

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

30th July 2012

Ordinary Shares on issue: 927 M

Share price: \$0.015

Estimated market

capitalisation: \$ 14 M

Board Directors

Kevin J Robertson MAICD
Managing Director

Wayne N Wan
Director Non Executive

Con Markopoulos
Director Non Executive

Alan Thomas
Company Secretary



Highlights for the Quarter:

Steeple Hill Iron Project

- Mapping of the SHIP North area, to which FairStar holds the iron ore rights, has shown hematite rich alluvials extend a further 7 kilometres north along the valley, and up to 3 kilometres wide. This supports historical drilling data indicating significant hematite intersections at depth.
- Metallurgical testwork has been completed on the upgrading of the sand and gravel to produce a hematite product, and a final design for the pilot plant has been completed. The pilot plant will be constructed shortly, and a parcel of representative ore processed to validate the plant design, or identify any changes needed in the full scale plant.
- The application to the Department of Mines and Petroleum for co-funded drilling of five diamond core holes into the extensive magnetite BIF at the project [ML 28/373] has been successful, with a grant of \$95,000 to pay half the drilling cost. These holes will be drilled through the full thickness of the fresh magnetite BIF to acquire data on the thickness of the magnetite, and enable the Company to undertake metallurgical testwork to determine the recovery and grade of magnetite concentrate.
- The search for a long term source of fresh process water has been greatly assisted by the discovery of old airborne electromagnetic data, which has been reprocessed to help delineate fresh water aquifers on the west side of the Eucla Basin. A new airborne EM Tempest survey is planned to delineate the target prior to drilling.

Jurangie Hill

- Mapping and extensive rock chip sampling of quartz veins, which locally host gold mineralisation, and other prospective rock types has been undertaken. The results confirm anomalous silver mineralisation in the area. Research into old reports indicates a zone of 5% graphite was intersected between two BIF units within an old core hole, but the exact hole location was not found. Carbonaceous shales were identified near BIF during mapping and these have been sampled for mineralogical analysis for graphite.

Mt Padbury

- The two exploration licences at Mt Padbury have been extended for a further five years, and exploration planning has been completed for a field trip in July. This will entail mapping, rock chip sampling for uranium and gold, spectrometer readings for Uranium and Thorium on calcrete host rocks, and the emplacement of 200 soil radon gas detectors between the two known occurrences of carnotite in pits 2km apart along a small valley.

Kurnalpi Gold Projects

- Mapping and rock chip sampling was undertaken at Colour Dam, and all the collars of locatable historic drillholes of all projects were accurately picked up with a differential global positioning system accurate to 10 cm. This was used to update the database, and will enable more accurate interpretation of old data, as some old hole collars were inaccurate and some lacked the elevation.

Highlights continued

- FairStar is continuing to work with FRL Commodity Management to draw down funds but delays due to challenging market conditions has prompted the Board to open discussions with a range of other international investors to expedite SHIP funding.
- Significant interest in SHIP has been demonstrated by a range of investors and FairStar is confident it will be able to secure funding by either FRL or another party. The Company remains committed to getting the Project into production in the near term.

Details of Activities during the Quarter

Steeple Hill Iron Project

- **SHIP North**

Mapping was undertaken of the SHIP North area over which FairStar Resources holds the iron ore rights, to determine the extent of the hematite rich alluvials, locate old drillholes, and validate the planned 597 aircore holes to avoid drilling into obvious waste.

Mapping indicated that the hematite rich sand and gravel continues for seven kilometres north along the valley from the previously drilled area within the FairStar granted mining lease with a JORC Indicated Resource. The width of the hematite rich sand and gravel extends as far as 3km in places.



Photograph: Hematite gravel in SHIP North

Many of the 54 old aircore hole collars were located and these holes had significant detrital hematite intersections. The positions were recorded by GPS, these will be picked up accurately by differential GPS in the near future.

- **SHIP Pilot Plant**

Metallurgical testwork has been completed on upgrading of sand and gravel to produce a hematite product, and three different means of dry upgrading were investigated, including air classifiers, fluidised air beds, and magnetic separation. A combination of dry separation, magnetic separation, and the wet separation of the remaining hematite enriched fraction has been decided upon, and a flow-sheet developed for a pilot plant. This pilot plant will be constructed in Perth to test a representative bulk sample, and provide data on the water consumption after wet reclamation, the yield of hematite product, and the grade. The proposed flow-sheet for the full scale plant will be tested, and any required changes made to the flow-sheet.

- **DMP Co-funding for SHIP**

The hematite detritals at SHIP are derived from hematite outcrop, which has developed from weathering of the underlying shaly magnetite BIF, which surface mapping has shown to be up to 100m wide. The BIF is shown by aeromagnetic survey to form a large syncline 10km long and over 1km wide. It is intended that mining of hematite outcrop be undertaken as Stage Two of the SHIP project, and that the mining, crushing, fine grinding and magnetic separation of the magnetite BIF to produce a high grade magnetite powder would form Stage Three.

Only limited data on the magnetite BIF is available, from four RC holes targeting hematite, which penetrated part of the way through the part weathered magnetite BIF formation. These four intersections were sampled, and the samples crushed and ground before magnetic separation in a Davis Tube to provide a magnetite concentrate. The moderate recoveries of magnetite and the high Fe grade of the concentrate are highly encouraging and FairStar will explore the extent and quality of the magnetite BIF in greater detail. An application was made to the Department of Mines and Petroleum for co-funding of a five drillhole program of diamond core holes to penetrate the full thickness of the fresh magnetite BIF. This was successful, and \$95,000 will be available to pay approximately half the drilling costs, which will be completed by 31st December 2012. Fairstar will pay for associated works and metallurgical testwork on the core.

- **Water at SHIP**

The search for a long term source of fresh to brackish water for use in the process plant has been assisted by the discovery of old drillhole data and a nearby broad spaced airborne electromagnetic survey over the west edge of the Eucla Basin. The old geophysical data has been reprocessed and the interpretation shows deep palaeochannels with low conductivity, which may be due to the presence of fresh to brackish water. A new closer spaced airborne Tempest electromagnetic survey has been planned over the area of interpreted palaeochannels and sandstone aquifer, to more closely define drilling targets for water boring exploration.

Jurangie Hill

This area contains a smaller BIF syncline a few kilometres north of the SHIP area, and has silver anomalies up to 6ppm in siliceous sulphidic rock chips taken several kilometres apart along strike. Mapping of the whole tenement was undertaken, where outcropping south of the salt lake and in the partly sand covered area to the north of the lake. Extensive rock chip sampling of the silver anomaly area, quartz veins and other prospective rocks with sulphide pits was undertaken. The 67 rock chip samples were analysed for silver, gold, base metals and a few indicator elements. The results showed broader anomalous silver with a maximum value of 0.81ppm in the banded iron rich chert south of the salt lake, but only weakly anomalous values north of the salt lake. The BIF under and north of the salt lake was shown to consist of two highly magnetic BIF zones with minor magnetite in foliated shales adjacent, and then folded into a south plunging syncline. The geological log of an old core hole into the west limb of the BIF syncline reported the intersection of 5% graphite in sediments between the two BIF layers, however the old core could not be located to verify this. Grey carbonaceous rocks were noted adjacent to BIF beds during mapping, and these were rock chip sampled for examination by a mineralogist for the presence of graphite. The report is pending.

Photograph: Magnetite Banded Iron Formation (BIF) beds at Jurangie Hill



Mt Padbury Uranium and Gold Prospect

The two large exploration licences at Mt Padbury have been extended for a further five years. The area hosts significant uranium mineralisation up to 2000ppm uranium in shallow calcrete road borrow pits, with visible yellow carnotite in one pit. The area is adjacent to the Mt Maitland gold deposits to the west, and a small gold mine occurs in the northeast of the tenement area. Exploration planning has been undertaken for a field trip in July, with planned mapping, rock chip sampling of prospective rocks for gold, spectrometer readings on calcrete area, and the emplacement of 200 soil radon gas detectors. Originally it was planned to undertake extensive shallow aircore drilling in lines across the creek valleys hosting calcrete, which in turn may host uranium minerals. However, since not all calcrete hosts uranium, it is considered more economical to bury the soil radon gas detectors in rows across the valleys, and these will detect the radon gas given off by uranium minerals at shallow depth, allowing targeting by drilling of areas with elevated radon values.

Kurnalpi Gold Projects

Mapping and rock chip sampling was undertaken at the old Colour Dam gold mine tenements, with rock chip samples analysed for gold, silver, base metals, and indicator elements.

All four of the Kurnalpi tenements were visited by a field team, and all the old holes were repegged with hole names, and the azimuth and dip of the holes verified. A differential global positioning system accurate to 10 cm was hired and used to pick up the hole collars so that the database of historic information could be improved, as some old hole collars were inaccurate, and some even lacked an elevation. This data has now been incorporated into the updated database, and allows the plotting of drillholes in their correct positions and orientations on plans and cross-sections, so that earlier mineralisation intersections can be interpreted correctly. This now allows the interpretation of mineralisation trends, and the planning of drilling to infill and extend known mineralisation.



Photograph: Banded Chert and Hematite bed with 0.8 g/t Silver

CORPORATE

As previously reported, progress continued with the principal funders for approvals subject to FairStar's and FRL's consideration of closing documents.

Continued challenging and deteriorating external market condition has meant further delays in closing the deal so FairStar can commence drawing down funds to commence work on SHIP.

As a result, FairStar has opened discussions with four other parties who have expressed strong interest in funding SHIP on terms beneficial to the Company and shareholders.

While the Board remains confident the FRL facility will be concluded shortly, it must continue to balance this with the need to expedite funding and get SHIP into production as soon as possible.

The Board will therefore continue to negotiate with other parties with the sole objective of securing funding and will consider all appropriate proposals in the best interest of FairStar and shareholders.

FairStar is disappointed that a drawdown has not been achieved and will continue to update shareholders as appropriate.

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 Km² 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.