

10 August 2009

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Dear Optionholder

**NOTICE TO OPTION HOLDERS**

We write to you as a registered holder of the above number of options as at today's date. These options entitle you to acquire ordinary fully paid shares in FairStar Resources Ltd. Each option held is for the acquisition of one ordinary fully paid share, and the exercise price is 25 cents per share.

You are formally advised that these options will expire at 5.00pm Western Standard Time ("WST") on 30 August 2009.

Options may be exercised wholly or in part by completing the exercise of options form and payment of 25 cents for each option exercised, by no later than Friday 28 August 2009. If the 'Notice of Exercise of Options and Application for Shares' form and payment is not received by 5.00pm WST on 28 August 2009 the option will not be exercised and will result in the forfeiture of any rights that you as an option holder may have in relation to ordinary shares.

Pursuant to Listing Rule 6.24, Appendix 6A of the Australian Securities Exchange Limited (ASX), the Company provides the information contained in this notice.

**Market Sale Price**

The market sale price of ordinary fully paid shares in FairStar Resources Ltd on the ASX was 4.0 cents on 11 August 2009, being the last trading day prior to the date of this notice.

During the three months preceding the date of this notice:

- the highest market price on the ASX was 5.8 cents on 12 May 2009; and
- the lowest market price on the ASX was 3.7 cents on 7 July 2009.

A 'Notice of Exercise of Options and Application for Shares' form is enclosed for your completion.

**How to Exercise your Options**

Please complete the enclosed 'Notice of Exercise of Options and Application for Shares' form and then forward it together with your cheque, to be received by 5.00 pm WST on 28 August 2009 to:

Advanced Share Registry Services      Telephone: (08) 9389 8033  
PO Box 1156                                      Facsimile:                                      (08) 9389 7871  
NEDLANDS WA 6909

Payments must be in Australian dollars only, and cheques should be made payable to FairStar Resources Ltd and crossed "Not Negotiable" and drawn on an Australian bank.

As you may be aware the Company has announced a proposal, subject to receipt of shareholder approval, for an offer of a new class of option to optionholders whose options expire on 30 August 2009. 1 new option (expiry date of 30 August 2011, an exercise price of 10 cents and an issue price of \$0.001) is proposed to be issued for every 1 FASO class option held as at 28 August 2009. Further details in relation to this offer will be announced in due course.

Yours sincerely  
FairStar Resources Ltd

Alan E Thomas  
Company Secretary

# FAIRSTAR RESOURCES LIMITED

ABN 38 115 157 689

FAISO

## APPLICATION FOR SHARES UPON EXERCISE OF OPTIONS

I/ We, Mr/ Mrs/ Miss

\_\_\_\_\_  
First Names/ Company Name

\_\_\_\_\_  
Surname/ Australian Company Number

Address \_\_\_\_\_

\_\_\_\_\_  
Postcode

Contact Telephone Number \_\_\_\_\_

The registered holder(s) of the Options hereby exercise my/our Option for: \_\_\_\_\_

In figures

In words

Ordinary Fully Paid Shares and enclose application money of 25 cents per share \$.....  
(amount payable on exercise)

I/We whose full name(s) and address(es) appear above hereby apply for the number of Shares shown above (or shares allocated to me/us by the Company in respect of this application). I/We agree to be bound by the Constitution of FAIRSTAR RESOURCES LIMITED.

Securityholder Reference Number (S.R.N.) \_\_\_\_\_

Complete this only if you are Issuer Sponsored.

Holder Identification Number (H.I.N.) \_\_\_\_\_

Complete this only if you are CHESSE Sponsored.

Signature Of Shareholder(s) (All joint holders must sign)		Companies Only - Executed in accordance with the Company's Constitution and the Corporations Law.					
<input checked="" type="checkbox"/>	Signature      Date	<input checked="" type="checkbox"/>	Sole Director and Sole Secretary		Date		
<input checked="" type="checkbox"/>	Signature      Date	<input checked="" type="checkbox"/>	Director	Date	<input checked="" type="checkbox"/>	Secretary	Date
<input checked="" type="checkbox"/>	Signature      Date	<input checked="" type="checkbox"/>	Director	Date	<input checked="" type="checkbox"/>	Director	Date

**Note:** If signed under Power of Attorney, a Certified Copy of the relevant Power of Attorney document must be exhibited to the Registry. The Attorney declares that he/she has had no notice of revocation of the Power of Attorney.

These Options will entitle the holder to subscribe for Shares on the following terms:

1. Each Option entitles the holder to subscribe for one Share;
2. The Options are exercisable at any time on or prior to 30 August 2009 (the "Expiry Date");
3. The amount payable on exercise of each Option is 25 cents;
4. Subject to the Corporations Act and the ASX Listing Rules, the Options are transferable;
5. All Shares issued upon exercise of the Options will rank pari passu in all respect with the Company's then existing fully paid shares;
6. Exercise of the Options is effected by completing the Notice of Exercise of Options and forwarding it to the Company together with the requisite application monies;
7. There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. The Company, however, will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least seven Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue;
8. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of issued capital of the Company, the terms of the Options will be varied in a manner consistent with the ASX Listing Rules;
9. In the event that the Company makes a pro rata issue of securities, the exercise price of the options will change in accordance with the formula set out in the ASX Listing Rules, if applicable; and
10. Options not exercised by 5.00 p.m. WST on 30 August 2009 will automatically expire.

Cheques should be made payable to FAIRSTAR RESOURCES LIMITED, crossed "Not Negotiable", drawn on an Australian Bank and posted to Advanced Share Registry Services, PO Box 1156, Nedlands, Western Australia 6909.

**NOTE: OPTIONS NOT EXERCISED BY 30 AUGUST 2009 WILL AUTOMATICALLY EXPIRE.**