



ACN 115 157 689

of Suites 3-4, 136 Main Street, Osborne Park WA 6017

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

**Annual General Meeting of Fairstar Resources Limited to be held at
the Hyatt Hotel, 99 Adelaide Terrace, Perth WA 6000
on Thursday, the 24th day of November 2011 commencing at 2.00 pm (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.

Corporate Directory

Directors	Kevin J. Robertson Gary Lyons Con Markopoulos Harold J. Paiker	Managing Director Director – Non-Executive Director – Non-Executive Director – Non-Executive
Secretary	Alan Thomas	
Head Office	Suites 3-4 136 Main Street OSBORNE PARK WESTERN AUSTRALIA 6017 Phone: (08) 9242 5111 Fax: (08) 9242 5677 Website: www.fairstarresources.com	
Registered Office	Suites 3-4 136 Main Street OSBORNE PARK WESTERN AUSTRALIA 6017	
Auditors	Stantons International Audit and Consulting Pty Ltd 1 Havelock Street WEST PERTH WESTERN AUSTRALIA 6005	
Lawyers	Lawton Gillon Level 11 16 St Georges Terrace PERTH WESTERN AUSTRALIA 6000	
Share Registry	Advanced Share Registry Services 150 Stirling Highway NEDLANDS WESTERN AUSTRALIA 6009	
ASX Code	FAS	

Notice of Annual General Meeting

NOTICE IS GIVEN THAT an Annual General Meeting of the Company will be held at the Hyatt Hotel, 99 Adelaide Terrace, Perth WA 6000 on Thursday, the 24th day of November 2011 commencing at 2.00 pm (WST).

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

BUSINESS OF THE MEETING

ORDINARY BUSINESS

Financial statements

To receive and consider the financial statements of the Company for the year ended 30 June 2011 consisting of the annual financial report, the directors' report and auditor's report.

RESOLUTIONS

1. RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

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

“To adopt the Remuneration Report, which forms part of the Directors' Report, for the year ended 30 June 2011.”

The vote on this resolution is advisory only and does not bind the directors or the Company.

2. RESOLUTION 2 – RE-ELECTION OF HAROLD PAIKER

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

“That Mr Harold Paiker, who retires by rotation in accordance with clause 11.3 of the constitution of the Company and being eligible for re-election, is re-elected as a Director of the Company.”

3. RESOLUTION 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 167,333,962 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 31 August 2014 to holders of options expiring 30 August 2011, with an exercise price of 10 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 Listing Rule 7.3, 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.

4. RESOLUTION 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 10.11 and for all other purposes, the Company be authorised to issue 2014 Options to the directors as set out below up to:

- (a) 2,754,722 Options to Mr Kevin Robertson; and*
- (b) 155,990 Options to Mr Gary Lyons.”*

Voting Exclusion

For the purposes of 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 issue of securities and any 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.

5. RESOLUTION 5 – RATIFICATION OF ISSUE OF SECURITIES

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 the ASX and for all other purposes, the issue of or agreement to issue 58,886,349 Shares on the dates and on the terms set in the Explanatory Statement be subsequently approved.”

Voting Exclusion

In accordance with Listing Rule 7.5.6, any votes cast on Resolution 5 by or on behalf of a person who participated in the placement and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of Shares, if Resolution 5 is passed, or any of the respective associates of such persons, will be disregarded.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as 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, Tuesday 22 November 2011 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:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) 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: 18 October 2011

BY ORDER OF THE BOARD

Alan Thomas
Company Secretary
Fairstar Resources Limited

EXPLANATORY STATEMENT

This Explanatory Statement is an important document. You should read the document. If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice of Meeting, you should contact your stockbroker or other professional adviser.

General Information.

This Explanatory Statement has been prepared for the information of Shareholders of Fairstar Resources in connection with the business to be conducted at the Annual General Meeting to be held at the Hyatt Hotel, 99 Adelaide Terrace, Perth, Western Australia on the date set out in the notice of meeting.

The purpose of this Explanatory Statement is to provide Shareholders with information which 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 Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting. This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

FINANCIAL STATEMENTS AND REPORTS

The Annual Financial Report, Directors' Report and Auditor's Report for the Company for the year ending 30 June 2011 will be laid before the meeting.

There is no requirement for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the auditor's report.

In addition to taking questions at the meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- the preparation and content of the Auditor's Report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit

may be submitted no later than 5 business days before the meeting date to Mr Alan Thomas, Company Secretary.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Remuneration Report of the Company for the financial year ending 30 June 2011 is set out in the Remuneration section of the Directors' Report in the Company's Annual Report.

The Remuneration Report sets out the Company's remuneration arrangements for the executive and non-executive Directors and executive employees of the Company.

A reasonable opportunity will be given for the discussion of the Remuneration Report at the meeting. Shareholders should note that the vote on this resolution is advisory only and does not bind the Company or the Directors.

Section 260R(4) of the Corporations Act prohibits a director from voting on this resolution and technically prohibits the chairman from voting undirected proxies on remuneration report resolutions. Therefore, if shareholders wish to appoint the chairman as their proxy to vote on Resolution 1, shareholders must put a tick in the box labelled "For", "Against" or "Abstain" for their vote to count. The chairman cannot vote on Resolution 1 and therefore any proxy forms received by the Company which appoint the chairman and do not indicate how the chairman is to vote will be invalid for Resolution 1 and the votes will not be counted for Resolution 1.

Due to recent corporate law changes from 1 July 2011, the shareholders of a company have the ability to spill a company's board of directors if 25 per cent or more of votes cast are against the resolution to approve the remuneration report at two successive annual general meetings of the Company. Whilst this cannot result in any board spill at the 2011 annual general meeting, a spill of the board could potentially happen at the 2012 annual general meeting if there are more than 25 per cent of votes from shareholders who vote "NO" to the remuneration report resolution in 2011 and 2012.

If you require more information about this new law, please contact the company secretary.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – HAROLD PAIKER

Clause 11.3 of the Company's constitution requires that at each Annual General Meeting one-third of the Directors must retire from office.

Mr Harold Paiker, a non-executive director, retire by rotation and is eligible for re-election at the Annual General Meeting. In accordance with clause 11.4 of the Company's constitution Mr Paiker has submitted himself for re-election at the Annual General Meeting as a non-executive director.

Recommendation

The Directors (other than Mr Paiker) unanimously recommend that shareholders vote in favour of Resolution 2.

RESOLUTION 3 – ISSUE OF OPTIONS

Resolution 3 seeks shareholder ratification of the issue options.

Background

The Company has previously issued 167,333,962 listed options exercisable at \$0.10 per ordinary share which expired on 30 August 2011 (ASX Code: FASO) ("*2011 Options*"). The Company proposes to issue a prospectus ("*Option Offer*") to holders of 2011 Options as at the record date of 31 August 2011 ("*2011 Optionholder*") pursuant to which each 2011 Optionholder will be entitled to subscribe for one option to acquire one ordinary share in the capital of the Company ("*Share*") for every 2011 Option held, at an issue price of \$0.001 exercisable at \$0.10 per ordinary share ("*2014 Option*"). Each 2014 Option must be exercised before 31 August 2014.

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 2014 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 167,333,962 "2014 Options".

(b) Date by which the Company will issue the securities:

The 2014 Options will be issued not later than 3 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 2011 Options on 31 August 2011 that accept the Option Offer.

In the event that there is a shortfall, the Directors may place that shortfall, at the 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 2014 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 31 August 2014 by notice in writing to the Company.

The 2014 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 \$167,333.96. 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 2014 Options will be issued within 3 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. Messrs Robertson and Lyons express no opinion and make no recommendation in respect of the resolution as they have an interest in the outcome in that each of them holds lapsed 2011 Options. The non-participating directors recommend that shareholders vote in favour of this resolution.

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 directors will only be able to participate to the extent that they held 2011 Options at the relevant time.

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.

All 2014 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 2014 Options to Messrs Robertson, and Lyons 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.

ASX Listing Rule 10.13 requires the Company to detail certain particulars in relation to the proposed issue. These are as follows:

- (a) the 2014 Options the subject of Resolution 4 will be issued to:
 - (i) 2,754,722 options to Mr Robertson or his nominee; and
 - (ii) 155,990 options to Mr Lyons or his nominee;
- (b) the number of options listed in (a) above is the maximum number which may be issued;
- (c) the options will be issued not later than 3 months after shareholder approval;
- (d) Each 2014 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 31 August 2014 by notice in writing to the Company. The 2014 Options will be issued on the terms and conditions set out in Annexure A to the Explanatory Statement;
- (e) The maximum amount that will be raised as a result of the Option Offer to Messrs Robertson and Lyons is \$3,378.

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 Robertson and Lyons are related parties of the Company. The issue of 2014 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 assess 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) 2,754,722 Options to Mr Robertson or his nominee, and
- (ii) 155,990 Options to Mr Lyons or his nominee.

(b) The nature of the financial benefits:

The nature of the financial benefit is the proposed issue of 2,754,722 "2014 Options" to Mr Robertson, and 155,990 "2014 Options" to Mr Lyons 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 2014 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 2014 Option to be issued to Messrs Robertson and Lyons under this resolution is 1.8 cents based on the following assumptions.

- (i) exercise price of each 2014 Option: \$0.10;
- (ii) life of each 2014 Option: 3 years;
- (iii) current price of the underlying securities: \$0.04;
- (iv) expected volatility of Share price: 100 % per annum;
- (v) dividend yield: Nil; and
- (vi) risk free interest rate: 4.5 % per annum.

ASX Price History

The ASX price history for a Share is:

- (i) highest price in the previous 12 months: 8.2 cents;
- (ii) lowest price in the previous 12 months: 3.5 cents; and
- (iii) closing price on 17 October 2011: 3.6 cents.

On the above calculations the 2014 Options that may be issued to each director under this resolution would be valued as follows:

- (i) Mr Robertson - \$49,585 and
- (ii) Mr Lyons - \$2,808.

(d) Director's recommendations

Messrs Robertson and Lyons express no opinion and make no recommendation in respect of the resolution as they have an interest in the outcome. The non-participating directors recommend that shareholders vote in favour of this resolution on the basis that it is fair and reasonable that Messrs Robertson and Lyons participate in the Option Offer on the same basis as other 2011 Optionholders.

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

Messrs Robertson and Lyons will be the only recipients of 2014 Options to be issued under this resolution. The non-participating director does 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 30 August 2011, the Share and option holdings (both direct and indirect) of Messrs Robertson and Lyons were as follows:

Director	Shares	2011 options
Mr Robertson	3,412,600	3,447,242
Mr Lyons	1,069,056	155,990

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 - RATIFICATION OF ISSUE OF SECURITIES

Proposed subsequent shareholder approval

Listing Rule 7.1 imposes a 15% cap on the number of new securities that a company can issue over any 12 month period without shareholder approval. ASX Listing Rule 7.4 allows a company to seek the subsequent approval of shareholders for an issue of securities. Shareholder approval of securities issued under the Placement refreshes the Company's 15% annual capacity to raise additional capital without the need to obtain shareholder approval. This provides additional funding flexibility for the Company.

Effect of the proposal

If Resolution 5 is approved, the Company will not have to count the securities issued under the Placement towards the 15% limit of securities that may be issued by the Company in any 12 month period under Listing Rule 7.1. Accordingly, if Resolution 5 is passed, the Company's annual capacity to issue capital within the 15% limit under Listing Rule 7.1 (in respect of the Placement, being 58,886,349 Shares) will be refreshed. The Directors of the Company consider it prudent to maintain such funding flexibility as part of the Company's capital management strategy.

If Resolution 5 is not approved, it will have no effect upon the 58,886,349 Shares issued or agreed to be issued. Those Shares have already been either issued and quoted on the ASX or the Company has agreed to issue the Shares. However the Shares would be counted towards the 15% of additional securities that may be issued by the Company in any twelve month period under Listing Rule 7.1.

The Shares which have been issued were issued to the following:

Allottee	No of Shares	Issue price
Brittania Nominees Pty Ltd	298,082	0.05
Gurney Capital Nominees Pty Ltd	4,344,504	0.046
Jett Holdings Pty Ltd	12,019,364	0.109
Janama Holdings Pty Ltd	7,500,000	0.046
Goldlaw Pty Ltd	1,955,027	0.046
Gurney Capital Nominees Pty Ltd	6,265,913	0.0479
Peter Gianni	7,500,000	0.04
Gurney Capital Nominees Pty Ltd	5,177,414	0.0386
Gurney Capital Nominees Pty Ltd	6,327,466	0.0316
Gurney Capital Nominees Pty Ltd	6,748,579	0.0296
Greywood Holdings Pty Ltd	750,000	.0.04
TOTAL No OF SHARES	58,886,349	

Use of funds raised

The funds raised from the Placement were used for general working capital purposes.

The Shares were issued on the same terms and conditions as the Company's existing ordinary Shares.

Recommendation

In order to ensure that the Company has adequate funding flexibility, the Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

In this Notice of Meeting and Explanatory Statement, the following terms have the following unless the context otherwise requires:

DEFINITIONS

“**ASIC**” means the Australian Securities & Investments Commission;

“**ASX**” means ASX Limited (ACN 008 624 691);

“**Board**” means the Directors of the Company from time to time;

“**Business Day**” has the meaning ascribed to that term by the Listing Rules;

“**Company**” means Fairstar Resources Limited (ACN 115 157 689);

“**Directors**” means each of the persons who acts as directors of the Company;

“**Listing Rules**” means the official listing rules of ASX;

“**Meeting**” and “**Shareholders’ Meeting**” means the meeting of Shareholders convened by the Notice;

“**Notice**” means the notice of meeting to which this Explanatory Statement is attached;

“**Shares**” means ordinary fully paid Shares in the capital of the Company and “**Shareholders**” has a corresponding meaning;

“**WST**” means western standard Australian time.

NOTES

A shareholder who is entitled to attend and vote at a meeting of shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the company.

Where a voting exclusion applies, the company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions of the proxy form or it is cast by a person chairing the meeting as proxy for person who is entitled to vote in accordance with the direction of the proxy form to vote as the proxy decides. The directors of the company have set a snapshot date to determine the identity of those entitled to attend and vote at the meeting. The snapshot date is stated above.

A proxy form is attached. If required, it should be completed, signed and returned in accordance with the proxy instructions on that form. To be effective, the proxy form (and any power of attorney) must be lodged at the registered office of the company not less than 48 hours before the time of holding the meeting. The proxy may be lodged by facsimile transmission to Advanced Share Registry Services facsimile number:- (08) 9389 7871.

FAIRSTAR RESOURCES LIMITED

TERMS AND CONDITIONS OF OPTIONS EXPIRING 31 AUGUST 2014 (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 31 August 2014 (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.