

ASX Code: FAS

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ABN 38 115 157 689

Capital Structure

27th October 2010

Ordinary Shares on issue: 583 M

Share price: \$ 0.07

Estimated market

capitalisation: \$ 40.8 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

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

Highlights of September Quarter

During the Quarter, the focus of the Company activities continued to be on the exploration and development of the Steeple Hill Iron Project.

- Highlight of the Quarter was the confirmation of a maiden Indicated Resource according to the JORC code of **17Mt @ 58.40% Fe (Direct Shippable Hematite Ore Product) at the Steeple Hill Iron Project** in WA's eastern goldfields.
- This mineral resource estimate used a 10% Hematite weight recovery cut-off; **but the company believes that the cut-off could be lower** and work is being undertaken by AMC Consultants Pty Ltd to delineate the resource at lower cut-offs.
- Resource was calculated from an extensive **450 hole, 4,204 metre Resource definition drill program.**
- Drilling was conducted at a 200 metre grid spacing and produced 1555 drill samples.
- All assays from drilling program were completed and all data was submitted to independent consultants for calculation of Maiden Mineral Resource, according to JORC code.
- The Maiden Indicated Mineral Resource represents only a small part of the Steeple Hill Iron Project, which also has hard rock hematite and magnetite potential.
- Infrastructure developments at the project continued during the quarter; rail and sea-bound transport corridors have been established.
- Other required surveys to secure mining go-ahead at project are well advanced and are continuing.
- The maiden Resource at the Steeple Hill Iron Project represents a major milestone in FairStar's development plans for the project.
- Company plans to rapidly develop the project into an export hematite iron mining operation.
- Also, Company commenced preliminary discussions with Chinese and other Asian groups on project funding, off-take arrangements and equity investment in FairStar.

Upcoming Activities

- Company is currently working on defining a Probable Reserve at the Steeple Hill Iron Project, which should be confirmed in the near future.
- Company will commence its next phase of drilling in the near future with a 200 hole program to further expand the project (particularly in the south where it remains open).

Other Projects

- Geological mapping of the tenement at Jones Find.
- Field work is being undertaken at Killara and the resulting geochemistry is currently being processed and a report will be available soon.



Work performed

During the September 2010 quarter, work continued to focus on exploration at the Company's Steeple Hill Iron Project in Western Australia's eastern goldfields. Activity at the project in the quarter was highlighted by a major milestone in the development of the project, with the confirmation of a maiden Indicated Resource according to the JORC code.

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

The highlight of work conducted at the Steeple Hill Iron project during the September quarter was the confirmation of a maiden Indicated Resource according to JORC code of 17.76Mt @ 58.4% Hematite iron (7.1% SiO₂, 6.0% Al₂O₃ and 0.01% P), at 10% weight recovery cut-off.

The Resource was calculated by independent consultants, AMC Consultants Pty Ltd, and full details of the Resource Statement were provided in an ASX announcement of 8 September.

This maiden Resource was confirmed in the Indicated category. It represents only a small part of the Steeple Hill project, which also has hard rock hematite and magnetite potential, and there remains significant expansion potential.

The Company will now work quickly to upgrade both the category and tonnage of the Resource. It aims to confirm a Probable Reserve at the project in the near future.

The Resource was estimated from a total of 4,204 metres of drilling across 450 holes at a 200 metre grid spacing (which produced 1,555 drill samples), plus a program of 145 trenches.

The delivery of the Maiden Mineral Resource at the Steeple Hill project during the quarter represented a major milestone for the Company in its plans to fast track the development of the project into a significant export-grade hematite iron mining operation.

The project hosts shallow unconsolidated mineralisation which occurs from surface. It is free digging detrital hematite rich material, from which a direct shippable hematite concentrate may be produced.

Steeple Hill Iron Project Development Plan

The Company is focused on fast tracking the development of an alluvial iron oxide mining operation at the Steeple Hill Project. The Company recently completed a significant milestone in pursuit of this goal with the confirmation of a maiden Indicated Resource according to JORC code of 17.76Mt @ 58.4% Hematite iron in September 2010. Fairstar will now focus on upgrading the category of the resource to a Probable Reserve. Test work is also underway to reduce the alumina and silica levels in the hematite product.

Beneficiation work is being undertaken by metallurgists and has been successful in recovering an additional 4% (Four Per Cent) hematite recovery at DSO grade from the -0.6 mm fraction. This is in addition to the 17MT indicated resource calculated by AMC Consultants Pty Ltd. Test work is also continuing on the middlings gravel fractions with promising results.

The project currently has a strike length of 10 km, and remains open in the south of the project area. This area will be the focus of the next phase of drilling, where the Company plans to undertake a program of up to 200 holes to further expand the Resource base.

Infrastructure developments are in progress, and rail and sea-bound transport corridors have been established. In addition, site infrastructure and other required licenses are currently being addressed. Ethno-graphic and noise surveys have been completed at the project, and fieldwork for the environmental surveys has been completed. Also, native title negotiations are well advanced and a positive outcome is expected in the near term.

The Company has also commenced preliminary discussions with a number of Chinese groups and other interested parties from Asia on project funding for the Steeple Hill project, as well as potential off take arrangements and equity investment in the Company. It will advise the market further on these matters as they progress, in due course.

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 continue to confirm the project's potential to host a significant iron oxide deposit.

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.



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; extensive 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). Exploration programs at the project (to date) have culminated in the confirmation of a maiden Indicated Hematite iron Resource according to the JORC code.

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 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 Q4, 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 define a Probable Reserve at the Steeple Hill Iron Project in the near future.
- Company plans to commence next phase of drilling at Steeple Hill - 200 hole program to further expand the project, particularly in the south where it remains open.
- Continue with infrastructure plans for the Steeple Hill Iron Project.
- Continue work to conclude required outstanding licenses and surveys required for mining approvals at the Steeple Hill Iron Project.
- Progress native title negotiations at the Steeple Hill Iron Project.
- Progress discussions with Chinese and other Asian groups on project funding, off take arrangements and equity investment in the Company.
- Continue with targeted exploration programs at Company's other project areas.

Corporate Activity

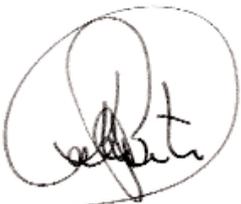
Shareholding in Golden West Resources

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.