

**ASX Code: FAS**

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## Board Directors

**Kevin J Robertson** MAICD  
Managing Director

**Con Markopoulos**  
Director Non Executive

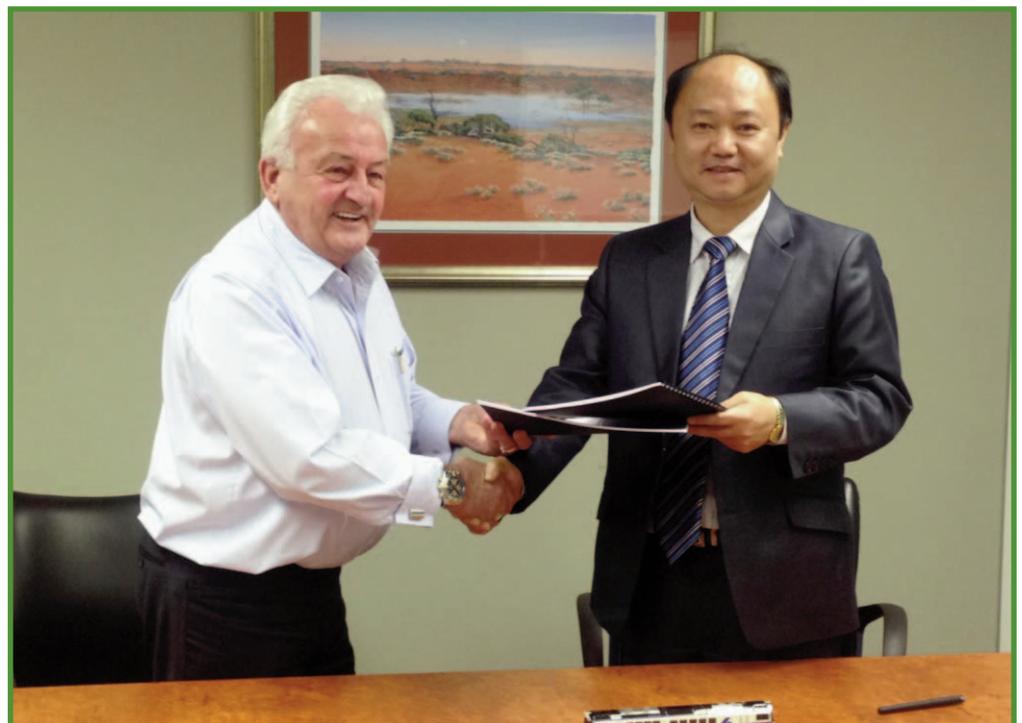
**Tim Symons**  
Director Non Executive

**Madhukar Bhalla** AGIA  
Company Secretary

## Major Chinese State Owned Infrastructure Company Backs FairStar with **US\$176 million** Vendor Financing

- **CSR Ziyang Co. Ltd to provide Vendor Financing on competitive commercial terms for rolling stock and associated rail infrastructure**
- **Strategic decision to segment project funding**
- **FairStar remains in full control of Steeple Hill Iron Project with no JV**
- **Discussions on-going with range of parties for balance of funding**

**FairStar Managing Director,  
Kevin J Robertson and  
CSR Ziyang's Mr Tiger Lee  
signing contract of sale  
and vendor financing  
agreement**



FairStar Resources (ASX:FAS) is pleased to announce that it has taken a significant step towards bringing its 100% owned Steeple Hill Iron Project (SHIP) to production by securing vendor financing with CSR Ziyang Co. Ltd of up to US\$176 million for SHIP's rolling stock and associated rail infrastructure requirements.

FairStar is confident the CSR Ziyang vendor financing deal will enable the Company to resume full control of its destiny and unlock long term shareholder value.

The contract of sale and vendor financing agreement executed with CSR Ziyang provides funding in three tranches. The first tranche will be for three locomotives and 132 wagons with a potential carrying capacity for FairStar of up to 1.8 MT per annum. The linked infrastructure and the first train set have been budgeted for a value circa US \$106 million.

Additional locomotives and wagons will be purchased through CSR Ziyang once SHIP is in production to facilitate increased transport tonnage requirements of up to 5 Mt per annum.

The agreement with CSR Ziyang is on competitive commercial terms and provides a five year repayment term with a two year holiday. This reduces pressure on FairStar's cash flow as the Company gears up to commence production and generates cash flow and revenue.

Under the agreement, FAS is to provide a 15% deposit to commence manufacture; the Company can confirm discussions are underway with a range of interested financiers.

FairStar has engaged the services of Creafin & Associates (Creafin), on a non-exclusive basis, to assist FAS in raising project funding for infrastructure development of its SHIP tenement. Creafin is a Singapore-based boutique financial and consulting practice with significant experience in corporate finance and structuring project financing for the natural resource and infrastructure sectors using a variety of debt instruments. On Fairstar's behalf, Creafin's Managing Director, Mr. Patrick Teo has made an application to several European asset managers with the aim of monetising FairStar's major asset, being the tenement at Steeple Hill. The Company is awaiting a response from the asset management entity and will inform shareholders as soon as practicable.

As stated above, FairStar is also in discussions with a range of other potential funders to ensure the Company secures the best possible terms and outcomes in a competitive process.

FairStar Managing Director, Mr Kevin Robertson said "we are very pleased to have the support of CSR Ziyang".

"CSR Ziyang has been in business since 1966 and they are, after gaining a deep understanding of FairStar's SHIP Project fully committed to assist us in bringing SHIP to fruition and realising the full potential of this exciting project.

This is a historic day for FairStar as we believe we have secured a good financial structure for the Company. The agreement with CSR Ziyang fulfils not only our first stage rolling stock requirements but also the additional required rail infrastructure for the project."

Mr Robertson said FairStar previously attempted to secure the entire project funding through several entities to no avail; and the Company had made the strategic decision to divide its funding needs across a number of parties. This segmentation of project funding will be easier to attain given the tight international debt and equity markets.

"As always, I would particularly like to thank our loyal shareholders for their continued support and belief in the project through some very challenging and frustrating times, I would also like to appreciate the involvement and assistance of the directors at Key Source Rail Pty Ltd in the facilitation of this Agreement", he said.

Established in 1966, CSR Ziyang is a subsidiary of CSR Corporation Limited, the largest locomotive manufacturer in China.

CSR Ziyang is confident it will enable CSR to expand its presence in the Australian rail market. After understanding fully the various upsides of the SHIP project, CSR Ziyang is comfortable, confident and committed to assist FairStar and the Steeple Hill Iron Project.

“**CSR “Pandaroo”** locomotives and rolling stock are already used by a number of Australian operators and CSR Ziyang is excited about working with an emerging iron ore producer such as FairStar to extend and grow its presence in Australia

As announced to the market in August 2013, FairStar signed an irrevocable contract of sale for one million tonnes per annum of iron ore with Luyang International Trading & Shipping Co. Ltd of Qingdao.

FairStar has formally terminated the proposed joint venture with Alliance Super Holdings Pty Ltd following a detailed and extensive evaluation by the Company. This review concluded the Alliance transaction was not in the best long term interests of Fairstar and its shareholders.

## **Background:**

### **About CSR Ziyang Co., Ltd.**

CSR Ziyang Co., Ltd, a subsidiary of CSR Corporation Limited, is the largest locomotive manufacturer in China. Established in 1966, CSR Ziyang manufactures 60 types of locomotives with power range from 300kw to 9600kw. CSR Ziyang has production capacity of 400 locomotives per year, and more than 6,000 locomotives in various types have been produced. The Company produces more than 70% of components and spare parts for its locomotives itself.

CSR Ziyang is the first locomotive exporter in China. Till now, the Company has exported more than 600 locomotives to 23 countries, including Australia.

CSR Ziyang has more than 5,000 employees and with total assets of US\$658 million.

In September 2010, CSR Ziyang won the first Australian order with contract amount being AU\$18.2 million. This was the first export of a Chinese-built locomotive to Australia. More locomotives were ordered in 2011, 2012 & 2013. The first locomotive, destined for Australia, was unveiled on 22 July 2011 at Ziyang.

CSR Ziyang’s website can be visited at: <http://en.zyloco.com/>

## **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 infrastructure 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.

FairStar will utilise gains from SHIP to increase shareholder value and fund further high-value projects such as the gold tenements at Kurnalpi, and Duchess of York - Hickmans Find, along with uranium at Mt Padbury.

FairStar has an extensive portfolio of projects straddling 840km<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.

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 and long term.