

**ASX Code: FAS**

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## Capital Structure

**27th April 2012**

**Ordinary Shares on issue: 831 M**

**Share price: \$ 0.033**

**Estimated market**

**capitalisation: \$ 27.4 M**

## Board Directors

**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

## Highlights for the Quarter:

### Steeple Hill Iron Project

- FairStar has commenced a detailed Program of Works that will shortly be lodged with the Department of Mines and Petroleum (DMP) and has commenced work on a Heritage Survey so the Company can fast track a detailed drilling program at its newly acquired SHIP North tenement to potentially expand FairStar's iron ore resource.
- Negotiations for a native title mining agreement covering SHIP North have also commenced with Central East Native Title Claimant Group.
- A comprehensive review of historical drilling records in recently acquired iron ore rights in valley that continues into SHIP North. This has revealed 39 aircore holes with significant depths of up to 15m of hematite rich alluvials. The holes were on a 500m by 500m grid, and the mineralised width is about 3km and 5km to the north.
- This extends the area of detrital hematite mineralisation north for 8km, and at greater thicknesses than in the already drilled resource to the south (SHIP).
- Detailed resource drilling for the north extension at 200m x 200m grid has been planned for approx. 600 aircore holes, and will commence shortly.
- Strong potential to add significantly to the Indicated Resource of hematite detritals already defined to the south (SHIP) in FairStar's 100 % owned tenements.
- Planning underway for drilling at 200m x200m grid to complete detrital hematite resource definition drilling in the south end of the tenement. The aircore drilling program will commence shortly.
- Metallurgical testwork with a dry air jig has been successful in concentrating the hematite into a smaller volume, and removing the ultrafine waste fraction of clays.
- An application has been made for Department of Mines and Petroleum (DMP) co-funding of five core holes into the extensive magnetite BIF at the project.

### Killara Project

- Exploration undertaken at Killara uranium and base metal prospect near Meekatharra produced soil samples up to 100ppm U on calcrete.
- Auger sampling of 81 holes on seven lines 1km apart produced a broad low level Cu anomaly over an area of earlier high Cu rock chip values.
- Rock chip sampling produced anomalous values up to 1332ppm Zn, 304ppm Cu, 432ppm As, and 41ppm U.
- 'Hot' granite source rock identified with high spectrometer readings and anomalous U values to 41ppm U.



## Details of Activities during the Quarter

### Steeple Hill Iron Project

FRL Commodity Management Limited have advised FairStar that the Steeple Hill project Funding documentation has been reviewed by the investors due diligence team who have recommended that the funding transaction be approved for investment. The documentation and recommendations have been delivered to the principal funders for approvals subject to FairStar's and FRL's consideration of closing documents.

The Company remains confident the funding deal will be concluded shortly and will continue to update the market accordingly.

#### **Detrital Hematite, Northern Extension – SHIP North.**

FairStar has commenced a detailed Program of Works that will shortly be lodged with the Department of Mines and Petroleum (DMP) following a comprehensive review by FairStar's head geologist of historical exploration reports for the area has located a 1995 drilling report on exploration by Western Minerals, which was conducted on the recently acquired area of iron ore rights to the north of the existing SHIP detrital hematite mineralisation.

This area was acquired by FairStar as part of its on-going development strategy for SHIP after an examination of aerial photographs showed the valley and alluvial sediments continuing north for about 8km, with high potential for additional detrital hematite mineralisation.

FairStar has also commenced work on a Heritage Survey so the Company can fast track a detailed drilling program at its newly acquired SHIP North tenement to potentially expand FairStar's iron ore resource.

In addition, negotiations for a native title mining agreement covering SHIP North have also commenced with Central East Native Title Claimant Group. This is the same group that FairStar in November 2011 successfully concluded the native title mining agreement covering its flagship SHIP tenement to the south.

The old drilling data covering SHIP North was from a program of 54 aircore holes drilled through valley sediments into the basement felsic volcanics to search for base metals and gold. The drillhole logs contain good descriptions of the alluvial lithologies, and specifically describe good thicknesses of hematite granules in sand, gravel and clay, similar to the area already drilled for hematite.

The few analyses conducted by Western Minerals in 1995 of the raw hematite bearing sand and gravel indicate Fe values as high as 40%, before washing and screening and therefore this suggests a high recovery of hematite. The width of the hematite bearing alluvials covering this previous drilling is about 3km with a strike length of about 5km to the north along the valley.

This old information of drilling conducted on a 500m by 500m grid demonstrated the depth and width of the hematite rich alluvials. The experience at SHIP has guided FairStar to design a new intensive drilling program at 200m by 200m grid to target the hematite mineralisation. This drilling will be aircore and conducted in the same way as the earlier programs to the south (SHIP) which led to the delineation of FairStar's Maiden JORC Indicated Resource of 136Mt of hematite rich alluvials at a 5% hematite recovery cutoff. The drill samples will be processed in a similar manner to determine the hematite recovery and the grade of the hematite concentrate.

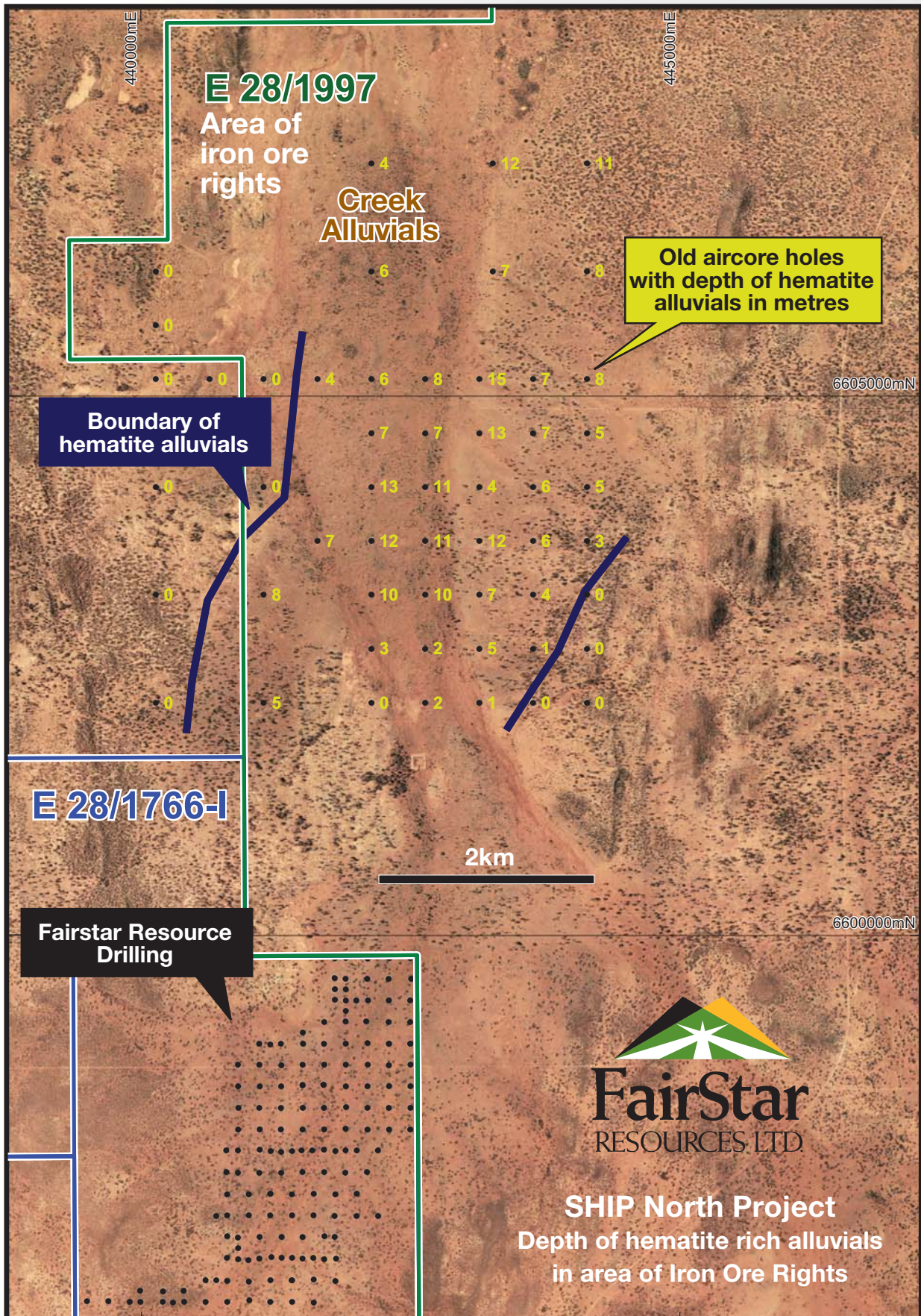
The planned new drilling of approximately 600 aircore holes has the potential to significantly increase the total resource of hematite rich alluvials, the derived hematite product, and add further to the mine life.

#### **Metallurgical Testwork - potential water savings.**

The metallurgical testwork using dry separation of a hematite rich alluvial sample in an air pulsed jig has been completed and has demonstrated that the ultrafines can be removed, as well as separating the coarse fraction into a light fraction and a heavy fraction containing most of the hematite.

This technology offers the opportunity to use initial dry processing of the hematite rich alluvials, with a very high potential for considerable savings in acquisition and use of scarce fresh process water.









### Application for Co-Funded drilling of Magnetite BIF.

An application has been submitted to the Department of Mines and Petroleum (DMP) for co-funding of a proposed drilling program of 5 diamond core holes into the thicker parts of the magnetite Banded Iron Formation (BIF), which is the primary source rock of hematite at this project. The magnetite BIF has been partially intersected in 4 earlier RC holes by FairStar, which targeted outcropping massive hematite. The magnetite BIF extends for 10km down each side of a syncline and over 1km across the nose, for a total strike length of about 20km.

Preliminary testwork on a few RC drill samples of the soft shaly magnetite BIF has demonstrated that a weight recovery of over 30% of magnetite concentrate is achievable, with a grade of 66%Fe.

More definitive testwork is required on core for crushing and grinding testwork, and optimising of the recovery and quality of the magnetite concentrate. This could be done on the planned core holes, which would also intersect the full thickness of the BIF unit.

A magnetite mine is regarded as a possible Stage Three of the project after the Stage One detrital hematite and then the Stage Two mining of outcropping hematite.

### Killara Uranium and Base Metals Prospect

The extensive Killara uranium and base metals prospect covering 644sq km near Meekatharra has had historic rock chip samples anomalous for copper and uranium.

#### Auger Sampling.

The area of anomalous rock chip samples was covered with an auger sampling program of 7 north-south lines each one kilometre apart, for a total of 81 holes. The hand-held auger penetrated to a depth of about 0.5m, and in most cases reached the top of

the siltstones of the underlying Maraloou Formation. The samples from the base of each hole were screened at 1mm, and the -1mm and +1mm samples separately analysed for Cu, Ag, Pb, Zn, Mo, Co and U. The sample results showed a much better response in the +1mm fraction, with weak copper, silver, zinc, lead and molybdenum anomalies. The highest values were 310ppm Cu, 2.25ppm Ag, 130ppm Pb, 114ppm Mo and 172ppm Zn. Some of these anomalies were coincident, giving greater confidence in the anomalism. Two old core holes to the northwest reported variable sulphide levels and anomalous Zn in carbonaceous siltstone. This marine sediment with common sulphide pits in the outcrop could be anomalous in base metals because of submarine vents associated with major faults in the area releasing hot mineralised fluids into the sea at the time. It is possible that elsewhere in the extensive rock formation, the base metal values close to vents reach economic levels, and further auger drilling on a wide spaced grid has been recommended to determine if such mineralisation exists on the Killara tenements.

### Rock Chip Sampling.

Rock chip sampling was undertaken in outcrops of rocks with signs of mineralisation, large quartz veins, and rocks with higher than average spectrometer readings for U.

Some rock outcrops were observed to have pits which are probably from weathered out sulphide crystals, and these were sampled to check for remnant traces of base metals and gold. These 55 samples were analysed for Au, Ag, Cu, Pb, Zn, Sb, Bi, Te, As and W. The results indicated background levels for gold, but anomalous values for Zn at up to 1332ppm, Cu to 304 ppm, and As to 432ppm.

The larger quartz veins were sampled to check for gold as Killara lies half way between the gold camps at Meekatharra and Wiluna. However, the 72 assays reported only background levels for gold.

Rock outcrops with high spectrometer readings for U or old drill samples with indications of possible U mineralisation were sampled, and 88 submitted for analysis for U, Th, V, Cu, Mo, Se and Ag. The highest U analysis of 102ppm was in a calcrete outcrop in the south of the tenement group, while granite outcrops, which are the source of the U concentrated in the calcrete, produced U analyses as high as 42ppm, which is highly anomalous, making this a 'hot' granite. The calcrete area is targeted for follow up exploration. One sample gave the highest values for both Cu at 212ppm and Mo at 53.5ppm. Four samples were anomalous for silver with values over 1ppm, and up to 1.45ppm.



*Photograph: Geologist carrying out spectrometer testing*

#### Table of Element Names.

Element Symbol	Element Name
Au	Gold
Ag	Silver
Cu	Copper
Pb	Lead
Zn	Zinc
Sb	Antimony
Bi	Bismuth
Te	Tellurium
W	Tungsten
As	Arsenic
Mo	Molybdenum
U	Uranium
Th	Thorium
V	Vanadium
Se	Selenium



## **Kurnalpi Gold Projects.**

These tenements are in a historic gold mining area with considerable past exploration, and research. An examination of old exploration reveals significant gold intercepts, and targets generated by earlier geologists. Some of the data requires follow up work, such as validating the hole collar positions and elevations, and direction and dip of the holes. These holes have been listed and will be surveyed shortly.

## **Music Well Project.**

Following the high grade gold rock chip samples (34g/t and 8g/t) recorded from quartz veins last year, detailed mapping and rock chip sampling of more of the quartz veins and adjacent sheared rock has been planned. The sheared rock adjacent is quite broad, and sometimes is the main host rock with higher grades than the quartz veins. An RC drilling program will be planned for the area while on site.

## **Jurangie Hill.**

The historic data for this area has been reviewed by FairStar, and has shown significant zinc and copper anomalies for the soil samples and rock chip samples. The old drilling has also intersected significant zinc and gold values, which were not followed up by further exploration, and have now been targeted for follow up work by FairStar with a planned program of RC holes.

Earlier rock chip sampling by FairStar recorded silver values as high as 6.45 ppm or grams per tonne, which is highly anomalous and warrants follow up exploration given the current high silver price of over \$30/oz. These two zones have been planned as targets for a program of additional rock chip sampling, soil sampling and then as part of the RC drilling program.

A moderate sized magnetite BIF occurs in the tenement and an earlier core hole intersected significant magnetite BIF from 185m to 313m, which is the end of hole. The full thickness was not penetrated, and the drillhole geological log records magnetite values of 20-25% visually, which would be significantly higher in weight percent as magnetite is heavy. This BIF is over 2km long and the presence of any mineable magnetite BIF would complement the much larger volumes indicated by drilling and the aeromagnetics within the 100% owned FairStar tenements further south.

## **Competent Persons Statement**

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 14 years iron ore and 8 years gold 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.

## **About FairStar Resources**

### **Background, FairStar - A New Horizon:**

FairStar was listed in October 2006 and is a unique Perth-based uranium and gold explorer; and upon discovering Iron mineralisation at Lindsay's Dam commenced with its major project (SHIP) that is strategically located near existing transport infra-structure with a clear and unencumbered path to production for relatively low capital expenditure.

FairStar will fast track development and production of its high-value Steeple Hill iron ore project with significant Indicated Resource estimate of hematite rich gravels, which produces a hematite fraction of Direct Shipping Ore to deliver immediate and substantial cash flows.

Significantly, FairStar believes it will be cash flow positive from its first year of production at SHIP.

This will be used to increase shareholder value and fund further high-value projects such as the gold tenements at Jones Find Gold Prospect, Kurnalpi and Duchess of York - Hickmans Find.

FairStar has an extensive portfolio of projects straddling 1624 Km<sup>2</sup> and remains committed to an aggressive expansion campaign to bolster its resource inventory and quickly transition the company from a junior explorer to a highly competitive producer of iron ore, gold and uranium.