

This report covers FairStar's exploration related activities for the quarter ended 30th June 2009

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## Capital Structure

27 July 2009

**Ordinary Shares on issue:** 412 M  
**Options on issue:** 72 M  
**Share price:** \$0.049  
**Options price:** \$0.007  
**Estimated market capitalisation:** \$20.2 M

## Board Directors

**Ken Allen**  
Chairman Non Executive

**Kevin J Robertson**  
Managing Director

**Mahendra Pal**  
M. Sc, FAusIMM, MAICD, MSGAT  
Director Executive - Exploration &  
Technical

**Vaz Hovanessian**  
Director Non Executive

**Harold J Paiker**  
B.Juris LLB LLM  
Director Non Executive

**Alan Thomas**  
Company Secretary

## Highlights of June Quarter

- Airborne magnetic-radiometric survey was conducted over the Company's tenements, commencing with Killara Project and concluding with Duchess of York prospect
- More than 60% of geological mapping of Mahendra's Find Iron Project has been completed. Mapping of remaining portion is scheduled for completion in August
- Ethnographic Survey of the Mahendra's Find tenements (E28/1672 & E28/1766) for drill site clearance was carried out on May 8; no ethnographic sites were identified
- Rationalisation of tenements continued during Quarter and Randalls (E25/1863) and Randalls South (E15/870) were transferred back to tenement holders; further tenement rationalisation to continue
- Company continues work on assessing the best options for its holding in iron ore exploration company Golden West Resources (ASX: GWR)
- \$5m funding facility secured with Fortrend Securities Pty Ltd (post the Quarter, on July 23) to provide funds for exploration programs and working capital

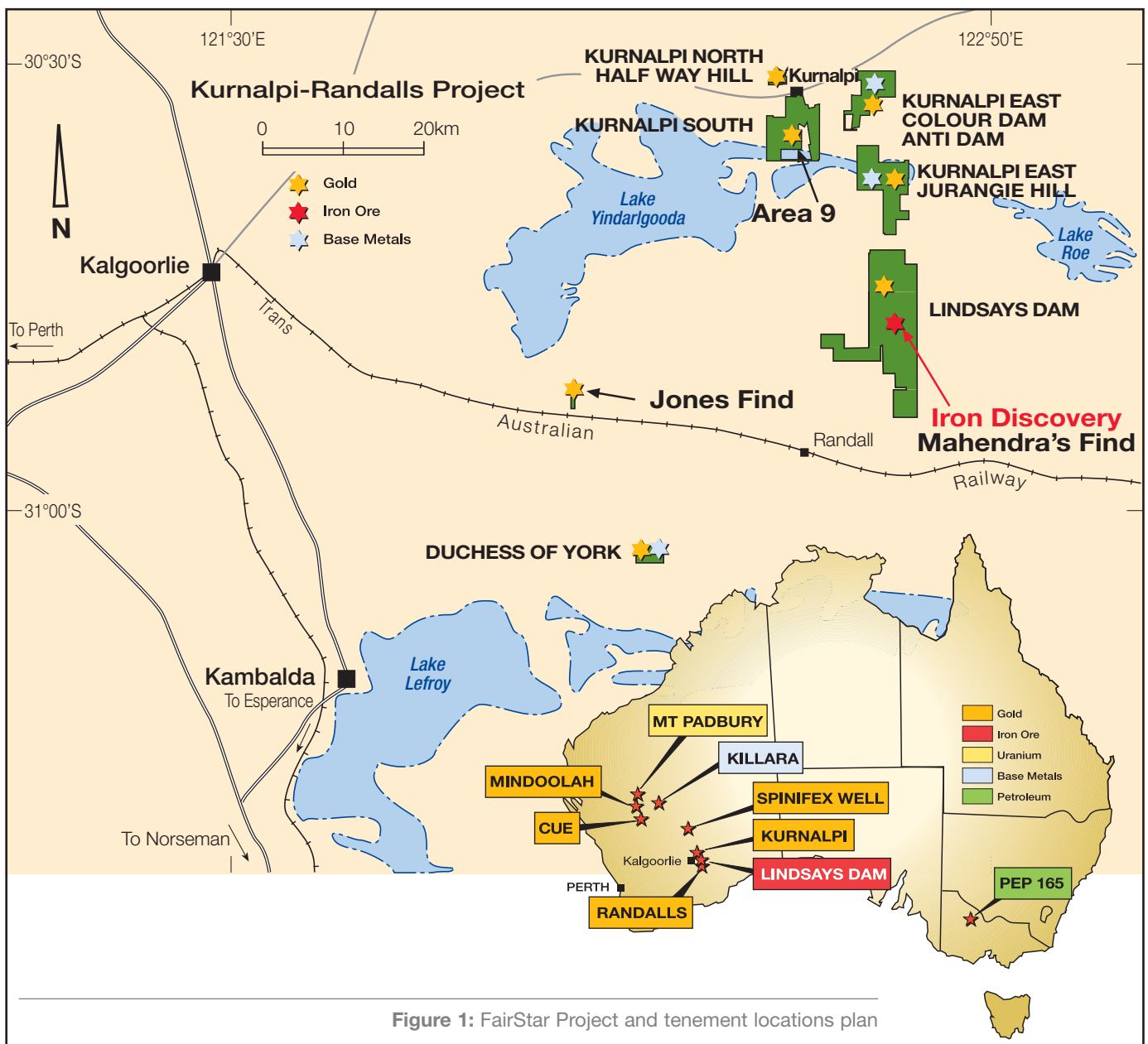


## Work performed

During the June 2009 Quarter exploration work at the Company's projects included; field visits, geological mapping and Ethnographic Survey of the Mahendra's Find Project, airborne magnetic-radiometric survey, re-sampling of drillhole composites from the Halfway Hill prospect (from the 2006 BBRC drillhole series) at the Kurnalpi-Randalls Gold Project, ground radiometric survey at the Mount Padbury and Mindoolah projects, and study of Duchess of York tenements.

## Geological mapping – Mahendra's Find (E28/1672 & E28/1766)

Geological mapping of the Mahendra's Find Iron Discovery (Figure 1) commenced on April 20. To the end of the Quarter, about 60% of the project area was mapped. Due to paucity of outcrops (Plate 1) and heavy vegetation (Plate 2), mapping was carried out at 1:10,000 scale. The mapping has confirmed the presence of outcrops of banded iron formation (BIF), goethitic-hematite, hematite-goethite, hematite, canga, and iron scree sampled during the discovery phase of iron mineralisation at the tenements (E28/1672, E28/1766). The mapping is anticipated to be completed by mid-August.



**Plate 1:** Typical rock outcrops within the Prospect area



**Plate 2:** Typical vegetation within the Prospect area



## Ethnographic survey of Mahendra's Find tenements

Ethnographic Survey of the Mahendra's Find Iron Prospect, tenements E28/1672, E28/1766, was conducted on May 8 (by anthropologist Wayne Glendenning of Western Heritage Research Pty Ltd in the presence of the Central East Native Title Claimant Group representatives Michael Tucker, Glen Barnes, Cyril Barnes, Steven Sinclair and Lawrence Pennington) (Plate 3). The exercise comprised of four components:

- Consultations with indigenous elders and other relevant organisations to identify appropriate indigenous land owners and consultants;
- Research of the Department of Indigenous Affairs (DIA) database;
- Field inspections of the Prospect area with identified indigenous representatives; and
- Reporting of the survey results.

The survey was conducted on foot (Plate 3) and by vehicle using a handheld Garmin eTrex Global Positioning System (GPS).

**Plate 3:** Survey team at work



## Conclusions

The Central East Native Title Claimant Group representatives stated that they know the country comprising the survey area very well and still camp and hunt in the area. To the best of their knowledge, no ethnographic sites are located within the Prospect area.

## Airborne magnetic-radiometric survey

Most of the Company's tenements have a thick cover of Quaternary and Tertiary sediments, and as such an airborne magnetic-radiometric survey was conducted to unearth sub-surface geology and structures, and define drill targets, at the Kurnalpi-Randalls and Killara project areas (Figure 1).

The following equipment was used in the survey.

- Aircraft  
Type: Aerocommander Shrike AC500 (Plate 4)  
Registration: VH-FGZ with 2 engines (2 X Lycoming IO540 EIB5) with 285 Horsepower each
- Cesium vapour magnetometer in a fixed tail stinger assembly
- Horizontal magnetic gradiometer wingtip sensors
- Radiometric sensors with 33 litre crystal capacity
- Radar altimeter
- Barometric altimeter
- Differential GPS navigation system
- Field processing computer with digital backup options
- Aircraft tracking and reporting system



Plate 4: Survey in action

## Survey specifications

Table 1: Survey specifications

List of Specifications	-----Survey areas-----		
	Killara	Kurnalpi-Randalls	Duchess of York
Flight line spacing	100m	50m	50m
Flight line direction	North-South	East-west	East-west
Tie line spacing	1000m	500m	500m
Tie line direction	East-West	North-South	North-South
Flight height (subject to final safety analysis)	40m	40m	40m
Magnetometer(s) cycle rate	0.1 seconds	0.1 seconds	0.1 seconds
Magnetometer(s) resolution	0.001nT	0.001nT	0.001nT
Spectrometer cycle rate	1.0 second	1.0 second	1.0 second
GPS e rate	1.0 second	1.0 second	1.0 second
Radar altimeter	0.1 seconds	0.1 seconds	0.1 seconds
Base magnetometers (2)	Proton precession	Proton precession	Proton precession
Cycle rate	5 seconds	5 seconds	5 seconds

The survey started on June 7 at the Killara Project and concluded on July 15 at the Duchess of York (tenements P25/1856-P25/1858) area of the Kurnalpi-Randalls Gold Project.

The survey work concluded satisfactorily and the data is currently being processed and analysed by Southern Geoscience Consultants.

## Sampling

During examination of assay data from various FairStar tenements, it was noted that the weathered material (generally the first 60 meters) in a hole was sampled in composites of four metres. Moreover, several four-metre intervals have assay values of greater than 0.2 g/t gold. As a result, a number of drill holes from the Halfway Hill Prospect, where drill cuttings were found in good condition, were sampled at one-metre intervals and analysed for Silver, Gold, Copper, Lead and Zinc. Comparison of one meter sampling and analysis is shown in Table 2. The results suggest that the sampling at one-metre intervals was a positive initiative to undertake. Further, the one-metre analytical results have provided anomalous values for copper and zinc (Table 2), which further enhances the Halfway Hill Prospect's potential.

**Table 2:** Comparison of sampling - 4 metres composite vs 1 metre

Analytical procedure:					AR40_ICPMS						
Detection limit (ppm)					0.001	0.05	0.05	0.1	0.05		
Location (m)					Grade (ppm)						
Hole No.	Northing	Easting	From	To	4m composite Au	Au	AG	Cu	Pb	Zn	
BBRC5	6622842	423501	0	1		0.106	<0.05	53.18	13.8	13.96	
			1	2		0.574	0.08	91.89	16	15.65	
			2	3		0.137	0.36	64.98	11.5	5.95	
			3	4		0.705	0.35	75.86	13.8	9.51	
<b>4m weighted average</b>					<b>0.29</b>	<b>0.381</b>	<b>0.2</b>	<b>71.48</b>	<b>13.8</b>	<b>11.27</b>	
			4	5		0.147	<0.05	50.6	11.9	4.56	
			5	6		0.596	<0.05	53.68	8.4	11.56	
			6	7		0.236	0.97	50.76	8.5	8.19	
			7	8		0.314	0.07	51.37	7	11.18	
<b>4m weighted average</b>					<b>0.23</b>	<b>0.323</b>	<b>0.26</b>	<b>51.60</b>	<b>9.0</b>	<b>8.87</b>	
BBRC9	6622878	423479	0	1		0.075	<0.05	68.77	9.9	13.34	
			1	2		0.054	<0.05	84.63	13	7.35	
			2	3		0.06	<0.05	69.91	15.5	6.69	
			3	4		0.016	<0.05	57.73	14.4	4.86	
<b>4m weighted average</b>					<b>0.09</b>	<b>0.051</b>	<b>&lt;0.05</b>	<b>70.26</b>	<b>13.2</b>	<b>8.06</b>	
BBRC12	6622881	423420	0	1		0.102	0.23	74.88	9.9	9.9	
			1	2		0.019	<0.05	70.45	11.6	4.06	
			2	3		0.012	0.06	69.01	10.8	3.93	
			3	4		0.001	<0.05	65.83	12.4	6.3	
<b>4m weighted average</b>					<b>0.08</b>	<b>0.034</b>	<b>0.07</b>	<b>70.04</b>	<b>11.2</b>	<b>6.05</b>	
BBRC19	6622840	423420	35	36		0.088	<0.05	213.5	1.4	33.25	
			36	37		0.073	<0.05	203.8	2.3	29.66	
			37	38		0.001	<0.05	280.1	1.6	42.25	
			38	39		0.058	<0.05	238	2.7	48.73	
			39	40		0.433	<0.05	305.4	2.3	50.12	
<b>4m weighted average</b>					<b>0.32</b>	<b>0.141</b>	<b>&lt;0.05</b>	<b>256.83</b>	<b>2.2</b>	<b>42.69</b>	

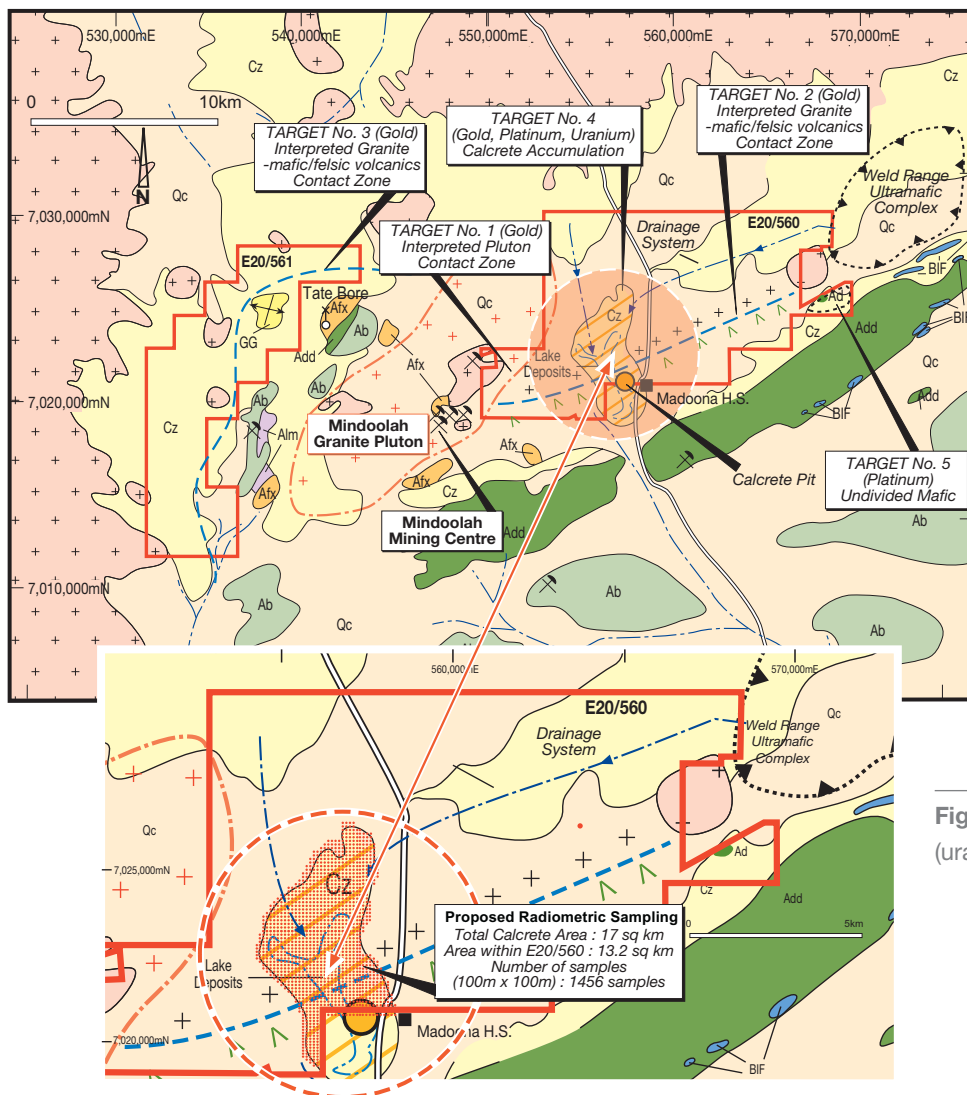


Quarterly Report for period ending 30 June 2009
















Analytical procedure:					AR40_ICPMS					
Detection limit (ppm)					0.001	0.05	0.05	0.1	0.05	
Location (m)					Grade (ppm)					
Hole No.	Northing	Easting	From	To	4m composite Au	Au	AG	Cu	Pb	Zn
BBRC24	6622962	423361	51	52		0.001	<0.05	270.7	1	142.4
			52	53		0.001	<0.05	198.2	1.6	89.61
			53	54		0.001	<0.05	182.5	1.3	77.37
			54	55		0.037	<0.05	130.7	1.7	54.58
			55	56		0.001	<0.05	150.5	2.7	54.92
<b>4m weighted average</b>					<b>0.08</b>	<b>0.01</b>	<b>&lt;0.05</b>	<b>165.48</b>	<b>1.8</b>	<b>69.12</b>
			63	64		<0.001	<0.05	147.5	2	65.26
			64	65		0.001	<0.05	151.9	1.7	69.53
			65	66		0.001	<0.05	149.5	2.1	65.22
			66	67		0.001	<0.05	147.4	1.1	60.05
			67	68		2.337	0.59	147.4	1.1	87.66
<b>4m weighted average</b>					<b>0.15</b>	<b>0.585</b>	<b>0.15</b>	<b>149.05</b>	<b>1.5</b>	<b>70.62</b>
BBRC26	6623001	423384	20	21		0.045	<0.05	32.41	4.1	5.3
			21	22		0.043	<0.05	32.67	4.9	4.4
			22	23		0.001	<0.05	29.62	3.9	2.59
			23	24		0.009	<0.05	51	2.7	17.02
<b>4m weighted average</b>					<b>0.12</b>	<b>0.025</b>	<b>&lt;0.05</b>	<b>36.43</b>	<b>3.9</b>	<b>7.33</b>
			52	53		0.001	<0.05	234.6	9.3	129.4
			53	54		0.026	0.09	271.8	3.6	149
			54	55		0.001	<0.05	291.3	2.8	72.24
			55	56		0.042	<0.05	285	2	73.9
<b>4m weighted average</b>					<b>0.41</b>	<b>0.018</b>	<b>0.02</b>	<b>270.68</b>	<b>4.4</b>	<b>106.14</b>
			60	61		0.042	0.25	174.4	2.9	154.2
			61	62		0.001	0.18	105.4	1.4	129.7
			62	63		0.001	<0.05	97.55	1.3	92.7
			63	64		0.001	<0.05	91.39	1	75.58
<b>4m weighted average</b>					<b>0.24</b>	<b>0.011</b>	<b>0.11</b>	<b>117.19</b>	<b>1.7</b>	<b>113.05</b>
BBRC27	6623002	423343	56	57		0.661	<0.05	164.7	1.4	34.88
			57	58		0.614	0.16	124.2	2.4	22.08
			58	59		0.757	0.7	167.9	4.6	22.43
			59	60		0.089	0.07	181.4	2.6	26.87
<b>4m weighted average</b>					<b>1.13</b>	<b>0.53</b>	<b>0.23</b>	<b>159.55</b>	<b>2.8</b>	<b>26.57</b>

## Ground radiometric survey

Ground radiometric survey was carried out at the Mount Padbury Uranium Project (tenement E51/1147) and Mindoolah Project (tenement E20/560 – Figure 2) using handheld GR-135 Plus scintillometer. A total of 303 readings, 291 from Mount Padbury Project and 12 from Mindoolah Project, were taken. Depending on the ground condition, the sampling pattern varied from 500m x 500m to 500m x 100m. Sampling over creek beds was closed to 500m x 100m. Heavy rain resulted in the survey being postponed, and it is scheduled to resume in mid-August.



**Figure 2:** Mindoolah Project carnotite (uranium) mineralisation target

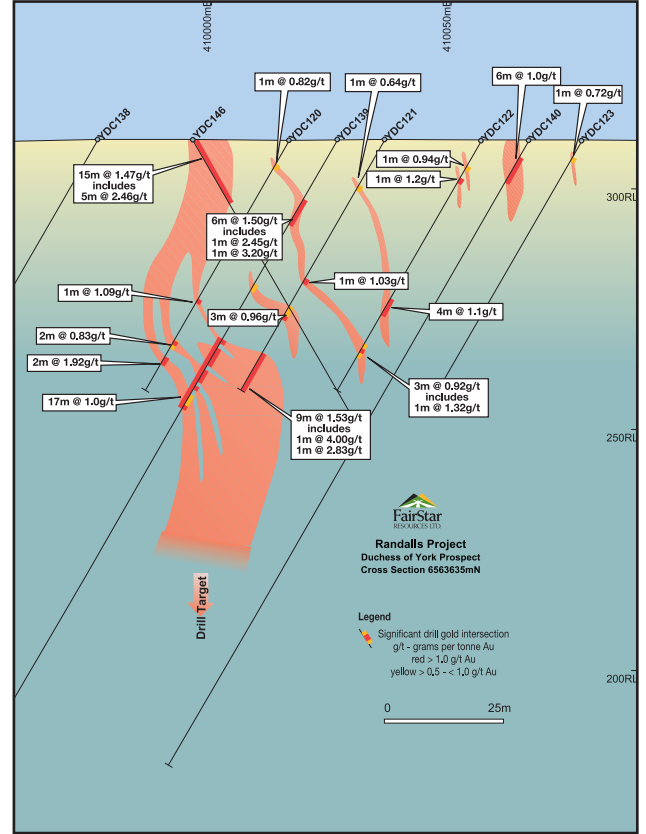
 Qc	Alluvial Cover		Fairstar Tenements
 Cz	Calcrete/ Laterites		Anticline
 GG	Glengarry Group		Gold Workings
 + +	Granitoids		Sealed Road
 BIF	Banded Iron Formation		Well or Bore
 Alm	Quartz mica schist		
 Add	Dolerite		
 Ad	Undivided Mafic		
 Ab	Mafic Rocks / Basalt		
 Afx	Felsic porphyry tuffs		



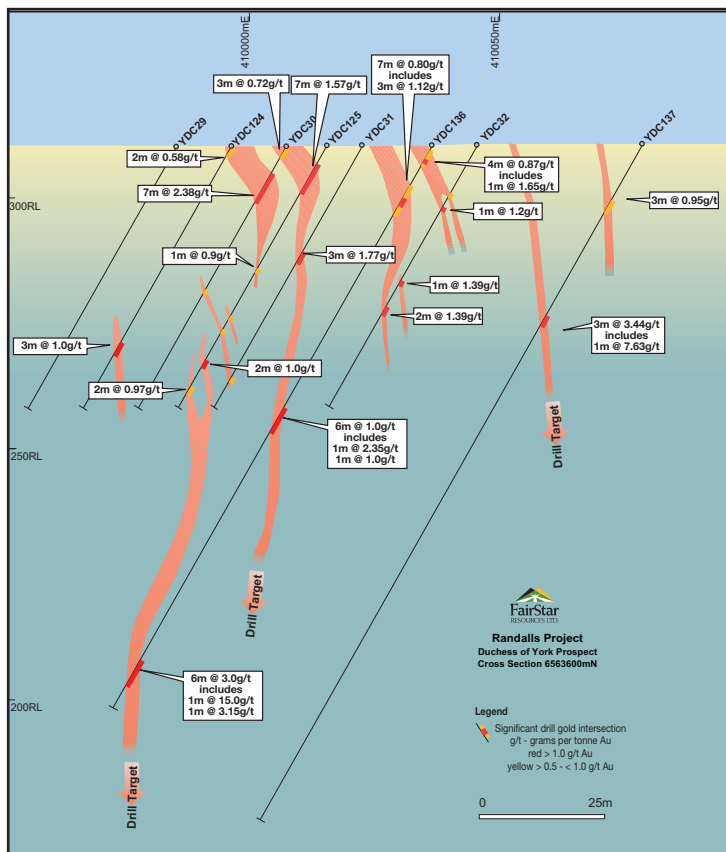
## Duchess of York Prospect

During the reporting period available information on the Duchess of York tenements were examined. The Duchess of York Prospect covers three contiguous tenements (P25/1856-P25/1858) and is located about 70 km southeast of Kalgoorlie in the Bulong District of the East Coolgardie Mineral Field in WA (Figure 1). More than 70% of the project area is covered with colluvium. Recent study highlighted that the project has the potential to host a reasonable size gold resource - near surface (0-50 metres) and at depth, exceeding 100 metres (Figures 3 - 5). To unearth sub-surface geology, structures and define drill targets the area has been flown as part of the recent airborne magnetic-radiometric survey of the Company's tenements in the Kurnalpi-Randalls project area (Table 1). This was successfully completed on July 15. Contractor, Fugro, is presently validating the data.

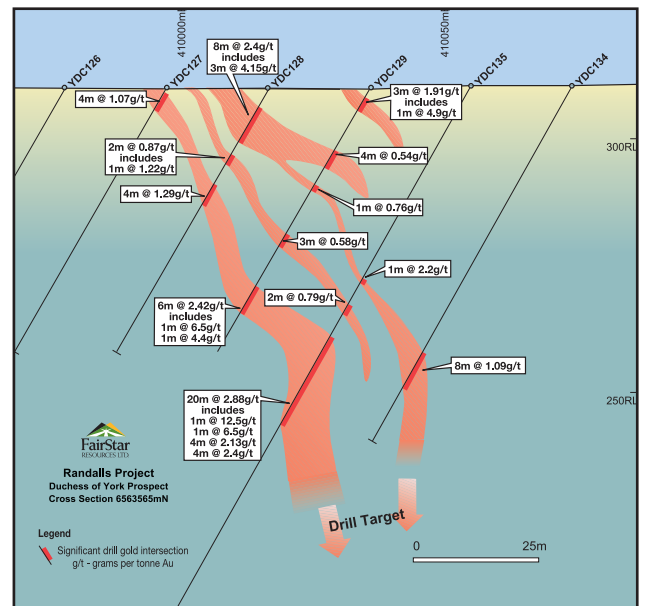
**Figure 3:** Duchess of York cross section 6563635mN



**Figure 4:** Duchess of York cross section 6563600mN



**Figure 5:** Duchess of York cross section 6563565mN



## Oil and Gas Exploration

On July 9, the tenement lease (PEP165) covering the Company's Oil and Gas Project, in the on-shore Murray Basin in Victoria was transferred to FairStar as 100% owner by the Victorian Department of Primary Industries (DPI).

FairStar advises that the Company is currently in dispute with its joint venture partner, Knight Industries Pty Ltd regarding the terms of the Oil and Gas joint venture Project. FairStar will comment on the Oil and Gas joint venture when the dispute has been resolved.

The Sea Lake Well 1 is the only hole in the area which has intersected natural gas (about 15 metres of methane). The Company has applied for a suspension of further exploration in the tenement for a period of 6 months, to allow FairStar to procure and examine all available information in detail and plan further action. The Company is awaiting a response from the DPI, Victoria.

## Tenement rationalisation

The Company's tenement rationalisation is continuing and as a result, the Randalls South (E15/870) and Randalls (P25/1863) tenements were transferred to the tenement holders. Further tenement rationalisation will continue.

## Other Tenements

FairStar's exploration activities for the Quarter in review focused on those referred to in this report. However, the Company can report that all other tenements remain in good standing and meet statutory requirements.

## Corporate Activity

### **\$5 million funding facility secured**

The Company secured a \$5 million funding facility (post the Quarter, on July 23) with Fortrend Securities Pty Ltd.

The facility will provide funds over the next three years for FairStar's exploration programs as well as working capital. This will result in an increase in the Company's exploration activity and assist in its goals to prove up viable resources.

The \$5 million facility can be drawn down at FairStar's discretion by the issue of FairStar shares to Fortrend. FairStar has the right but not the obligation to use the facility at any time over the facility's 3 year term.

### **Shareholding in Golden West Resources**

FairStar Resources is the largest shareholder in Golden West Resources, holding approximately 17.2% of the ordinary shares of GWR.

FairStar has received a large number of approaches from various parties, both domestically and internationally, regarding the Company's intentions for its holding in GWR. The Company has also received numerous inquiries from shareholders in relation to its GWR shareholding.

The shareholding in GWR represents a valuable, strategic capital investment for the Company. As previously stated, the Board's objective is to maximise the value of the holding in GWR for the benefit of FairStar and its shareholders, and this encompasses the Company's desire to further explore and develop its own key iron, gold and uranium projects.

The Company has undertaken a detailed review process of the opportunities in relation to the GWR shareholding, and hopes to be in a position to announce an outcome to the market in the near future.

## Board Changes

On May 7, Ken Allen re-joined the Board as a Non-executive Director. Mr Allen was previously a founding Director and Company Secretary for FairStar.

Mr Vaz Hovanessian resigned as the Company's Chairman effective from June 25. Mr Hovanessian will continue as a Director of the Company. Mr Ken Allen has replaced him as Chairman of the Company.

## Proposed Work Program for Q3, 2009

For Q3, 2009 the following activities are planned:

- Geological mapping at the Mahendra' Find tenements (E28/1672, E28/1766) will continue and is likely to be concluded by mid August
- Data from recent airborne magnetic-radiometric survey over the Company's tenements will be processed, analysed and drill targets defined
- First phase of drilling program (10,000m along 150 holes) at the Mahendra's Find Prospect will be planned. Further studies and drilling will be guided by this phase of drilling
- Planning for a 5,000m RC percussion and 300m diamond drilling program to test anticipated deep extensions of gold mineralisation at the Halfway Hill, Area 9, Jones Find and Duchess of York prospects at the Kurnalpi-Randalls Gold Project will take place. This drilling is aimed at extending the gold mineralisation in the area
- Planning for drill programs of approximately 2,500m vacuum and 2,000m RAB at the Mindoolah and Spinifex Well projects respectively will be undertaken
- Preparation of geological plans and sections for preliminary estimation of gold mineralisation at Jones Find, Halfway Hill, Colour Dam and Duchess of York prospects will continue.
- Continuation of ground radiometric survey at the Mount Padbury and Mindoolah projects for radioactive minerals will continue
- Review of data from other tenements, including reconnaissance field visits
- Preparation and submission of Program of Work to Western Australian Department of Minerals & Petroleum
- Detailed study and preparation of Program of Work for the Department of Primary Industries (DPI), Victoria for PEP 165; subject to DPI, Victoria's grant of suspension under Section 105 of the Victorian Petroleum Act 1998 from further exploration in the tenement for a period of 6 months.
- Discussions with drill companies on the availability of suitable drilling machines to continue and are likely to be concluded in mid August
- The Company has advertised for suitably qualified geoscientists for its upcoming exploration programs, and will undertake a selection process during the Quarter
- Proposals from consulting firms with experience in heap leaching have been received and are being examined

*The information reported herein is based on information compiled by Mr Mahendra Pal who is a Member of the Australian Institute of Company Directors, a Fellow of the Australasian Institution of Mining and Metallurgy, Australia and a Member of the Society of Geoscientists and Allied Technologists, India. Mr Pal is an employee (Executive Director - Exploration & Technical) of FairStar Resources and has sufficient experience relevant to the style of mineralisation and deposit type under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Pal consents to the inclusion of this report of the matters based on his observations in the form and context in which it appears.*

Yours faithfully

A handwritten signature in black ink, appearing to read "Kevin J. Robertson", is written over a faint, circular watermark or stamp.

**KEVIN J. ROBERTSON**  
**Managing Director**  
FairStar Resources Limited

## About FairStar Resources

FairStar Resources is a Perth-based multi-commodity exploration company, which listed on the ASX in October 2006. The Company has project interests in Gold, Iron, base metals and Uranium.

It currently has several highly potential projects; Kurnalpi-Randalls Gold Project in the Eastern Goldfields of Western Australia, Mahendra's Find iron discovery at the Kurnalpi-Randalls project area, Spinifex Well Gold Project near Leonora, and Mt Padbury Uranium, Mindoolah Gold and Uranium and Killara Base metals and Uranium projects near Meekatharra in the Murchison region of WA, and a tenement potential for natural gas in the on-shore Murray Basin in north west Victoria.