



Quarterly Report

FOR PERIOD ENDING 31 MARCH 2010

ASX Code: FAS

Contact Details

Unit 3, 136 Main Street,
Osborne Park WA 6017
PO Box 1520

Osborne Park WA 6916

T: 08 9242 5111

F: 08 9242 5677

E: admin@fairstarresources.com

W: www.fairstarresources.com

ABN 38 115 157 689

Capital Structure

29th April 2010

Ordinary Shares on issue: 547 M

Share price: \$ 0.13

**Estimated market
capitalisation:** \$ 71 M

Board Directors

Ken Allen

Chairman Non Executive

Kevin J Robertson MAICD

Managing Director

Harold J Paiker

B.Juris LLB LLM

Director Non Executive

Con Markopoulos

Director Non Executive

Alan Thomas

Company Secretary

This report covers FairStar's exploration related activities for the quarter ended 31st March 2010

Highlights of March Quarter

Steeple Hill Iron Project

- Initial iron oxide gravel pitting program completed at Steeple Hill Iron Project
- Initial results show high weight recoveries of alluvial iron oxide gravel and continue to confirm the potential of the project to host a significant iron oxide deposit
- The pitting program demonstrated continuity of alluvial deposits with high proportions of iron oxide gravel over a strike length of 7 kilometres and widths of up to 800 metres, with a thickness of up to 2.8 metres over a significant number of pits
- This strike length gives rise to an initial potential of over 10 million tonnes of iron oxide gravel concentrate of Direct Shipping Ore (DSO) product grade
- The pitting program involved a total of 145 pits and 272 samples were taken
- Initial metallurgical test work produced iron oxide gravel concentrate with an average grade of 59% Fe. Company is of the view that additional clean-up of samples may produce a grade of >60% Fe
- Results have assisted with identification of drill targets for the next phase of JORC resource drilling and infill pitting at the project, which commenced on April 21
- Commencement of the environmental surveys at Steeple Hill Iron Project

Corporate Activity

- A highly successful, fully subscribed Share Purchase Plan was announced and completed during the Quarter which raised \$2.5 million via the issue of 50 million new shares at 5 cents per share



Work performed

During the March 2010 Quarter exploration work continued to focus on the Company's Steeple Hill Iron Project in Western Australia's eastern goldfields. Work at the project was highlighted by the completion of the initial part of a comprehensive program of pitting of creek alluvials derived from the project's Banded Iron Formation (BIF); and commencement of the required flora and fauna surveys.

Steeple Hill Iron Ore Project (E28/1672 and E28/1766)

Pitting Program

The initial stage of a comprehensive program of pitting of creek alluvials derived from the Banded Iron Formation (BIF) at the project was completed during the Quarter. This program involved seven east-west lines of pits at spacings of 1 kilometre, with pits positioned 200 metres apart along lines - providing a total of 145 pits.

The pitting program was undertaken to a depth of 3.5 metres and the pits were logged into individual sedimentary layers and preliminary subdivision into ore types.

The logging demonstrated continuity of gravels with high proportions of iron oxide gravel across the valley, with widths up to 800 metres, over the full seven kilometre strike length pitted along the valley. The thickness of the gravels varied from 0.5-2.8 metres under shallow cover.

Other lithologies including; clay and detrital iron oxides, calcrete and detritals iron oxides, and part-hematite replaced clay and detritals were also intersected and sampled.

A total of 272 samples were taken from the initial pitting program. Samples are being processed by Nagrom metallurgists and initial results have shown high weight recoveries of iron oxide gravel from the alluvial gravel layers.

Initial analyses of iron oxide concentrates are as high as 59%. Additional weight recoveries and analyses will be released to the market when they become available.



Plate 1: Pit 077 with Alluvium to 0.7m, then Iron Oxide rich gravel to 3.5m

Project Development Plan

The Company is focused on fast tracking the development of an alluvial iron oxide mining operation at the Steeple Hill Project, and aims to confirm a maiden Indicated JORC Resource at the project in the June Quarter.

The Company is initially pursuing the alluvial operation (in preference to a hard rock project) due to its lower extraction cost, shorter timeframe to commencement of mining and ease of treatment. The aim of the alluvial project is to allow Fairstar to quickly and economically become a producer of export grade hematite.

A hard rock hematite and goethite mining operation at the Steeple Hill Project will be considered as a second phase operation at the project by the Company.

The Company's ongoing exploration programs at Steeple Hill continue to confirm the project's potential to host a significant iron oxide deposit. It plans to fast track the development of a mining operation, with production schedule in 2011. Environmental surveys, water studies and other necessary studies for mining approval have commenced.

Alluvials are loose grains of minerals or rocks that have been eroded from rocks and deposited in valleys over time. These particles are of varied sizes and can be removed from the soil by a simple shaking screen, and then separated by density methods into a dense concentrate to produce a direct shippable, low cost, high iron-content product.



Plate 2: A program to drill minimum of 250 holes and designed to confirm a maiden JORC Indicated Resource at the project, commenced during the quarter

About the Steeple Hill Iron Project

The Steeple Hill Iron Project was discovered by Fairstar in July 2008. The project is located in Western Australia's eastern goldfields and is 100% owned by the Company.

The Company has undertaken comprehensive exploration programs at the project. These include; rock chip sampling and geological mapping, and a 21 hole RC drilling program which was completed in December last year and intersected significant zones of magnetite and goethite mineralisation. In addition, an aero-magnetic survey has indicated a much larger target area for future drilling at the project.

The project is located 110 km east of Kalgoorlie in close proximity to major rail infrastructure, with the Trans Australian Railway passing 23 km south of the project area.

Oil and Gas Project

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) in July, 2009.

Fairstar advise that some issues remain outstanding with its joint venture partner, Knight Industries Pty Ltd regarding the terms of the Oil and Gas joint venture Project. Fairstar will make further comment on these issues when they have been resolved.

Fairstar had previously applied for a suspension of further exploration at the tenement for a period of 6 months, to allow it to procure and examine all available information in detail and plan further action. After careful consideration and extended consultation with expert geologists the company has resolved that, due to the potentially high costs of further exploration on the area, the company should focus on its iron ore and gold interests in Western Australia. The lease was therefore returned to DPI, Victoria in March 2010.

Other Projects

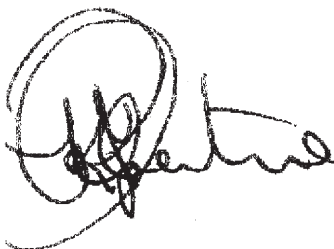
Mt Padbury

During the quarter there were 1693 MMI samples taken across 60 lines of various lengths. Spaces between the lines ranged from 100m to 2km. The sampling for Au mineralisation in the northern paddocks were spaced 40m between each sample.

The samples have been submitted for analysis and we are awaiting the final results. This detailed sampling program has been completed with 1693 samples collected.

The information reported herein is based on information compiled by Mr Sheldon Coates who is a member of the Australasian Institution of Mining and Metallurgy. He 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. Coates consents to the inclusion of this report of the matters based on his observations in the form and context in which it appears. Mr Coates has a B.Sc. Geology, MBA in Technology Management, and MSc in Mineral Economics. He has 13 years iron ore experience. Mr. Coates 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



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 direct project interests in Gold, Iron, Base metals and Uranium.

The Company currently has four core projects; Lindsays Dam (Steeple Hill Iron Project), Kurnalpi-Randalls gold project, Spinifex Well gold project and other base metals and gold projects in the Eastern Goldfields of Western Australia, the Mt Padbury uranium project near Meekatharra in the Murchison region of WA.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Fairstar Resources Limited

ABN

38 115 157 689

Quarter ended ("current quarter")

31 March 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration (e) borrowing costs	(496)	(1,535)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	3
1.5 Interest and other costs of finance paid	(157)	(643)
1.6 Income taxes paid	-	-
1.7 Other – Net GST (Paid) / refunded	13	8
Net Operating Cash Flows	(1,244)	(3,842)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (53)	(35) - (69)
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	-	27
1.12 Other (provide details if material)	-	-
Net investing cash flows	(53)	(77)
1.13 Total operating and investing cash flows (carried forward)	(1,297)	(3,919)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,297)	(3,919)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,450	5,327
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	2,602
1.17	Repayment of borrowings	(300)	(1,801)
1.18	Dividends paid		
1.19	Other (provide details if material) –		
	Share issue costs	-	(44)
	Other	650	650
	Net financing cash flows	3,800	6,734
	Net increase (decrease) in cash held	2,503	2,815
1.20	Cash at beginning of quarter/year to date	337	25
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,840	2,840

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	149
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.

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

--

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

--

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	0	0
3.2 Credit standby arrangements – Refer Note (a)	5,000	937

(a) At 30/04/10 Fairstar has a standby subscription agreement in place with Fortrend Securities Ltd. The total facility is \$5,000,000 of which \$937,000 has been used at 30/04/10.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	900
4.2 Administration	600
Total	1,500

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	2,840	337
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,840	337

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	PEP 165	Relinquished	100%	0%
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	546,946,681	540,696,681		
7.4 Changes during quarter (a) Increases through issues				
	2,287,266	2,287,266	Issued at 6.6c to provide working capital	
	3,000,000	3,000,000	Issued at 5c to provide working capital	
	3,635,382	3,635,382	Issued at 4.1c to provide working capital	
	1,003,994	1,003,994	Issued for services rendered at 6.1c	
	6,250,000	-	Issued at 8c to provide working capital, subject to voluntary escrow for 6 months	
	50,000,000	50,000,000	Issued at 5c per share purchase plan	
	200	200	Conversion of options at 10c per share	
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities Convertible notes				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	<i>Total Number</i>	<i>Number Quoted</i>	<i>Exercise price</i>	<i>Expiry date</i>

Appendix 5B
Mining exploration entity quarterly report

7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures				
1	<i>(totals only)</i>				
7.12	Unsecured notes				
2	<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 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: *Alan Thomas*
(Company secretary)

Date: 30/04/2010

Print name: Alan Thomas

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** [ASX will accept, for example, the use of International Accounting 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.](#)