

This report covers FairStar's exploration related activities for the quarter ended 30th June 2010

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ABN 38 115 157 689

Capital Structure

30th July 2010

Ordinary Shares on issue: 560 M

Share price: \$ 0.097

Estimated market

capitalisation: \$ 54 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

Gary Lyons

Director Non Executive

Alan Thomas

Company Secretary

Highlights of June Quarter

Steeple Hill Iron Project

- JORC Resource drilling program commenced at Steeple Hill Iron project in WA's eastern goldfields in April and was completed in May
- The program was a comprehensive aircore drilling program undertaken to delineate hematite rich alluvials along a 9.8km strike length
- The drill program drilled 450 aircore holes across a total of 4,204 metres and produced high quality samples
- The holes were drilled at a 200m x 200m grid over the entire deposit to provide sufficient data to produce a maiden JORC resource estimation at the project in the near future
- The original planned drilling program was expanded from 361 holes to 450 holes to cover a greater width at the deposit and a further extent of hematite rich gravels in the southern region of project than initially expected
- The project area is expected to extend at least a further 2km in its southern area
- Drill samples were taken at 1m intervals, and 1555 mineralised samples have been collected for screening, washing, dense media separation and metallurgical analysis
- Company aims to fast-track development of the Steeple Hill project to quickly and economically become a producer of export grade hematite in the near term
- Environmental surveys, soil characterization, hydrology, noise and other studies necessary for mining approval are underway
- Company believes project has potential to produce Direct Shipping Ore (DSO) with grades ~60% Fe
- The project is 100% owned by FairStar and is located close to major rail infrastructure with Trans Australian Railway 23km south of project area

Other Projects

- Results were received for 1394 soil samples from Mt Padbury, E 51/1147, which were submitted for analysis via mobile metal ion analysis. The results showed a number of significant anomalous results for uranium, cerium, copper, zinc, lead, cobalt and nickel.
- These anomalous results will be followed up with infill sampling and mapping.

Corporate Activity

- During the quarter, Mr Con Markopoulos and Mr Gary Lyons were appointed to the Company's Board as non-executive directors
- The Company also announced details of a capital raising via the issue of Convertible Notes to raise up to \$4 million



Work performed

During the June 2010 quarter work continued to focus on exploration at the Company's Steeple Hill Iron Project in Western Australia's eastern goldfields. Work at the project in the quarter was highlighted by the completion of an extremely successful aircore drilling program designed to confirm a maiden JORC Resource at the project.

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

The highlight of work conducted at the Steeple Hill Iron project during the June quarter was a 450 hole, 4,204 metre aircore drill program, designed to deliver results to confirm a maiden JORC Resource at the project. The program commenced in April and the Company announced the completion of the program on 18 May.

Drilling targeted hematite rich detrital iron alluvials along a 9.8km strike length. The holes were drilled at a grid spacing of 200 metre x 200 metre over the entire deposit area, to provide sufficient data for a JORC resource estimation. The Company reported that the drill program produced good quality samples, and demonstrated good continuity of the mineralized zone along the whole area drilled.

The drill program was initially planned for 361 holes, but was extended to 450 holes to cover a greater width of the deposit and also a further extent of the hematite rich gravels in the southern region of the project. The Company is of the view that the mineralised zone of the project area may extend at least a further 2km to the south.

Drill samples were taken at 1 metre intervals, and 1555 mineralised samples were collected for screening, washing, dense media separation and analysis at a metallurgical laboratory. The Company's independent geological consultants, Australian Mining Consultants, will use the analysis results to undertake the maiden JORC Resource estimation for the project.

The Company's plans to release details of the JORC Resource as soon as it they are available, in the near future.

The completion of the 450th hole indicated that there was potential for the detrital hematite mineralisation to extend much further south than was originally envisaged. As a result, the Company plans to undertake its next phase of drilling in the southern part of Steeple Hill project area, in the next quarter, to determine the full dimensions and extent of the deposit at the project area.

Steeple Hill Iron Ore 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 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. At depth, soft shaly magnetite BIF has been intersected and initial test results indicate a high grade magnetite concentrate can be produced, and this may form a third phase for the operation.

The Company's ongoing exploration programs at Steeple Hill continues 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 scheduled to commence in 2011. Environmental surveys, water studies and other necessary studies for mining approval are currently underway.

Alluvials are loose grains of minerals or rocks that have been eroded from rocks and deposited in valleys over time. The alluvials are not cemented and can be mined by excavators without drilling and blasting. The particles are of varied sizes and can be removed from the soil by simple shaking screen, washed and then separated by density methods into a dense concentrate to produce a direct shippable, low cost, high iron-content product.

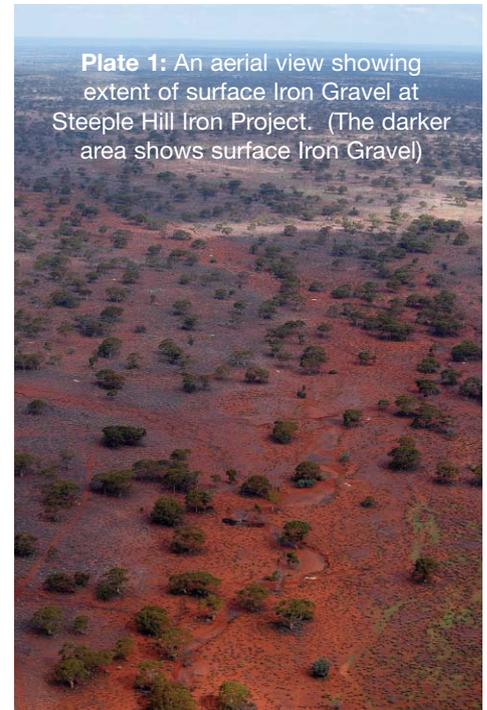


Plate 1: An aerial view showing extent of surface Iron Gravel at Steeple Hill Iron Project. (The darker area shows surface Iron Gravel)

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, which include; two drill programs, rock chip sampling, geological mapping and an aero-magnetic survey (which indicated a much larger target area for future drilling at the project). The exploration programs have been designed to determine the extent of the mineralised zone at the project and confirm a maiden JORC Resource.

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

Other Projects

Mt Padbury Uranium and Base Metal Prospect

An extensive soil sampling program at Mt Padbury was undertaken with 1394 samples taken, and submitted to a laboratory for analysis via mobile metal ion technique.

Three batches of samples totalling 1021 samples were analysed for the uranium suite, and the results indicated anomalous values for a uranium and cerium as shown in the table below. 12 samples reported values higher than 500ppb for uranium, and 18 samples reported values higher than 10000ppb for cerium.

A fourth batch of 373 samples was analysed for a range of base metals and uranium, and reported anomalous results as shown in the table below. These anomalous values will be followed up by infill soil sampling and mapping to relate the anomalous values back to geology.

Table 1: Anomalous Soil Sampling Results.

Batch	Element	Anomalous limit	Anomalous samples	Highest Value
1	Ce	>10000ppb	5	11500ppb
2	U	>500ppb	4	2110ppb
2	Ce	>10000ppb	2	21100ppb
3	U	>500ppb	8	1380ppb
3	Ce	>10000ppb	11	28900ppb
4	U	>500ppb	2	860ppb
4	Ce	>10000ppb	22	23500ppb
4	Pb	>500ppb	12	1110ppb
4	Zn	>500ppb	6	3820ppb
4	Cu	>1000ppb	46	3080ppb
4	Ni	>500ppb	10	1180ppb
4	Co	>500ppb	20	854ppb

Tenement rationalisation

An additional exploration licence (E28/2058) of three graticular blocks adjacent to the south west corner of E28/1766 was applied for and is pending. This is at the south end of the Steeple Hill Iron Project.

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.

Proposed Work Program for Q3, 2010

During the coming quarter, work will continue to focus on the Steeple Hill Iron Project. A summary of proposed activity is given below:

- Company plans to confirm a maiden JORC Resource at the Steeple Hill Iron project in the near future
- Infrastructure plans for future iron ore exports from the project are underway and will continue (rail and sea-bound transport corridors have been established)
- Other required surveys and approvals processes at the project will continue
- Company plans to begin next phase of drilling - 100 hole program to further expand the Steeple Hill project, particularly in the south where it remains open
- Company will undertake further studies to upgrade the hematite product, and to characterize the nature of the ore for potential customers.
- Company will commence discussions with potential off-take and joint venture partners for the project
- Follow up work at Mt Padbury to define the soil anomalies and map the underlying geology in detail.

Corporate Activity

Convertible Note capital raising to raise up to \$4 million

In May, the Company announced details of a capital raising via the issue of Convertible Notes to raise up to \$4 million.

The funds raised via the Convertible Notes are to be used as working capital for the Company and also to repay secured interest bearing debt.

New Board appointments

During the quarter the Company made two new director appointments. Mr Gary Lyons was appointed to the Board as a non-executive director in May. Mr Lyons has extensive experience in corporate management and capital raisings. In April the Company announced the appointment of Mr Con Markopoulos to the Board, also as a non-executive director.

Shareholding in Golden West Resources

The Company continues to review its options in respect to its shareholding in iron ore exploration and development company Golden West Resources (ASX: GWR). The Company will advise the market when any decision or outcome in respect of this shareholding is achieved.

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 project interests in iron, gold, base metals, and uranium.

It currently has several high potential projects; Steeple Hill Iron project and Kurnalpi-Randalls Gold project, both in the Eastern Goldfields of Western Australia, Spinifex Well Gold project near Leonora, and the Mt Padbury Uranium, Mindoolah Gold and Uranium and Killara Base metals and Uranium projects all near Meekatharra in the Murchison region of WA.