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Steeple Hill Iron Project (SHIP) Mining Lease Granted

- **WA Government grants mining lease M28/373 covering SHIP tenements**
- **Further significant progress towards fast tracking development**
- **Takes FairStar closer to obtaining \$A300 million funding facility**
- **Transform FairStar from explorer to producer**

Perth: The Board of FairStar Resources (ASX: FAS) is pleased to announce a further significant milestone in its strategy to transition from an explorer to producer with the granting of Mining Lease Number M28/373 over its 100% owned Steeple Hill tenements.

FairStar Managing Director Kevin J Robertson said this was the second major announcement in less than a week; following disclosure the Company has successfully negotiated a Native Title Agreement covering the Steeple Hill Iron Project (SHIP).

Importantly, this takes FairStar several steps closer to securing an innovative \$A300 million debt funding facility so it can commence draw down and move towards production; FairStar needs to conclude Off-Take Agreements for a substantial part of the ore to be derived from the SHIP Tenements.

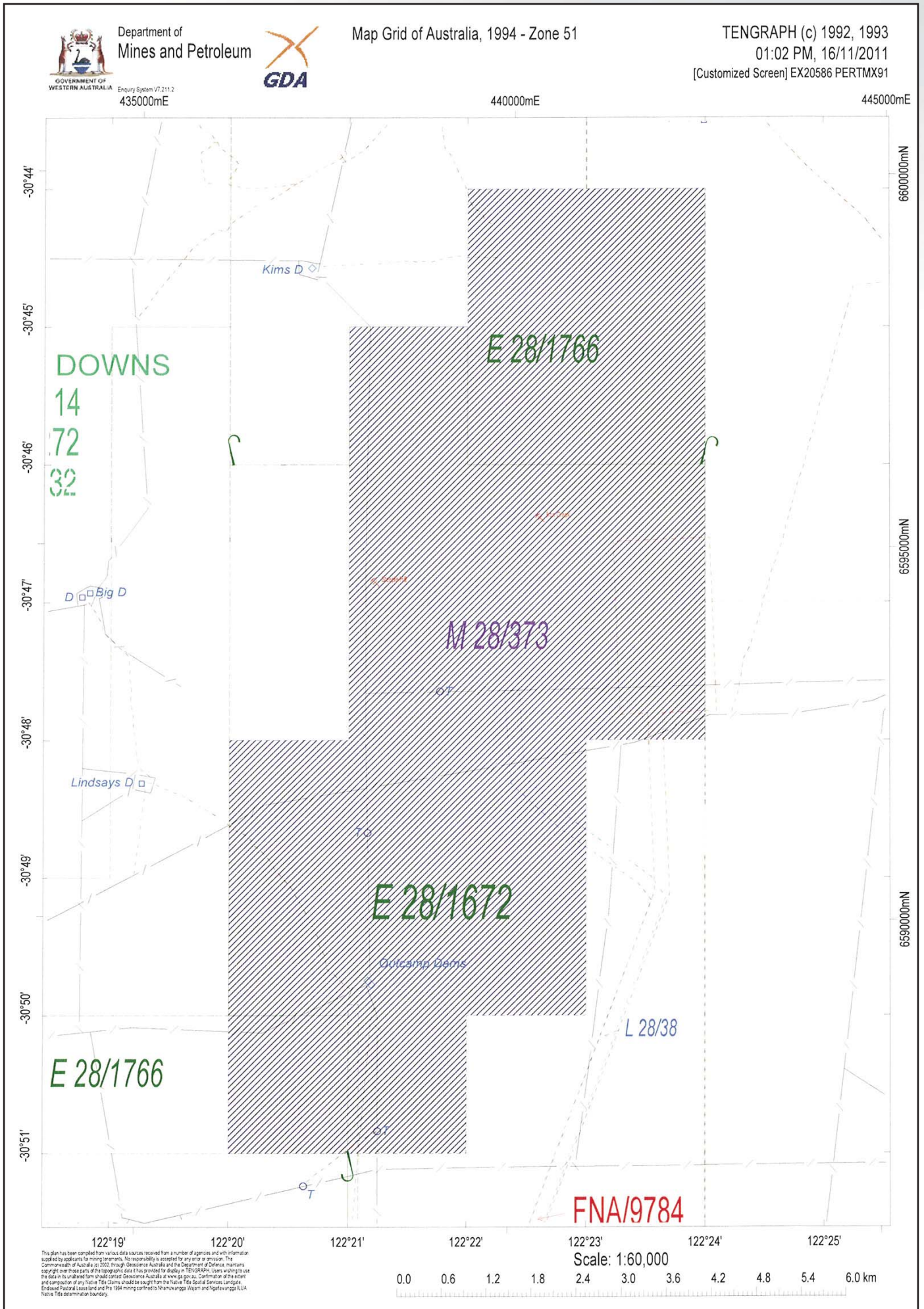
Mr Robertson said FairStar was continuing to make steady and sustained progress towards fulfilling this final condition.

“Shareholders can be encouraged that the Board and the Company have achieved what we said we would when we made the conditional funding announcement just three weeks ago,” Mr Robertson said.

“SHIP is a company transforming project that will rapidly take FairStar from an explorer to a producer of iron ore in a short time frame and we are looking to the investors to complete their due diligence and upgrade the funding status for our \$A300 million facility from “conditional” to “unconditional”.

“I want to thank the Board and FairStar staff for working with me over many long and challenging months to get this deal locked down by satisfying all the conditions set by the investors.

Figure 1 - Steeple Hill Iron Project



“We have always said that FairStar would move SHIP to production for the benefit of our loyal shareholders and I am pleased to say that today we stand on the threshold of accomplishing this very thing.”

The \$A300 million facility will be used to commence construction and commission the SHIP plant in Western Australia's Yilgarn region, fund infrastructure, provide further working capital and retire debt.

Significantly, the facility will be repayable over ten years from first drawdown with iron ore.

Key features of the Innovative Debt Instrument include:

- Initial cash drawdown upon the facility becoming unconditional with further draw downs over the following 15 months based on agreed budget and milestones.
- Debt repayable by the delivery of iron ore over a 10 year term.
- Security is a mortgage over the SHIP mining tenements only.

FairStar plans to execute a three phase strategy to fully unlock SHIP's value; the first phase will recover SHIP's significant deposits of alluvial iron ore in a low cost mining operation; the second phase will be a drill and blast operation for hard rock hematite, the third phase will be the recovery of magnetite.

ENDS

For more information:

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Background, FairStar - A New Horizon:

FairStar was listed in October 2006 and is a unique Perth-based uranium and gold producer; upon discovering Iron Ore at Lindsay's Dam commenced its flagship 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 resource estimates of Direct Shipping 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 and Duchess of York - Hickmans Find.

FairStar has an extensive portfolio of projects straddling 1,167 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.

Fairstar's other projects include the Jones Find Gold Prospect, which is subject of an application for a Mining Lease and the Duchess of York - Hickmans Find, where preliminary metallurgical work is imminent to determine a possible gold resource. FairStar will remain highly active in feasibility assessment, target generation and further exploration.

FairStar Resources Limited had its origins in Kalgoorlie and the Directors and Management are committed to returning value to shareholders and the whole region, both in the near term and for generations to come.