

**ASX Code: FAS**

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ABN 38 115 157 689

## Capital Structure

**30th October 2013**

**Ordinary Shares on issue:** 1,528 M

**Share price:** \$0.017

**Estimated market  
capitalisation:** \$ 26.0 M

## Board Directors

**Kevin J Robertson** MAICD  
Managing Director

**Wayne N Wan**  
Director Non Executive

**Con Markopoulos**  
Director Non Executive

**Tim Symons**  
Director Non Executive

**Madhu Bhalla**  
Company Secretary

## Highlights for the Quarter:

- Offtake through Contract of Sale Agreement for 10 million tonnes of SHIP Ore – Secured
- Iron ore rights over SHIP North tenement converted to full Company ownership
- Continued negotiations to finalise the remaining 20% (\$AU64 million) of funding for SHIP
- Mapping, costeaning and sample program conducted at Kurnalpi South
- Extension of Term Application submitted for SHIP tenement, E28/1766 and Music Well tenement, E37/894



*Photograph:*

*FairStar Geologist mapping  
costean at Kurnalpi South*

## Details of Activities during the Quarter

### Steeple Hill Iron Project (SHIP)

During the Quarter, the Company announced it had achieved a major milestone in its transition from an explorer to producer by securing an offtake through a Contract of Sale Agreement for 10 million tonnes of SHIP Ore.

Under the agreement, FairStar will deliver 10 million tonnes of iron ore at a rate of 1 million tonnes per annum. The contract was executed in August in Qingdao, China with LuYang Group International Limited, which is part of the LuYang Group.

FairStar also continues making progress towards fulfilling conditions to enable it to commence drawing funds as part of the 50/50 profit share agreement with Alliance Super Holdings Pty Ltd announced in June. Negotiations to secure the 20% funding required, enabling the Joint Venture to become operational, are progressing satisfactorily. Although the company is in negotiations with several parties there is a preferred investor and all discussions and negotiations are progressing positively. The market will be advised as to the outcome as soon as one has been achieved. Once these negotiations are finalised, the production and sale of ore will provide a positive return of value to the shareholders.

In addition to the offtake agreement, the Company also announced it had converted the iron ore rights over SHIP North to full Company ownership with major potential to augment the existing SHIP resource.

As previously reported, aerial photography indicates SHIP's hematite rich gravels continue for up to seven kilometres into the 108 Sq Km new tenement (SHIP North).

Previous FairStar drilling in the north-east perimeter of the SHIP tenement, immediately adjacent the new SHIP North tenement revealed good mineralisation up to five metres deep, and the Company has every reason to believe this continues in a north-easterly direction.

### Kurnalpi Gold Project

Further exploration has been conducted at Kurnalpi South (E28/1749) in the areas where previous sampling has returned highly encouraging results.

The Company's chief geologist visited the site and conducted further mapping to determine the most appropriate sites to conduct the digging of several costeans.

The costeans were dug in areas that had previously returned significant rock chip values for gold. These costeans were designed to allow sub-surface mapping and sampling to be carried out.

At **Hacketts East**, a line of old workings on a 120m long quartz vein in sheared basalt, with **historical** rock chip grades up to **72g/t gold**, was mapped and three costeans dug across the line of workings. The costeans indicated that the quartz vein pinches and swells from 10cm to 90cm. The grades of quartz rock chips are highly variable, as is usual with these deposits. Gold grades ranged from 0.25g/t to 1.71g/t. Another sample taken from the mullock from the old workings returned a grade of **17.9g/t Au**.

*Photograph: Digging costean at Hacketts East*





*Photograph: Costean at Hacketts Well*

At **Hacketts Well**, three costeans were dug amongst the old shafts, and mapping indicated the presence of minor quartz veins within sheared basalt. The old workings, which historic records show have produced approximately 2,200 ounces of gold, were mapped, and rock chip samples taken for gold and base metal analysis. The grades of the analyses show that the gold is contained in the quartz and not in the sheared host rock. The highest gold result was 1.15g/t which also had highly anomalous grades of lead and copper.

A third shallow pit with associated quartz vein which had returned an assay of 108g/t from a rock chip of quartz is located on the east side of the tenement, with an associated east west striking quartz vein. Two costeans were dug across the quartz vein and indicated that the vein was 40cm wide and sampling provided anomalous values for chromium and other associated minerals. Further work is required in this area to more closely follow the high grade veins which have been identified from the surface rock chip samples.

Along with other mineralised quartz veins and historic workings in the area, these deposits have the potential to provide the basis for small scale mechanised mines feeding into a centrally located small process plant. However drilling will be required to delineate the extent and grade of gold mineralisation. This is complicated by the erratic distribution of gold in these quartz veins.

Scraping and metal detecting work has continued across tenement E28/1749 by Prospectors under agreement with FairStar. Several areas have been scraped and detected so far. All data from this work is currently being assessed and future programs will be planned shortly. Results to date are encouraging.

## Other Tenements

All other tenements are in good standing, as per the requirements of the DMP.

Extension of Term Applications for five years have been submitted for tenements E28/1766, SHIP and E37/894, Music Well. Determination of these applications is awaited from the DMP.

## Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Sheldon Coates, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Sheldon Coates is employed by Iron Resources Pty. Ltd, who is a consultant to FairStar Resources Ltd. Mr. Sheldon Coates has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Sheldon Coates consents to the inclusion in the report of the matters based on his information 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 Steeple Hill Iron 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 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 Kurnalpi, Duchess of York - Hickmans Find and Music Well, along with uranium at Mt Padbury.

FairStar has an extensive portfolio of projects straddling 840 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.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Fairstar Resources Limited

ABN

38 115 157 689

Quarter ended ("current quarter")

30 September 2013

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(481)	(481)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid	(19)	(19)
1.6 Income taxes paid		
1.7 Other – Net GST (paid)/refunded	(44)	(44)
<b>Net Operating Cash Flows</b>	<b>(779)</b>	<b>(779)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(200)	(200)
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		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(979)</b>	<b>(979)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(979)	(979)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	1,460	1,460
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
	- secured	-	-
	- unsecured	-	-
1.17	Repayment of borrowings	(270)	(270)
1.18	Dividends paid		
1.19	Other	-	-
	Other – share issue costs	-	-
	Other – Settlement sums received	37	37
<b>Net financing cash flows</b>		<b>1,227</b>	<b>1,227</b>
<b>Net increase (decrease) in cash held</b>		<b>248</b>	<b>248</b>
1.20	Cash at beginning of quarter/year to date	254	254
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>502</b>	<b>502</b>

**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	95
1.24	Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

Directors fees and salaries in normal course of trading and consulting fees paid to Directors & related parties.

**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

Nil

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

Nil

+ See chapter 19 for defined terms.

### 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 (Note (a))	7,448	7,448
3.2 Credit standby arrangements (Note (b))	15,000	10,785

(a) As at the date of this report, the following short term secured financing facilities are payable:

Description	Amount Due
Loans (previously secured over Golden West Resources Ltd Shares)	300,000
Loan secured by 1,500,000 shares in Golden West Resources Ltd	1,500,000
Loan secured by PPSA Security interest	1,900,000
Loan secured over mining lease	2,648,000
Other unsecured loan (former convertible noteholders)	<u>1,100,000</u>
	<u>7,448,000</u>

(b) In October 2010 Fairstar entered into a non exclusive standby subscription agreement with Gurney Capital Nominees Pty Ltd. The total facility, of which drawdowns can be made subject to certain terms and conditions, is \$15 million. A total of \$1.46m was drawn down pursuant to this facility in quarter ended 30 September 2013 (cumulative -\$10.785m). Shares are issued at a price representing 80% of the 5 day VWAP for the period immediately prior to the issue of a drawdown notice to Gurney.

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	50
4.3 Production	
4.4 Administration	350
<b>Total</b>	<b>500</b>

### 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	339	100
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details) – Term deposits	163	154
<b>Total: cash at end of quarter (item 1.22)</b>	<b>502</b>	<b>254</b>

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

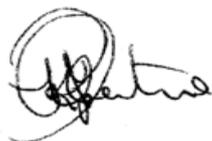
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	-	-		-
		-	-		-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>	<i>Total Number</i> 278,221,152	<i>Number Quoted</i> 278,221,152	<i>Exercise price</i> \$0.1000	<i>Expiry date</i> 31/08/2014
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <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 \(see note 5\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31 October 2013

Print name: Kevin J Robertson

## 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.

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