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## Dear GWR Shareholder or Optionholder

You will recently have received a Target's Statement from Golden West Resources Limited (**GWR**) in relation to Fairstar's current takeover bid for GWR.

Although GWR has produced a glossy and voluminous document, it contains a number of inaccuracies and misleading and subjective statements. Fairstar does not wish to burden GWR shareholders further by providing a detailed response to the Target's Statement. However, it does wish to respond to the "Reasons for Independent Directors Recommendation" set out in the Target's Statement as follows:

### **REASON 1: Fairstar's offer does not reflect the true value of the Wiluna West Project**

**Fairstar response:** The independent expert's report prepared by PricewaterhouseCoopers Securities Ltd (**PwC**) submits that the offer is unfair, having assessed the value of GWR Shares at \$2.92. However, PwC concedes that "*It is difficult to value GWR shares on a controlling interest basis with a high degree of precision*" and goes on to note that "*our assessment of the market value of GWR shares has involved a high degree of professional judgement*".

**The credibility of PwC's valuation of GWR Shares at \$2.92 should be judged against the GWR directors' decision on 3 December 2007 to issue 19.7% of the company's share capital at a price of \$1.85 per share. This suggests that your directors, at least, recognise that PwC's figure is unrealistic and unachievable in the current market.**

PwC also states that GWR's share price has not been affected by takeover speculation after 4 September 2007. Fairstar believes that, on the contrary, GWR's share price is being supported by Fairstar's takeover bid and that the share price may well fall if its bid is unsuccessful.

On page 9 of the Target's Statement GWR notes that the volume-weighted average price of Fairstar Shares during the last 12 months is \$0.94, whilst the corresponding figure for GWR Shares is \$2.27. Fairstar is currently offering five Fairstar shares for every one GWR Share, so on this basis GWR shareholders would be receiving \$4.70 (\$0.94 x 5) for each of their GWR Shares – a very substantial premium to the current market price.

### **REASON 2: The offer is dilutive to GWR shareholders**

**Fairstar response:** Fairstar has world class exploration projects in the areas of gold, oil and gas, and uranium, so GWR shareholders who accept Fairstar's offer will enjoy the benefits of investing in a diversified mining house.

### **REASON 3: Capital gains tax payable by GWR's shareholders**

**Fairstar response:** GWR implies that shareholders who accept Fairstar's offer and realise a capital gain will incur an immediate tax liability and may be forced to sell a portion of the Fairstar Shares which they receive in exchange for their GWR Shares in order to meet this liability. This ignores the fact that any tax liability that might arise would not crystallize until the shareholder had received a tax assessment following the lodgement of his 2007/08 tax return. In most cases, this is unlikely to be until the second half of 2008, at the earliest. Fairstar continues to urge GWR shareholders to seek their own tax advice rather than rely on general comments in the Target's Statement.

### **REASON 4: The value GWR shareholders will receive is uncertain**

**Fairstar response:** The comments about the liquidity of Fairstar Shares is contradicted by Figure 2.1.3 on page 9 of the Target's Statement, which implies that the average daily number of GWR Shares traded on the ASX during the last 12 months is approximately 137,000, whilst the corresponding figure for Fairstar Shares is approximately 248,000.

**REASON 5: The acquisition may trigger \$43.55 million in transaction costs**

**Fairstar response:** Reason No. 3 notes that because GWR shareholders representing 27.85% of the company's issued capital have undertaken not to accept Fairstar's offer, Fairstar will be unable to achieve the 80% acceptance level necessary to ensure that accepting shareholders will be entitled to capital gains tax rollover relief. At the same time in Reason No. 5 GWR warns of the substantial transaction costs that Fairstar will incur if it is successful in achieving 100% ownership of GWR. The two reasons given by GWR are mutually contradictory.

**REASON 6: Synergies and cost savings**

**Fairstar response:** Fairstar believes synergies and cost savings will be achieved by reducing compliance costs of two publicly listed companies. This will allow the merged entity to concentrate on delivering value for its shareholders.

**REASON 7: No increase in scale or diversification**

**Fairstar response:** This statement is entirely subjective. As stated in the Bidder's Statement, Fairstar believes that combining Fairstar and GWR will create a diversified mining house with greater market liquidity and enhanced capital raising capacity through the ability to attract support from institutional and international investors.

**REASON 8: Funding of the offer**

**Fairstar response:** GWR describes the underwriting agreement which Fairstar has put in place to fund transaction costs and working capital requirements of the merged Fairstar/GWR entity as "highly conditional". As GWR is well aware, the underwriting is not subject to any conditions, and indeed the independent Takeovers Panel has found Fairstar's description of the underwriting arrangements (contained in section 1.5 of the Bidder's Statement) to be entirely adequate.

**REASON 9: Inability to accept another offer**

**Fairstar response:** The statement is nonsensical as no other offer exists to acquire your GWR shares.

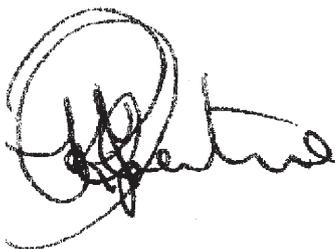
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Having carefully considered the contents of the Target's Statement, Fairstar is still fully committed to the success of its takeover bid.

Fairstar is pleased to announce that in order to give GWR shareholders more opportunity to consider its takeover offer, Fairstar has today extended the offer period until 13 January 2008. A formal Notice of Variation in respect of this extension is enclosed.

If you have any questions on how to accept Fairstar's offer, please contact the Fairstar Shareholder Information Line on 1800 895 933 (within Australia) or +61 2 8256 3373 (outside Australia), or contact your stockbroker or financial adviser.

Yours faithfully



**Kevin J Robertson**  
Managing Director