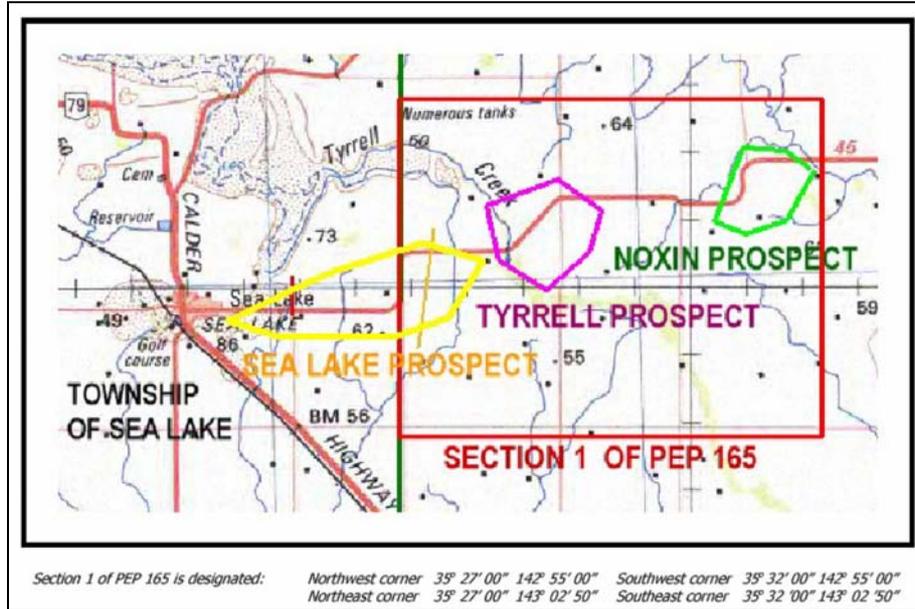


Figure 3: Location of Prospects within Section 1 of PEP 165

### Location

The Murray Basin (Figure 4) proper is located in the southwest of New South Wales extending west and south into South Australia and Victoria, respectively. Strictly speaking, the Murray Basin refers to a widespread thin sequence of Cainozoic consolidated and unconsolidated sediments. However, geographically the basin overlies a number of basement depressions that contain Palaeozoic and Mesozoic sediments. It is these sequences that are likely to contain any petroleum potential and are the primary targets in this exploration area.

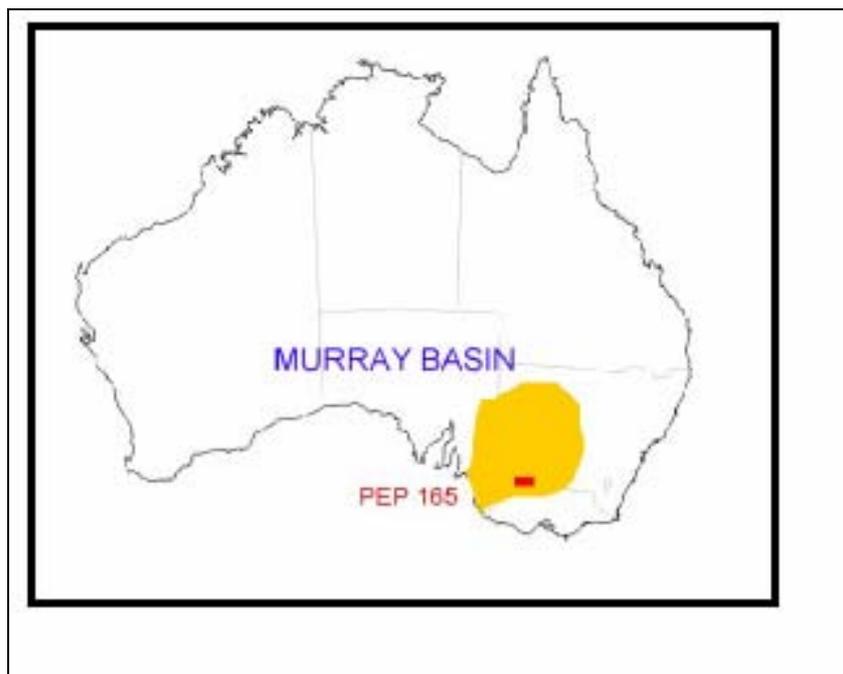


Figure 4: Location of Murray Basin showing PEP 165

### **Application Area**

Exploration for petroleum has been limited, but the wells drilled within the Ovens Graben to the east and the Renmark Trough in South Australia have established the presence of a Permian sequence of sands, shales and coal measures in the deeper parts of these infrabasins as well as Lower Paleozoic source rock sequences in other infra-basins in the region.

### **Geology**

The Murray Basin unconformably overlies and onlaps the Proterozoic sequences of Willyama and Broken Hill Blocks in the northwest, unconformably overlies meta-sediments of the Kanmantoo Fold Belt in the west, overlies a strongly folded and partially metamorphosed Ordovician to Devonian Lachlan Fold Belt sequence in the east and onlaps slightly deformed Cambrian to Lower Carboniferous Lachlan Fold Belt sediments in the south. To the north the Cainozoic Murray Basin sequence overlies the Palaeozoic Darling Basin and its infrabasins. The Murray Basin sequence forms a thin but extensive platform cover succession with its main depocentre located in the western part of the basin.

A number of concealed 'troughs' have been recognised for a long time, based on Bouguer gravity lows, lying beneath the Murray Basin. The existence of these structures has been confirmed in many cases by drilling. The troughs in the west and north of the basin in New South Wales and in western Victoria (such as the NNW trending Netherby Trough) generally contain Devonian to Early Carboniferous sequences resembling those of the Darling Basin to the north.

The troughs in the east generally contain Late Carboniferous to Triassic sediments, most notably the NNW trending Ovens Graben, which contains a thick Permian Coorabin Coal Measures sequence that has not been intersected elsewhere outside of this graben. The 'troughs' lying beneath the Murray Basin appear to be mainly a mixture of deep grabens and half grabens, and shallower gentle basement down warps.

### **Application area**

PEP 165 covers 86 graticular blocks with an area of 6018 square kilometres that is currently untested for hydrocarbons. The area is located east of the NNW trending Netherby Trough and is separated from it by a broad basement high shallowing eastwards. The area is also located along the southern extension of the NE trending Balranald Trough into Victoria where the basement grain changes in direction from NNW in the south to NE in the north shown both in the aero magnetic pixel map of the Murray Basin and the Bouguer gravity data.

## **About Fairstar Resources Limited**

Fairstar Resources Limited (“Fairstar”) is a junior exploration company that has a portfolio of exploration projects prospective for uranium and gold. Fairstar’s objective is to pursue exploration activities with a view of funding and then establishing significant commercial energy projects for the benefit of shareholders. Current activity is focused on the following portfolio projects:

### **Mount Padbury**

This Project, comprising E51/1147 and E51/1150 is centered on defining a uranium resource. Most recent activity has been the identification of uranium mineralisation (Carnotite) at Discovery Pit 2. Mineralisation at Discovery Pit 2 is very similar to that found in Discovery Pit 1. Pit 2 is located 2.3km to the west of Pit 1. Rock chip samples taken from Pit 1 showed mean results of 836 ppm  $U_3O_8$  (pure refined yellow cake) which is above the 250ppm  $U_3O_8$  cut off grade applied throughout the running industry for deposits of this type (calcrete mineralization). Geological assessment work is continuing to gain a greater understanding of the potential mineralisation across both tenements prior to finalising an updated detailed exploration program.

### **Kurnalpi Gold**

The Kurnalpi Gold Project comprises three separate prospects – Kurnalpi East (Colour Dam-Anti Dam), Kurnalpi North (Halfway Hill) and Kurnalpi South. Current activity involves ongoing geological assessment.

### **Spinifex Well**

This project is focused on defining on gold resource. Current activity has concentrated on geologic and structural analysis and interpretation of digital aeromagnetic and radiometric data acquired by Fairstar. To date this work has highlighted ‘Golden Dingo’ as the most promising gold prospect. Further Digital Mapping and check sampling will be undertaken to develop a systematic program of trenching and scout RC drilling which is expected to be completed in the near term.

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