

August 11, 2009

**Dear Shareholder,**

Attached herewith please find the Notice of Meeting scheduled for the 15<sup>th</sup> of September 2009 to be held at the Good Earth Hotel, 195 Adelaide Terrace, Perth commencing at 10 a.m.

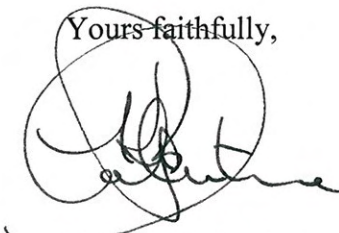
The resolutions to be voted on at this meeting are very important and I would request your sincere consideration before exercising your vote. If you do have any questions or queries, please do not hesitate to contact the undersigned or the Company Secretary, Mr Alan Thomas.

If you are unable to attend – a proxy form and postage paid envelope are enclosed for you to exercise your voting rights.

I would request that you do complete and return your proxy form if you are unable to attend.

I look forward to seeing you at the meeting.

Yours faithfully,



**Kevin J Robertson**  
Managing Director



(ACN 115 157 689)

**Circular to Shareholders**  
**including**  
**NOTICE OF GENERAL MEETING**  
**EXPLANATORY STATEMENT**  
**AND PROXY FORM**

**General Meeting of Fairstar Resources Limited to be held at**  
**Good Earth Hotel ,**  
**195 Adelaide Terrace, Perth, Western Australia**  
**on Tuesday, the 15<sup>th</sup> day of September 2009 commencing at 10.00 am (WST).**

This document should be read in its entirety. If after reading this Circular to Shareholders, you have any questions or doubts as to how you should vote, you should contact your stockbroker, solicitor, accountant or professional adviser.

**FAIRSTAR RESOURCES LIMITED**  
**ACN 115 157 689**

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## **Corporate Directory**

<b>Directors</b>	Ken Allen (Non-Executive Chairman) Kevin J. Robertson (Managing Director) Mahendra Pal (Executive Director) Harold J. Paiker (Non-Executive Director) Vaz Hovanessian (Non-Executive Director)
<b>Secretary</b>	Alan E. Thomas
<b>Principal Office</b>	Suite 3-4 136 Main Street OSBORNE PARK WESTERN AUSTRALIA 6017
<b>Registered Office</b>	Suite 3-4 136 Main Street OSBORNE PARK WESTERN AUSTRALIA 6017 Telephone: +61 8 9242 5111 Facsimile: +61 8 9242 5677
<b>Auditor</b>	Stantons International 1 Havelock Street PERTH WESTERN AUSTRALIA 6000
<b>Solicitors</b>	Lawton Gillon Level 11 16 St Georges Terrace PERTH WESTERN AUSTRALIA 6000
<b>Share Registry</b>	Advanced Share Registry Services 150 Stirling Highway NEDLANDS WESTERN AUSTRALIA 6009
<b>ASX Code</b>	FAS FASO

## Notice of General Meeting

NOTICE IS GIVEN THAT a General Meeting of the Company will be held at Good Earth Hotel , 195 Adelaide Terrace, Perth, Western Australia on Tuesday, the 15<sup>th</sup> day of September 2009 commencing at 10.00 am WST.

Information on the proposals to which the resolutions set out below relate is contained in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.

### 1. RATIFICATION OF ISSUE OF SHARES

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**.

“That, for the purposes of Listing Rule 7.4 of the Listing Rules of ASX and for all other purposes, shareholders ratify and approve the allotment and issue of 17,533,022 fully paid ordinary shares on the terms and conditions set out in the Explanatory Statement accompanying this notice.”

The company seeks shareholder ratification of the issue of the shares under ASX Listing Rule 7.4 in order to reinstate the Company’s capacity to issue up to 15 per cent of its issued ordinary capital, if required, in the next 12 months without shareholder approval. Please refer to the Explanatory Statement for further details.

#### Voting Exclusion

For the purposes of Listing Rule 7.4, the Company will disregard any votes cast on this resolution by persons who participated in the issue of shares and any associates of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for another person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### 2. RATIFICATION OF ISSUE OF SHARES (PETER GIANNI)

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**.

“That, for the purposes of Listing Rule 7.4 of the Listing Rules of ASX and for all other purposes, shareholders ratify and approve the allotment and issue of 21,000,000 fully paid ordinary shares at an issue price of 6 cents per share and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this notice.”

The company seeks shareholder ratification of the issue of the shares under ASX Listing Rule 7.4 in order to reinstate the Company’s capacity to issue up to 15 per cent of its issued ordinary capital, if required, in the next 12 months without shareholder approval. Please refer to the Explanatory Statement for further details.

#### Voting Exclusion

For the purposes of Listing Rule 7.4, the Company will disregard any votes cast on this resolution by persons who participated in the issue of shares and any associates of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for another person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### 3. ISSUE OF OPTIONS

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**.

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company be authorised to:

- (a) issue up to 72,159,493 Options each exercisable into ONE (1) ordinary share in the capital of the Company at an exercise price of 10 cents per share at any time up to and including 30 August 2011 to holders of options expiring 30 August 2009, with an exercise price of 25 cents who subscribe for the new Options at an issue price of \$0.001 per Option; and
- (b) in the event that the offer of Options set out in (a) above is not fully subscribed, to issue the shortfall to allottees selected by the Directors of the Company at their discretion not later than 3 months from the date of this meeting.

#### Voting Exclusion

For the purposes of ASX Listing Rule 10.13 and section 224 of the Corporations Act, the Company will disregard any votes cast on this resolution by persons who may participate in the proposed issue of securities and persons who might obtain a benefit, accept a benefit solely in the capacity of the holder of ordinary securities if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for another person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### 4. ISSUE OF OPTIONS TO DIRECTORS

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**.

“That, subject to and conditional on the passing of Resolution 3 and for the purposes of section 208 of the Corporations act and ASX Listing Rule 10.1 and for all other purposes, the Company be authorised to issue up to:

- (a) 850,000 Options to Mr Allen or his nominee;
- (b) 2,754,722 Options to Mr Robertson or his nominee; and
- (c) 850,000 Options to Mr Paiker or his nominee.

on the terms set out in the Explanatory Statement accompanying this Notice of General Meeting.”

#### Voting Exclusion

For the purposes of ASX Listing Rule 10.13 and section 224 of the Corporations Act, the Company will disregard any votes cast on this resolution by persons who may participate in the proposed issue of securities and persons who might obtain a benefit, accept a benefit solely in the capacity of the holder of ordinary securities if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for another person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## 5. ISSUE OF SHARES TO MAHENDRA PAL

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**.

“That, for the purposes of Section 208 of the Corporations Act and ASX Listing Rule 10.1 and for all other purposes, the Company be authorised to issue one million fully paid ordinary shares in the capital of the Company to Mr Mahendra Pal, a Director of the Company”:

### **Voting Exclusion**

For the purposes of ASX Listing Rule 10.13 and section 224 of the Corporations Act, the Company will disregard any votes cast on this resolution by persons who may participate in the proposed issue of securities and persons who might obtain a benefit, except a benefit solely in the capacity of the holder of ordinary securities if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for another person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **“Snap-Shot” Time**

The Corporations Act permits the Company to specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the meeting.

The Company’s directors have determined that all shares of the Company that are quoted on ASX at 5.00 pm WST, 11<sup>th</sup> September 2009 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the shares at that time.

### **PROXIES**

Please note that:

1. a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
2. a proxy need not be a member of the Company; and
3. a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion is not specified each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

**DATED 5<sup>th</sup> August 2009**

**BY ORDER OF THE BOARD**

**ALAN THOMAS**  
Company Secretary  
Fairstar Resources Limited

## **Explanatory Statement**

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting to be held at Good Earth Hotel, 195 Adelaide Terrace, Perth, Western Australia on Tuesday, the 15th day of September 2009 commencing at 10.00 am WST.

The purpose of this Explanatory Statement is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the resolution.

This Explanatory Statement should be read in conjunction with the accompanying Notice of General Meeting.

### **RESOLUTION 1 - RATIFICATION OF ISSUE OF SHARES**

Resolution 1 seeks shareholder ratification of the issue of 17,533,022 shares referred to in the introduction set out above.

ASX Listing Rule 7.1 provides that a listed company must not, subject to certain specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities, with rights of conversion to equity if the number of those securities exceeds 15 per cent of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. This will provide that where a company in general meeting ratifies the previous issue of securities made without approval under ASX Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

Accordingly the Company seeks shareholder ratification of the issue of 17,533,022 shares pursuant to ASX Listing Rule 7.4 in order to reinstate the Company's capacity to issue up to 15 per cent of its issued ordinary capital, if required, in the next 12 months without shareholder approval.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purposes of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of shares allotted and issued by the Company was 17,533,022 shares;
- (b) the issue price of the shares was as set out below;
- (c) the issued shares are fully paid ordinary shares and they rank equally in all respects with the Company's other existing ordinary shares on issue;
- (d) the funds raised have been used for working capital purposes;

(e) the shares were issued to the following parties:

<b>Date of Issue</b>	<b>Allottee</b>	<b>Issue price</b>	<b>Number of Fully Paid Ordinary Shares</b>
2.10.08	Mavia Pty Ltd	\$0.128	331,641
10.10.08	Norcaul Pty Ltd	\$0.065	6,000,000
28.11.08	Contango Services Pty Ltd	\$0.05	2,000,000
28.11.08	Gary Douch	\$0.05	1,000,000
28.11.08	Jim Ford	\$0.05	3,000,000
30.3.09	Stock Assist Group Pty Ltd	\$0.0207	2,564,087
10.6.09	Prosperity Investments Pty Ltd	\$0.041	487,805
10.6.09	Robert John Anderson	\$0.041	268,293
10.6.09	Glenn Farley Anderson	\$0.041	268,293
14.7.09	MCFM Nominees Pty Ltd	\$0.031	1,612,903
<b>TOTAL</b>			<b>17,533,022</b>

## **DIRECTORS' RECOMMENDATION**

The Board believes that the ratification of these issues is beneficial for the Company.

The Board recommends Shareholders vote in favour of Resolution 1 as it ratifies the above issue of shares and thereby retains for the Company the flexibility to issue further shares representing up to 15 per cent of the Company's share capital during the next 12 months without the need to firstly seek shareholder approval.

## **RESOLUTION 2 - RATIFICATION OF ISSUE OF SHARES (PETER GIANNI)**

Resolution 2 seeks shareholder ratification of the issue of 21,000,000 shares previously made to Peter Gianni.

The Company issued 21,000,000 fully paid ordinary shares to Peter Gianni and his nominee, Craig Patrick Martin, as part of the consideration to acquire the iron ore rights on three Exploration Licences. The Company paid an option fee of \$300,000.00 and issued 21,000,000 fully paid ordinary shares in the capital of the Company to Peter Gianni and his nominee as an option fee to acquire two Exploration Licences and a half interest in one Exploration Licence, all of which are prospective for iron ore.

Subsequently the Company has exercised the option and acquired the relevant interests in the tenements. The Company paid the sum of \$1.00 to exercise the option.

The purpose of this resolution is not to seek approval to enter into the transaction with Peter Gianni as that is now a concluded transaction. The purpose of the resolution is simply to ratify the issue of shares to enable the Company to refresh its 15 per cent placement capacity pursuant to ASX Listing Rule 7.4 in the manner set out in the explanation provided for Resolution 1.



ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purposes of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of shares allotted and issued by the Company was 21,000,000 shares;
- (b) the issued price of the shares was 6 cents per share;
- (c) the issued shares are fully paid ordinary shares and they rank equally in all respects with the Company's other existing ordinary shares on issue;
- (d) no funds were raised by the issue of the shares as the shares were issued as part consideration for an option fee;
- (e) the shares were issued to Peter Gianni and his nominee;

### **DIRECTORS' RECOMMENDATION**

The Board believes that the ratification of these issues is beneficial for the Company.

The Board recommends Shareholders vote in favour of Resolution 2 as it ratifies the above issue of shares and thereby retains for the Company the flexibility to issue further shares representing up to 15 per cent of the Company's share capital during the next 12 months without the need to firstly seek shareholder approval.

### **RESOLUTION 3 - ISSUE OF OPTIONS**

Resolution 3 seeks shareholder ratification of the issue options.

#### **Background**

The Company has previously issued 72,159,493 listed options exercisable at \$0.25 per ordinary share which expire on 30 August 2009 (ASX Code: FASO) ("*2009 Options*"). Subject to the passing of Resolution 3, the Company proposes to issue a prospectus ("*Option Offer*") to holders of 2009 Options as at the record date of 30<sup>th</sup> August 2009 ("*2009 Optionholder*") pursuant to which each 2009 Optionholder will be entitled to subscribe for one option to acquire one ordinary share in the capital of the Company ("*Share*") for every 2009 Option held, at an issue price of \$0.001 (\$0.001) exercisable at \$0.10 per ordinary share ("*2011 Option*"). Each 2011 Option must be exercised before 30 August 2011.

In the event that the Option Offer is not fully subscribed, the resolution seeks authority for the Directors to issue the shortfall under the Option Offer to sophisticated and professional investors (as defined within Chapter 6 D of the *Corporations Act 2001*) who are not related parties of the Company. The identity of the allottees is unknown at the date of this meeting. The Company will apply for the 2011 Options issued under the Option Offer to be listed on ASX.

#### **ASX Listing Rule 7**

ASX Listing Rule 7.1 provides that the prior approval of the Company's shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

This Notice of Meeting seeks the approval of shareholders to the issue of the 2011 Options. The Company requests shareholders approve the issue of the options for the purpose of ASX Listing Rule 7.1, so the Company will have the flexibility to issue further securities under ASX Listing Rule 7.1 without seeking shareholder approval. if the need or opportunity arises.

ASX Listing Rule 7.3 requires the Company to detail certain particulars in relation to the proposed issue. These are as follows:

- (a) **The maximum number of securities to be issued:**  
The Company will issue up to a maximum of 72,159,493 "2011 Options".

- (b) **Date by which the Company will issue the securities:**  
The 2011 Options will be issued not later than 2 months after Shareholder approval.
- (c) **Issue Price:**  
The issue price of each Option is 0.1 cent.
- (d) **Basis upon which allottees will be determined:**  
The allottees will be those holders of 2009 Options on 30th August 2009 that accept the Option Offer.  
In the event that there is a shortfall, the Directors may place that shortfall, at their discretion, with professional and sophisticated investors whom are not related parties of the Company, whose identity is unknown at the date of this meeting. Any shortfall will be issued to allottees not later than 3 months from the date of this meeting.
- (e) **Term of the Securities:**  
Each 2011 Option entitles the holder to subscribe for and be allotted one Share at an issue price of \$0.10, are exercisable at any time prior to 5.00 pm (Perth time) on 30 August 2011 by notice in writing to the Company.  
The 2011 Options will be issued on the terms and conditions set out in Annexure A to the Explanatory Statement.
- (f) **Intended use for funds raised:**  
The maximum amount that will be raised as a result of the Option Offer is \$ 72,159.20 . It is intended that the funds raised by the Option Offer will provide additional funding required by the Company for working capital.
- (g) **Dates of Allotment**  
The 2011 Options will be issued within 2 months of Shareholder approval and in any event, progressively.  
Any shortfall will be issued within 3 months of the date of the meeting and in any event progressively.

## **DIRECTORS' RECOMMENDATION**

The Board believes that the ratification of these issues is beneficial for the Company.

The Board recommends Shareholders vote in favour of Resolution 3 as it ratifies the above issue of options.

## **RESOLUTION 4 - ISSUE OF OPTIONS TO DIRECTORS**

### **Background**

Resolution 4 seeks the approval of shareholders to allow the directors of the Company to participate in the Option Offer on the same terms and conditions as the other Optionholders described in Resolution 3. The 72,159,493 "2011 Options" are inclusive of the directors options in Resolution 4.

### **ASX Listing Rules**

ASX Listing Rule 10.11 provides that a company must not issue equity securities (including options to acquire securities) to a director of a company without shareholder approval.

Listing rule 10.11 requires the directors options to be issued by no later than 1 month after shareholder approval.

All 2011 Options will be issued on the terms set out in the Explanatory Statement and Annexure "A".

The participation in the Option Offer and subsequent issue of 2011 Options to Messrs Allen, Robertson and Paiker constitutes the giving of a financial benefit to a related party which requires approval from shareholders under the Corporations Act and the ASX Listing Rules.

## **Corporations Act**

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. In particular, Section 208 of the Corporations Act prohibits, subject to specified exceptions, a company giving a financial benefit to a related party of the company without shareholder approval.

A "financial benefit" is defined in the Corporations Act in broad terms and includes the issue of securities or the grant of an option to acquire securities in a public company.

For the purposes of this meeting, a "related party" includes a director. For the purposes of Chapter 2E, Messrs Allen, Robertson and Paiker are related parties of the Company. The issue of 2011 Options to them constitutes the giving of a financial benefit to a related party.

Accordingly, the following information is provided in accordance with section 219 of the Corporations Act to enable shareholders to access the merit of this resolution:

**(a) The related party to whom the proposed resolution would permit the financial benefit to be given:**

The Company will issue up to:

- (i) 850,000 Options to Mr Allen or his nominee;
- (ii) 2,754,722 Options to Mr Robertson or his nominee; and
- (iii) 850,000 Options to Mr Paiker or his nominee.

**(b) The nature of the financial benefits:**

The nature of the financial benefit is the proposed issue of 850,000 "2011 Options" to Mr Allen, 2,754,722 "2011 Options" to Mr Robertson and 850,000 "2011 Options" to Mr Paiker or their respective nominees, on the terms and conditions set out in the Explanatory Statement and in Annexure "A".

**(c) Black-Scholes Valuation**

It is a requirement of the Australian Securities and Investments Commission ("ASIC") that a dollar value be placed on the 2011 Options to be issued under this resolution. ASIC has indicated that the Black-Scholes option price calculation method is acceptable for this purpose.

Using the Black-Scholes option pricing method, the value of each 2011 Option to be issued to Messrs Allen, Robertson and Paiker under this resolution is 1.6 cents based on the following assumptions.

- (i) exercise price of each 2011 Option: \$0.10;
- (ii) life of each 2011 Option: 2 years;
- (iii) current price of the underlying securities: \$0.045;
- (iv) expected volatility of Share price: 100 % per annum;
- (v) dividend yield: Nil; and
- (vi) risk free interest rate: 3.8 % per annum.

### ***ASX Price History***

The ASX price history for a Share is:

- (i) highest price in the previous 12 months: 15.5 cents;
- (ii) lowest price in the previous 12 months: 2.1 cents; and
- (iii) closing price on 31st July 2009: 4.5 cents.

On the above calculations the 2011 Options that may be issued to each director under this resolution would be valued as follows:

- (i) Mr Allen - \$13,600.00;
- (ii) Mr Robertson - \$44,075.55; and

(iii) Mr Paiker - \$13,600.00.

**(d) Director's recommendations**

Each director expresses no opinion and makes no recommendation in respect of the resolution that applies specifically to him. The non-participating directors recommend that shareholders vote in favour of this resolution on the basis that it is fair and reasonable that Messrs Allen, Robertson and Paiker participate in the Option Offer on the same basis as other 2009 Optionholders.

**(e) Director's interest in the proposed resolution:**

Messrs Allen, Robertson and Paiker will be the only recipients of 2011 Options to be issued under this resolution. The non-participating directors do not have a material interest in the outcome of this resolution

**(f) Any other information that is reasonably required by the members to make a decision and that is known to the Company or any of its directors:**

As at 3 August 2009, the current Share and option holdings (both direct and indirect) of Messrs Allen, Robertson and Paiker are as follows:

Director	Shares	2009 options	Unlisted options
Mr Allen	500,000	850,000	
Mr Robertson	2,412,600	2,754,722	
Mr Paiker	500,000	850,000	

There is no other information known to the directors that is reasonably required by Shareholders to make a decision on whether or not it is in the best interests of the Company to pass this resolution.

**RESOLUTION 5 - ISSUE OF SHARES TO MR MAHENDRA PAL**

**Background**

Resolution 5 seeks the approval of shareholders to allow the Company to issue 1,000,000 fully paid ordinary shares in the capital of the Company to Mr Mahendra Pal.

**ASX Listing Rules**

ASX Listing Rule 10.11 provides that a company must not issue equity securities (including fully paid ordinary shares) to a director of a company without shareholder approval. The Company seeks approval of shareholders to issue 1,000,000 fully paid ordinary shares to Mr Mahendra Pal, a Director of the Company. Those shares are to be issued to Mr Pal in consideration of previous services provided to the Company. The Company has no contractual obligation to issue the shares to Mr Pal.

**Corporations Act**

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. In particular, Section 208 of the Corporations Act prohibits, subject to specified exceptions, a company giving a financial benefit to a related party of the company without shareholder approval.

A "financial benefit" is defined in the Corporations Act in broad terms and includes the issue of securities or the grant of an option to acquire securities in a public company.

For the purposes of this meeting, a "related party" includes a director. For the purposes of Chapter 2E, Mr Pal is a related party of the Company. The issue of 1,000,000 shares to Mr Pal constitutes the giving of a financial benefit to a related party.

Accordingly, the following information is provided in accordance with section 219 of the Corporations Act to enable shareholders to access the merit of this resolution:

**(a) The related party to whom the proposed resolution would permit the financial benefit to be given:**

The Company will issue 1,000,000 fully paid ordinary shares to Mr Mahendra Pal

**(b) The nature of the financial benefits:**

The nature of the financial benefit is the proposed issue of 1,000,000 fully paid ordinary shares to Mr Pal.

**(c) Valuation**

It is a requirement of the Australian Securities and Investments Commission ("ASIC") that a dollar value be placed on the shares under this Resolution. The dollar value of 1,000,000 fully paid ordinary shares is \$45,000.00 assuming a trading price of 4.5 cents per share.

**ASX Price History**

The ASX price history for a Share is:

- (i) highest price in the previous 12 months: 15 cents;
- (ii) lowest price in the previous 12 months: 2 cents; and
- (iv) closing price on 03 August 2009: 4.5 cents.

**(d) Director's recommendations**

Mr Pal makes no recommendation in respect of the resolution. All non-participating directors recommend that shareholders vote in favour of this resolution on the basis that it is fair and reasonable that the Company allot 1,000,000 fully paid ordinary shares to Mr Pal as part of his remuneration package.

**(e) Director's interest in the proposed resolution:**

Mr Pal will be the only recipient of the shares to be issued under this resolution. All non-participating directors do not have a material interest in the outcome of this resolution

**(f) Any other information that is reasonably required by the members to make a decision and that is known to the Company or any of its directors:**

Director	Shares	2009 options	Unlisted options
Mr Pal	NIL	NIL	200,000

There is no other information known to the directors that is reasonably required by Shareholders to make a decision on whether or not it is in the best interests of the Company to pass this resolution.

## GLOSSARY

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

“ <b>ASX</b> ”	means ASX Limited (ABN 98 008 624 691).
“ <b>Board</b> ”	means board of Directors.
“ <b>Company</b> ”	means Fairstar Resources Limited (ACN 115 157 689).
“ <b>Corporations Act</b> ”	means the Corporations Act 2001 (Cth) and all regulations made pursuant to such legislation, as amended from time to time.
“ <b>Director</b> ”	means a director of the Company.
“ <b>Listing Rules</b> ”	means Listing Rules of ASX, as amended or replaced from time to time, except to the extent of any waiver by ASX.
“ <b>Shareholder</b> ”	means a member of the Company, as defined in the constitution of the Company.
“ <b>Shares</b> ”	means ordinary fully paid shares in the capital of the Company.
“ <b>WST</b> ”	means Western Standard Time

## ANNEXURE "A"

### FAIRSTAR RESOURCES LIMITED

#### TERMS AND CONDITIONS OF OPTIONS EXPIRING 30 AUGUST 2011 (AMOUNT PAYABLE: 10 CENTS)

1. **Entitlement**  
Each Option shall entitle the holder the right to subscribe (in cash) for one (1) Share in the capital of the Company.
2. **Option Period**  
Each Option will expire at 5.00pm WST on 30 August 2011 (such date being referred to as the "Option Expiry Date"). Each Option may be exercised at any time prior to the Option Expiry Date in accordance with the notice provisions set out below and any Option not so exercised shall automatically expire on the Option Expiry Date.
3. **Ranking of Share Allotted on Exercise of Option**  
Each Share allotted as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects pari passu with the existing Shares in the capital of the Company on issue at the date of allotment.
4. **Voting**  
A registered owner of an Option (herein referred to as an "Option Holder") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being Option Holder, members of the Company.
5. **Transfer of an Option**  
Each Option is transferable at any time prior to the Option Expiry Date. This right is subject to any restrictions on the transfer of an Option that may be imposed by the ASX in circumstances where the Company is listed on ASX.
6. **Method of Exercise of an Option**
  - a. The Company will provide to each Option Holder a notice that is to be completed when exercising the Options (herein such notice being called a "Notice of Exercise of Options"). Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the Option Expiry Date. The Notice of Exercise of Options must state the number of Options exercised and the consequent number of Shares in the capital of the Company to be allotted; which number of Options must be a multiple of 10,000 if only part of the Option Holders total Options are exercised, or if the total number of Options held by an Option Holder is less than 10,000, then the total of all Options held by that Option Holder must be exercised.
  - b. The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of 10 cents (\$0.10) per Share.
  - c. Subject to Clause 7 hereof, the exercise of less than all of an Option Holders Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holders entitlement under the Option Holders remaining Options.
  - d. Within 14 days from the date the Option Holder properly exercises Options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.
  - e. If the Company is listed on the ASX, the Company will within seven (7) days from the date of issue and allotment of Shares pursuant to the exercise of an Option, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act and the Listing Rules.
  - f. The Company will generally comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted Options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the Options and the timetable outlined in the Listing Rules, the timetable outlined in the Listing Rules shall apply.
7. **Reconstruction**  
In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
8. **Participation in New Share Issues**  
There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the Options are exercised. The Company will ensure that during the exercise period of the Options, the Record Date for the purposes of determining Entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced (or such other date if required under the Listing Rules) in order to afford the Option Holder an opportunity to exercise the Options held by the Option Holder.
9. **Change of Options' Exercise Price or Number of Underlying Shares.**  
There are no rights to change the exercise price or the number of underlying Shares if there is a pro-rata issue or bonus issue to the holders of Shares.

#### LODGEMENT INSTRUCTIONS

Cheques shall be in Australian currency made payable to Fairstar Resources Limited and crossed "Not Negotiable". The application for shares on exercise of the options with the appropriate remittance should be forwarded to Fairstar Resources Limited, Unit 3, 136 Main Street, Osborne Park WA 6017.

**FAIRSTAR RESOURCES LIMITED**  
**ACN 115 157 689**

# Proxy Form

**1 SHAREHOLDER** ⇒

Name, address and daytime telephone number of shareholder of Fairstar Resources Limited.

Name .....

Address .....

.....

Daytime phone no. ....

**2 APPOINTS** ⇒

If you appoint the Chairman as your proxy, but do not wish to direct your proxy how to vote on a Resolution, you must place a mark in the box below headed "Proxy's Discretion" in respect of that Resolution. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

Insert here the name of the person you wish to appoint as proxy; **shareholders cannot appoint themselves.**

Name of proxy – please print

.....

If you appoint the Chairman as your proxy, but do not mark any box, the Chairman will be unable to exercise your proxy vote.

**OR**, if no person is named, the **Chairman** of the meeting to vote in accordance with the following directions or, if no directions have been given, as the Proxy (other than the Chairman) sees fit at the General Meeting of the Company to be held on 15 September 2009 commencing at **10:00 am** (WST) and at any adjournment thereof.

If you appoint the Chairman as your proxy and place a mark in any box below headed "Proxy's Discretion", the Chairman intends to exercise your proxy to vote in favour of that Resolution.

**3 SIGNATURE OF SHAREHOLDER(S)** ⇒

All single or joint holders of shares must sign this form.

↓

Signature

Signature

Signature




Date

or in the case of a company

The **COMMON SEAL** of the company is affixed in accordance with its constitution in the presence of: / Executed by the company by its duly authorised officers in accordance with sub-section 127(1) of the Corporations Act 2001:\*

.....

Signature of Director

.....

Name of Director (Print)

.....

Signature of Director/Secretary

.....

Name of Director/Secretary (Print)

or signed by .....

under Power of Attorney on behalf of the company.

\* *delete as appropriate*

This proxy form must be signed by the shareholder and, in the case of joint shareholders, by each of the joint shareholders. In the case of a corporation, this proxy form must be executed in accordance with section 127 of the Corporations Act 2001. In the case of a Sole Director/Secretary company, please indicate "Sole Director". If this proxy form is signed under Power of Attorney the original Power of Attorney (or a copy certified as a true copy by statutory declaration) must be forwarded with the proxy form.



#### 4 PROXY'S VOTING INSTRUCTIONS

(OPTIONAL)



	FOR	AGAINST	ABSTAIN	PROXY'S DISCRETION
1. Ratification of Issue of Shares	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
2. Ratification of Issue of Shares (Peter Gianni)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
3. Issue of Options	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4. Issue of Options to Directors	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
5. Issue of Shares to Mahendra Pal	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

If you wish to direct your proxy how to vote, place a mark on the appropriate box. If a mark is placed in a box, your total shareholding will be voted in that manner. You may, if you wish, split your voting direction by inserting the number of shares you wish to vote in the appropriate box. The direction will be invalid if a mark is made against more than one box for a particular item, or, if you have split your direction, if the total shareholding shown in "FOR", "AGAINST", "ABSTAIN" and "PROXY'S DISCRETION" boxes is more than your total shareholding on the share register. Each person who attends the meeting is entitled to one vote only on a show of hands. A person who holds proxies for more than one shareholder cannot vote on a show of hands if he or she holds proxies directing him or her to vote both for and against a resolution.

#### 5 APPOINTMENT OF A SECOND PROXY (OPTIONAL)

If you want to appoint two proxies you may state here the percentage of your voting rights applicable to this proxy form. If you do not specify a particular percentage, each proxy is entitled to exercise 50% of your voting rights applicable to this proxy form.

%

A shareholder is entitled to appoint up to two persons (whether shareholders or not) to attend the meeting and vote as proxies. If you wish to appoint two proxies please either photocopy the proxy form or telephone Mr Alan Thomas on +61 8 9242 5111 to obtain a second form. Both forms should be completed with the nominated percentage of your voting rights on each form. Please return the proxy forms together.

#### Important Information

**Deadline for Receipt of proxies** To be effective, a completed proxy form together with the power of attorney (if any) under which it is signed, must be received by the Company at its registered office not less than 48 hours before the appointed time of the General Meeting ie. no later than 10:00 am WST on 11<sup>th</sup> September 2009.

**Destination of Completed Proxy Form** Once the Proxy Form is completed and all details checked by you, the form is to be sent or delivered to the Company's registered office at Suite 3-4, 136 Main Street, Osborne Park WA 6017 or sent by facsimile to the registered office on + 618 9242 5677.

**For Further Information** If you need any further information about this form or attendance at the Company's General Meeting, please contact Mr Alan Thomas, Company Secretary on + 618 9242 5111