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FairStar Resources Secures Irrevocable 80% (\$AU260 million) Funding for Steeple Hill Iron Project (SHIP)

- **Irrevocable commitment to fund 80% (\$AU260 million) of Steeple Hill Iron Project;**
- **A 50/50 profit sharing Joint Venture over SHIP deposit;**
- **Agreed budget retires FAS debt; Company debt free;**
- **No dilution of FairStar shares;**
- **Negotiations well advanced with a range of parties for remaining 20% funding and off take of SHIP ore** (Indicated Resource of 20 million tonnes in accordance with the JORC Code)
- **Additional access to funds from a credit line totalling \$AU640 million if and when needed**

FairStar Resources (ASX:FAS) is pleased to announce it has secured irrevocable commitment for 80% (\$AU260 million) funding for its Steeple Hill Iron Project (SHIP).

The funding deal between FAS and Alliance Super Holdings Pty Ltd - is non dilutive and will transition SHIP to production via a 50/50 profit sharing Joint Venture.

As part of the business plan and budget, all FairStar's debt will be retired and the Company will become debt free.

In addition, a line of credit totalling \$AU640 million above and beyond the \$AU260 million invested in SHIP by Alliance Super Holdings – and well in excess of the AU\$320 million capital/funding requirements for SHIP – has been secured as additional capital/funding available to the JV if and when needed.

FairStar confirms that Alliance Super Holdings Pty Ltd and its affiliated and associated companies have the funding in place and the only Conditions, remaining to be met, are: -

- FairStar securing its 20% and
- The execution of the formal JV Agreement.

Alliance Super Holdings provide financial support for Australia's resource and related infrastructure sector, with the added focus of maintaining sovereign ownership within Australia. Alliance Super Holdings presently has exposure to opportunities ranging from \$100M to multiple billions of dollars.

The funds will be used to commence construction and commissioning a plant at SHIP in Western Australia's Yilgarn region, fund infrastructure and provide further working capital for the Joint Venture.

FairStar is in advanced negotiations with four parties to secure the remaining 20% funding and an offtake agreement covering up to 80% of the initial 20 million tonnes (JORC - indicated mineral resource) plus 4 MT of ultra-fines.

Managing Director Kevin Robertson said FAS had continued to evaluate a number of funding proposals and Alliance Super Holdings represented the best outcome for shareholders by expediting funding and delivering long term certainty for the Company.

"The future prospects for FairStar have never looked better and this agreement means the Company can retire debt and will emerge debt free, while the 50/50 profit sharing joint venture will have significant funding at its disposal well and above that required to transition SHIP into production," Mr Robertson said.

"This is a significant milestone for FairStar and the Company wants to thank all its loyal shareholders for their continued support through some challenging times," Mr Robertson said.

"I can confirm we are in advanced negotiations with four parties who have expressed a desire and have the ability to fund the remaining 20% and secure offtake for up to 80% of 20 million tonnes (JORC - indicated mineral resource) plus 4 MT of ultra-fines at SHIP.

Mr Robertson said the funding would enable the Company to continue delineating the full mineral potential of SHIP, the full extent of the SHIP (Stage One) ore body remains unknown, although the in ground indicated resource estimate is worth A\$ 2.5 billion at today's prices.

FairStar is also preparing to commence JORC resource drilling at its adjacent North Ship tenement as soon as possible.

"A full program of works for North Ship has been approved and in house estimates believe it is possible that the total amount of ore at North Ship could be multiples of SHIP," Mr Robertson said.

FairStar rigorously evaluated a number of potential local and international investor proposals to make sure it achieved the best value proposition for shareholders.

"Our overriding priority has been to ensure we secured the best possible deal with the best possible outcome for shareholders," Mr Robertson said.

"We are confident the Alliance Super Holdings transaction will put FairStar on the map as an emerging powerhouse in Western Australian resources."

FairStar will execute a three phase strategy to fully unlock value; the first phase will recover SHIP's significant deposits of alluvial iron ore in a low cost mining operation before commencing drill and blast operations.

"The vast unlocked potential of our SHIP and North SHIP deposits means we are literally looking at the tip of the iceberg in terms of future value for the Company," Mr Robertson said.

SHIP - high grade, low cost recovery:

There are three types of iron material present at Steeple Hill.

- Hematite rich alluvial gravels (channel-iron deposit);
- Outcropping and concealed hematite-geothite;
- Banded Iron Formations (BIF), to yield many millions of tonnes of Magnetite.

SHIP was discovered by FairStar in July 2008 and is located in Western Australia's goldfields, 110 km east of Kalgoorlie.

Significantly, it offers a clear and unfettered path to production with relatively low transport and infrastructure capital expenditure by being only 24km from the existing East-West rail line. The control of transportation, including all commercial benefit through the supply chain, will be retained by FairStar in order to maximise returns and mitigate currency and price fluctuation risks.

The SHIP unconsolidated channel-iron deposit is unique in the Yilgarn region. This channel-iron deposits has no over-burden, extends from the surface and will be inexpensive to mine and process.

The first phase of mining will involve low cost recovery, washing and handling of surface (alluvial) high-grade iron ore from surface down to 11 metres. Initially, this means FairStar won't have to establish a drill-and-blast mining operation with associated high capital and operational expenditure.

Once FairStar has capitalised on the strong commodity price for iron ore and commenced production at SHIP, it will also drill and blast mine the other, deeper hard rock iron ore to unlock further capital gains.

FairStar firmly believes the three stages of SHIP has the potential to reinvigorate the Kalgoorlie-Boulder region and provide substantial opportunity for further growth. The management is committed to supporting the local community and industry as much as possible and will seek to contract local businesses for goods and services.

Details of FairStar Product as per report of AMC Consultants Pty Ltd,

Table 1 Steeple Hill Mineral Resource Reported at 5% Recovery Cut-off

Geological Domain	Tonnes (Mt)	Concentrate Recovery (%)	Fe* (%)	SiO ₂ * (%)	Al ₂ O ₃ * (%)	P* (%)	MnO* (%)	LOI* (%)
Surface Layer	33	14	59	6.5	6.0	0.02	0.10	1.5
Gravel	62	20	58	7.1	5.9	0.01	0.06	1.7
Alluvial Clay	35	9	58	7.5	5.7	0.01	0.07	1.8
Total	131[#]	15	58	7.0	5.9	0.01	0.08	1.7

* Concentrate grade.

[#] Totals may not appear to be the sum of data due to rounding.

Background, FairStar - A New Horizon:

FairStar was listed in October 2006 and is a unique Perth-based uranium and gold explorer; 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 ore 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.

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 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.

Background - Alliance Super Holdings:

Alliance Super Holdings Pty Ltd was formed in early 2013 in joint venture with a global network of private equity financiers, as a capital funding facilitator. Providing unique and beneficial financial support into Australia's resource and related infrastructure sector. Alliance Super Holdings has the added focus of assisting an investment starved resource and infrastructure sector to maintain sovereign ownership within Australia. Alliance Super Holdings presently has exposure to opportunities ranging from \$100M to Multiple Billions.

ENDS:

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.