

ASX Code: FAS

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ABN 38 115 157 689

Capital Structure

30th January 2014

Ordinary Shares on issue: 1,616 M

Share price: \$0.010

Estimated market

capitalisation: \$ 16.1 M

Board Directors

Kevin J Robertson MAICD
Managing Director

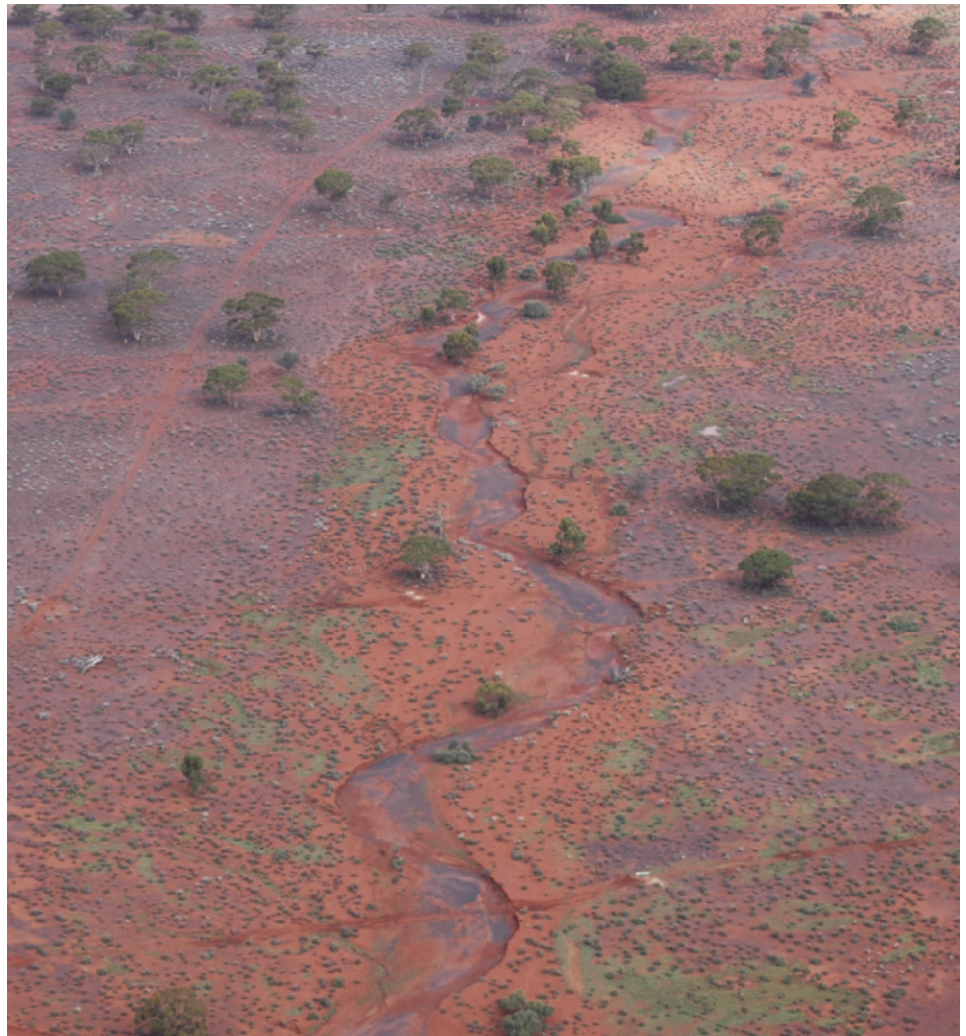
Con Markopoulos
Director Non Executive

Tim Symons
Director Non Executive

Madhu Bhalla
Company Secretary

Highlights for the Quarter:

- Continued negotiations to finalise the remaining 20% (\$AU64 million) of funding for SHIP
- Extension of term granted for a further five years on Kurnalpi tenement, E28/1749 which includes Halfway Hill and Area 9.
- Extension of term, on SHIP tenement E28/1766, granted for a further 5 years.
- Discussions with process plant engineers and laboratory regarding the pilot plant test of up to 100t of SHIP ore
- Continued progress on immediate SHIP requirements once funding is achieved.
- Further validation of the Company's extensive data base, particularly on the Kurnalpi Project, Halfway Hill and Area 9 data.



Photograph:

*Aerial view of Iron Creek
at SHIP*

Details of Activities during the Quarter

Steeple Hill Iron Project (SHIP)

During the Quarter, the Company continued to pursue various funding alternatives for the remaining 20% (\$AU64 million) required to facilitate transition into production.

The discussions and negotiations are progressing albeit not as quickly as the Company would like. The global economic climate and the legal requirements across a number of borders and jurisdictions is challenging but FairStar continues to make progress.

In the interim the Company has had other alternatives placed before it, and in the interests of prudence and good corporate intent, these alternatives are being evaluated alongside the current arrangements.

Discussions have been held with the process plant engineers and laboratory to process 100t of SHIP ore through a pilot test plant. With this test work, final plant design and engineering will be able to commence.

Planning for the retrieval of the hematite rich alluvials and transport to the pilot plant has been completed. The Company previously delayed this work pending funding, but will commence test work shortly regardless to expedite project planning and execution once funding is fulfilled.

Extension of term application for tenement E28/1766 was submitted during the previous quarter to the Department of Mines & Petroleum. A five year extension for the tenement has been granted, with the tenement now due to expire in 2018. This tenement holds great potential to further enhance the overall resource at SHIP both with detrital material and hard rock hematite/goethite and magnetite material.

A further detailed analysis of the tenement and review of the site will be undertaken to determine further locations for an extension of another drilling program on tenement E28/1766.

The Company confirms that steady progress has been maintained on the immediate requirements for SHIP once funded to enable a smooth and rapid transition into the production phase of the project.

Kurnalpi Gold Project

An extension of term application had previously been submitted to the Department of Mines & Petroleum (DMP) for tenement E28/1749.

This tenement covers the majority of the area which is the Kurnalpi Gold Project and includes the prospects of Halfway Hill, Area 9, Area 7 and Hacketts Well, all of which have good potential to host sizeable gold resources. The DMP has granted the five year extension over the tenement, which is now due to expire in November 2018.

Work has continued on the extensive Kurnalpi data base with further validation on historic information. This validation enables future exploration work to be conducted and planned with greater accuracy. All data is being validated using Micromine software.

Other Tenements

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

FairStar Tenement Schedule

Name of Project	Ownership	Name of Prospect	Tenement Number
Steeple Hill Iron Project	FairStar	Lindsay's Dam	E28/1672, E28/1766, M28/373, L28/38-40 (P), L28/43(P) E28/1997
Kurnalpi-Randalls	FairStar	Kurnalpi North (Halfway Hill) & South (Area 9)	E28/1749, P28/1134 & P28/1135
		Jurangie Hill	E28/1687
		Kurnalpi East – Colour Dam	E28/1561
	FairStar 90%/Westex 10% Alan Rudd	Kurnalpi East – Colour Dam	E28/1748, P28/1131, P28/1133
		Duchess of York	M25/349
		Hampton Hill	E25/393
Music Well	FairStar	Music Well	E37/894
Mt Padbury	FairStar	Old Trilbar	E51/1147
		Mt Padbury	E51/1150

Tenement Portfolio consists of the following:

21 Tenements: 11 Exploration, 4 Prospecting, 2 Mining, 4 Miscellaneous Licences - Pending

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 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.

Competent Persons Statement

The information contained in this report was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

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.

Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/2013

Name of entity

Fairstar Resources Limited

ABN

38 115 157 689

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 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	(358) (778)	(839) (1,017)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	5
1.5 Interest and other costs of finance paid	-	(19)
1.6 Income taxes paid		
1.7 Other – Net GST (paid)/ refunded	-	(44)
Net Operating Cash Flows	(1,135)	(1,914)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(110) -	(310) -
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)		
Net investing cash flows	(110)	(310)
1.13 Total operating and investing cash flows (carried forward)	(1,245)	(2,224)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,245)	(2,224)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,991	3,451
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
	- Secured		-
	- Unsecured		-
1.17	Repayment of borrowings	(356)	(626)
1.18	Dividends paid		
1.19	Other (provide details if material)	-	-
	Other – share issue costs	-	-
	Other – Settlement sums received	-	37
Net financing cash flows		1,635	2,862
Net increase (decrease) in cash held		390	638
1.20	Cash at beginning of quarter/year to date	502	254
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	892	892

Payments to directors of the entity, associates of the directors, 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	129
1.24	Aggregate amount of loans to the parties included in item 1.10	

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

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

- 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

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	7,448	7,448
3.2 Credit standby arrangements	15,000	12,285

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

Description	Amount Due
Other unsecured loan (former convertible noteholders)	850,000
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	<u>2,648,000</u>
	<u>6,898,000</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 \$1.5m was drawn down pursuant to this facility in quarter ended 31 December 2013 (cumulative -\$12.285m). 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	300
4.2 Development	50
4.3 Production	
4.4 Administration	350
Total	700

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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	729	339
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)	163	163
Total: cash at end of quarter (item 1.22)	892	502

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

7.3	+Ordinary securities	1,586,380,691	1,586,380,691		
7.4	Changes during quarter				
	(a) Increases through issues	149,552,889	149,552,889	Issued for working capital at an average price of \$0.013.	
		6,754,197	6,754,197	Shares issued to satisfy payment of professional fees.	
		17,401,172	17,401,172	Shares issued to satisfy payment of interest obligations.	
	(b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	Total Number 278,221,152	Number Quoted 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	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <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 /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: 31 January 2014
(Director)

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 and petroleum 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 or petroleum 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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