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February 26, 2007

Dear Shareholder

NON-RENOUNCEABLE RIGHTS ISSUE OF OPTIONS

As you may be aware, Fairstar Resources Ltd is undertaking a non-renounceable rights issue of options. Holders of shares in Fairstar Resources Ltd as at the record date of Thursday the 8th March, 2007 ("Record Date") will be entitled to subscribe for 1 option for every two shares that they hold at a subscription price of .0.5 cents each.

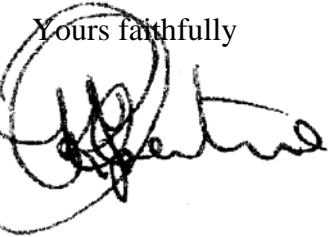
Each option will entitle the holder to subscribe to one share in the Company at an exercise price of 25 cents on or before the 30th August, 2009.

Fairstar Resources Ltd options will be quoted on an "ex" basis from the commencement of trading on Monday, 9th April, 2007. If you continue to hold shares in the Company as at the Record Date, a prospectus (with an Entitlement and Acceptance Form) will be mailed out to you on or around Monday the 12th March, 2007.

In the meantime, you can view a copy of the prospectus at www.fairstarresources.com

If you have any queries regarding the above, please contact the writer on (08) 9207 2433.

Yours faithfully



Kevin J Robertson
Managing Director

FAIRSTAR RESOURCES LIMITED (ABN 38 115 157 689)



Short Form Prospectus

For a pro rata non-renounceable entitlement issue of 1 Option for each 2 Shares held at an issue price of 0.5 cents per Option ("Rights Issue")

The Rights Issue is fully underwritten by Findlay and Co Stockbrokers (Underwriters) Pty Ltd

Important Notice

This Prospectus is a short form prospectus pursuant to Section 712 of the Corporations Act. This Prospectus does not contain all the information that is generally required to be set out in a full prospectus, but refers to other documents, the information from which is deemed to be incorporated in this Prospectus.

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IMPORTANT NOTES

This Prospectus

This Prospectus is dated 26 February 2007 and was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus.

No Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus. Options allotted or issued pursuant to this Prospectus will be allotted or issued on the terms and conditions set out in this Prospectus.

Applicants should read the entire Prospectus and if in any doubt should seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in Section 7 of this Prospectus.

This Prospectus is a short form prospectus pursuant to Section 712 of the Corporations Act. This Prospectus does not contain all the information that is generally required to be set out in a full prospectus, but refers to other documents which have been lodged with the ASIC, the information from which is deemed to be incorporated in this Prospectus.

This Prospectus refers to the Prospectus lodged by the Company with ASIC on 13 September 2006 for the offer of 30,000,000 Shares at an issue price of 25 cents each to raise up to \$7,500,000 ("the IPO Document"). (The IPO Document raised its Maximum Subscription of \$7,500,000 which resulted in the issue of 30,000,000 Shares.)

In referring to the IPO Document, the Company identifies the IPO Document as being relevant to the offer of Options made by this Prospectus and containing information that will provide investors and their advisors with information to assist them in making an informed assessment of this Offer.

Options offered by this Prospectus are speculative.

corporate directory

DIRECTORS

Harold J. Paiker
CHAIRMAN – NON-EXECUTIVE

Kevin J. Robertson
MANAGING DIRECTOR – EXECUTIVE

Nigel Maund
EXECUTIVE DIRECTOR

Alan Rudd
DIRECTOR – NON-EXECUTIVE

Ken Allen
DIRECTOR – NON-EXECUTIVE AND
COMPANY SECRETARY

Sharad Nigam
DIRECTOR – NON-EXECUTIVE

REGISTERED OFFICE

Suite 1, 40 Cedric Street
STIRLING WA 6021
Phone: (08) 9207 2433
Fax: (08) 9207 2464
Internet: www.fairstarresources.com
ABN: 38 115 157 689

ASX CODE: FAS

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

COMPANY AUDITOR

Stantons International Pty Ltd
1 Havelock Street
WEST PERTH WA 6005

INDEPENDENT GEOLOGIST

Geological Investigation
Services Pty Ltd
4 Minim Close
MOSMAN PARK WA 6012

INVESTIGATING ACCOUNTANTS

Stantons Partners Corporate Pty Ltd
1 Havelock Street
WEST PERTH WA 6005

CHAIRMAN'S INVESTMENT INVITATION

Monday, 26 February 2007

Dear Shareholder

Fairstar Resources Limited is pleased to offer its Shareholders the opportunity to subscribe for Options by participating in a 1 for 2 Rights Issue as foreshadowed in the IPO Document.

On 30 October 2006 the Company successfully listed on ASX after raising \$7,500,000. A drilling program was undertaken in December 2006/January 2007 at the Company's Kurnalpi North Gold Project in Western Australia. The results of that drilling program were contained in the Company's quarterly report for the period ending 31 December 2006. Fairstar's other gold, nickel, uranium and iron projects will be explored using the work programs described in the IPO Document.

This Rights Issue plans to raise a further \$242,008 for working capital and has been underwritten by Findlay and Co Stockbrokers (Underwriters) Pty Ltd.

The details of the Offer of Options are described in this Prospectus. You should have received a personalised Entitlement and Acceptance Application Form with this Prospectus, but if you are any doubt, please contact the Company's Share Registry.

Please note that the Closing Date for acceptances is 5.00pm WST on Monday, 2 April 2007. If you wish to participate in this Rights Issue of Option it is essential that your completed Entitlement and Acceptance Application Form reaches the Company's Share Registry by this time.

The board of Directors takes this opportunity to thank all Fairstar Shareholders for your support for the Company's listing on the ASX and we look forward to progressing the Company's exploration projects in Western Australia.

Yours sincerely

A handwritten signature in black ink, appearing to be 'H. Paiker', with a long horizontal flourish extending to the right.

Harold Paiker

CHAIRMAN

1. DETAILS OF THE OFFER OF OPTIONS

1.1 THE RIGHTS ISSUE OFFER

By this Prospectus, the Company invites its shareholders to subscribe for a total 48,401,501 Options at an issue price of zero point five (0.5) cents each to raise \$242,008.

All shareholders registered on the Share Register of the Fairstar at the Record Date of Thursday, 8 March 2007 are entitled to participate in this pro rata non-renounceable entitlement issue (Rights Issue) of Options on the basis of one Option for every two Shares held.

The Options will be issued at zero point five (0.5) cents each with an exercise price of 25 cents and an expiry date of 30 August 2009.

The rights attaching to the Options and the underlying Shares are summarised in Section 4.

1.2 INDICATIVE TIMETABLE

Date	Action
26 February 2007	Prospectus lodged with ASIC and ASX
8 March 2007	Record Date to identify shareholders entitled to participate in the Rights Issue
12 March 2007	Despatch Prospectus
2 April 2007	Closing Date
9 April 2007	Deferred settlement quotation of Options

These dates are indicative only and may change. The Directors and the Underwriter reserve the right to vary the Closing Date and this may impact on the quotation date of the Options.

1.3 MINIMUM SUBSCRIPTION AND OVERSUBSCRIPTIONS

The minimum subscription under this Prospectus is \$242,008 which is the underwritten amount. There is no provision for oversubscriptions.

1.4 HOW TO APPLY FOR OPTIONS

The number of Options to which you are entitled is shown on the accompanying Entitlement and Acceptance Application Form.

This Offer may be accepted in whole or in part prior to 5.00pm WST on 2 April 2007, the Closing Date. Instructions for completion and lodgement of acceptances are set out on the attached Entitlement and Acceptance Application Form. The number of Options accepted must not exceed your entitlement as shown on the form. Applications must be accompanied by payment in full of zero point five (0.5) cents for each Option to which you are entitled and in respect of which you accept the Offer under this Prospectus. Entitlements not taken up by shareholders will be taken up by the Underwriter in accordance with the terms of the Underwriting Agreement.

No faxed applications will be accepted, no direct deposit payments will be accepted. Cheque only, either bank or personal, attached to an original application form will be accepted.

If you wish to take up ALL of your entitlement - Complete the accompanying Entitlement and Acceptance Application Form in accordance with the instructions set out on the form and send the form together with your cheque for the amount shown on the form to reach the Company's Share Registry at the address specified on the form not later than 5.00pm WST on the Closing Date(2 April 2007).

If you wish to take up PART only of your entitlement - Complete the accompanying Entitlement and Acceptance Application Form by inserting the number of Options for which you wish to accept under this Prospectus (being less than your

entitlement as specified on the Entitlement and Acceptance Application Form) and send the form together with your cheque for the total amount payable on the basis of zero point five (0.5) cents for each Option accepted, to reach the Company's Share Registry at the address specified on the form not later than 5.00pm WST on the Closing Date. The balance of your entitlement not accepted will revert to the Underwriter to be dealt with under the terms of the Underwriting Agreement.

If you **DO NOT WISH TO TAKE UP** any part of your entitlement - You are not required to take any action.

The Offer is non-renounceable. You may not sell or dispose of any part of your entitlement.

To participate in the Issue, the Entitlement and Acceptance Application Form attached to or accompanying this Prospectus must be completed in accordance with the instructions accompanying the form and be delivered to:

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

Payment must be by way of cheque or bank draft drawn on and payable on an Australian bank and should be made payable to "**Fairstar Resources Limited - Options Issue Account**" and crossed "Not Negotiable".

No brokerage or stamp duty is payable by Applicants in respect of their Applications for Options under this Prospectus. The amount payable on Application will not vary during the period of the Issue and no further amount is payable on allotment.

A duly completed and lodged Entitlement and Acceptance Form will constitute an offer by the Applicant to subscribe for the number of Options applied for pursuant to the Application Form.

1.5 ALLOTMENT OF OPTIONS

Allotment of Options will take place as soon as practicable after the Closing Date.

1.6 UNDERWRITING FEES

The Offer is underwritten by Findlay and Co Stockbrokers (Underwriters) Pty Ltd who will receive a fee of 3.5% of the funds raised and will be reimbursed its costs in respect of this Prospectus. A summary of the terms of the Underwriting Agreement are in section 5.4 of this Prospectus.

1.7 AUSTRALIAN STOCK EXCHANGE LIMITED

Application will be made by the Company to the ASX for official quotation by the ASX of the Options within seven days of the date of this Prospectus. Application for official quotation of Shares allotted and issued as a result of the exercise of Options issued pursuant to this Prospectus will be made within three business days of allotment and issue. If the ASX does not grant permission for official quotation of the Options within three months after the date of this Prospectus, none of the Options will be granted and all Applications will be dealt with in accordance with Section 724 of the Corporations Act.

1.8 APPLICANTS OUTSIDE AUSTRALIA

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person whom it would be illegal to issue it or make the Offer. It is the responsibility of any applicant who is resident outside of Australia to ensure compliance with all laws of any country relevant to their application. No action has been taken to register or qualify the Options or the offer or otherwise permit a public offering of the Options in any jurisdiction other than Australia.

1.9 ENQUIRIES

If you have any questions concerning your entitlement, please contact the Company's Share Registry by telephone on 08 9389 8033 or by fax on 08 9389 7871, or contact your professional adviser.

2. INFORMATION DEEMED TO BE INCORPORATED IN PROSPECTUS

2.1 SHORT FORM PROSPECTUS

This Prospectus is a short form prospectus pursuant to Section 712 of the Corporations Act. This Prospectus does not contain all the information that is generally required to be set out in a full prospectus, but refers to other documents which have been lodged with the ASIC, the information from which is deemed to be incorporated in this Prospectus.

This Prospectus refers to the Prospectus lodged by the Company with ASIC on 13 September 2006 for the offer of 30,000,000 Shares at an issue price of 25 cents each to raise a total of \$7,500,000 ("the IPO Document"). The information deemed to be incorporated by reference into this Prospectus is summarised in Section 2.2.

Shareholders, investors and their professional advisers may obtain copies of the IPO Document by phoning the Company at 08 9207 2433 during normal business hours or from the Company's website at www.fairstarresources.com.

2.2 SUMMARY INFORMATION DEEMED TO BE INCORPORATED

Set out below is a summary of the information contained in the IPO Document that is deemed to be incorporated in this Prospectus. The Sections referred to below are references to the IPO Document (Prospectus dated 13 September 2006).

Section 1 – Investment Summary

Section 1 contains a summary of the investment proposal offered under the original IPO Document.

Section 2 – Projects and Project Summary

Section 2 contains a summary of Fairstar's capital structure and the proposed use of funds, summaries of the Company's exploration projects and the proposed exploration programs.

Section 4 – Profile of Directors and Management

Section 4 provides information on the Company's Directors.

Section 5 - Independent Consulting Geologists' Report

Section 5 is a report prepared by independent geologist Geological Investigation Services Pty Ltd. The report, including several figures and describes in some detail Fairstar's exploration projects in Western Australia.

Section 6 - Investigating Accountant's Report

Section 6 is a report prepared by Stanton Partners Corporate Pty Ltd which presents both historical information and actual and pro forma financial information as at 30 June 2006. Their opinion, based on the scope of their independent review, which was not an audit, concludes that the reviewed statement of financial position as at 30 June 2006 and the notes to the financial position are fairly presented in accordance with generally accepted accounting principles as applied in Australia for reporting financial information in a Prospectus.

Section 7 - Solicitor's Report on Mining Tenements

Section 7 is a report by Lawton Gillon on the Company's mining tenements, including a Schedule of Tenements.

Section 8 - Risk factors

Section 8 notes that potential investors should consider that an investment in Fairstar is speculative and describes a number of share investment, exploration, native title, operational risks and other risks.

Section 10 - Additional information

Section 10 sets out information not elsewhere disclosed in the IPO Document, including the rights attaching to the Shares, Directors' interests, material contracts and fees payable to experts, consents of experts and other parties named in that Prospectus, expenses of the issue and litigation.

3. COMPANY OVERVIEW

3.1 OVERVIEW AND REFERENCE TO THE IPO DOCUMENT

A comprehensive review of the Company is set out in the IPO Document for an offer of 30,000,000 Shares which resulted in the issue of 30,000,000 Shares and raised \$7,500,000. The information in the IPO Document is summarised in the previous section of this Prospectus.

Pursuant to the IPO Document, 30,000,000 Shares were allotted on 24 October 2006 and the Company commenced quotation on the ASX on 30 October 2006. Fairstar's ASX code is FAS.

The Company now has 96,803,002 Shares on issue. 37,291,000 Shares are quoted on ASX and the remainder are subject to ASX restrictions. The Company's Share Registry has put a holding lock on the 59,512,002 restricted (escrowed) Shares which become eligible for quotation on various dates.

3.2 EXPLORATION ACTIVITIES SINCE LISTING

The following summarizes the important exploration activities undertaken by Fairstar Resources Limited since the companies listing on the ASX on the 30th October 2006.

3.2.1 KURNALPI – Halfway Hill Gold Project

Fairstar has completed 2,573m of drilling in 27 angled RC Percussion Drill holes at its Halfway Hill gold prospect, Kurnalpi and has made the following significant intercepts:

- BBRC004: 12m @ 2.49 g/t gold from 55m to end of hole at 67m;
- BBRC007: 24m @ 1.11 g/t gold from 54m;
- BBRC008: 17m @ 4.77 g/t gold from 51m
- BBRC011: 33m @ 2.79 g/t gold from 51m;
- BBRC012: 3m @ 4.89 g/t gold from 56m
- BBRC012: 9m @ 2.11 g/t gold from 69m;
- BBRC013: 12m @ 1.19 g/t gold from 54m.

These results are comparable to RAB percussion drilling intercepts made by earlier exploration companies on this prospect. All assays were undertaken by KALASSAY LABORATORIES LTD, utilising their LEACHWELL 200 analytical technique.

3.2.2 KURNALPI – Colour Dam Gold Project

As stated in the IPO Document, it was the company's intention to test the open ended gold mineralization, intersected by others in RC percussion hole numbers CDP 48 and 49. This mineralization is not developed in the characteristic, near vertical, sheeted quartz – sulphide vein lode systems exposed in the Colour Dam trial mining pit, but is hosted as a complex structural quartz – sulphide vein stockwork hosted within a massive dolerite intrusive exposed on the eastern wall of the pit.

Soil sampling undertaken during November 2006 discovered a moderate gold in soil anomaly extending from the NE trial pit wall for some 400m in a NE direction along an older sheared contact between a dolerite intrusive of the Mulgabbie Formation and the felsic volcanic quartz eye and lapilli tuffs of the Gindalbie Formation.

Accordingly, a small RC percussion drilling program was designed to test this potentially gold mineralised zone from the eastern trial pit wall to the NE along the soil anomaly. Three holes were drilled on an azimuth of 270° magnetic and inclination of 60° beneath the Eastern pit wall. One of these has been drilled to depth of 165m beneath the pit.

The remaining 7 drill holes from the 846m program comprised fences of two RC angled holes drilled at an azimuth of 090° and inclination of 60°. With only one exception, all these holes were sampled on meter splits and assayed at KALASSAY LABORATORY Ltd's Kalgoorlie laboratory with their LEACHWELL 200 assay technique. Complete assay results are awaited and these will be processed and released once they are all to hand.

3.2.3 EXPLORATION LICENCE APPLICATION – JURANGIE HILL

E28/1687 "Jurangie Hill", located due south of the Kurnalpi East – Anti Dam gold project area, comprising 42km was applied for during December 2006. This licence has been procured because of its location astride the southwards continuation of the Anti – Dam Shear Zone, within rocks of the Mulgabbie Formation, to the south of Lake Yindarlgooda.

3.2.4 SPINIFEX WELL GOLD PROJECT

Fairstar has acquired the multi-client airborne geophysics covering the Spinifex Well gold project area from FUGRO Limited, which has been processed and data enhanced by COWAN GEODATA Services Limited, Perth, Western Australia, to identify new targets for follow exploration. Several entirely new targets have been identified, including a possible late breccia pipe and several reverse magnetised ovoid intrusives bodies developed within the prospective West and East Spinifex shears.

Data review work on the Spinifex Well gold prospect has revealed that earlier explorers had not adequately tested the majority of the gold exploration targets identified during extensive surface exploration work during the late 1980's and early 1990's. Follow up exploration of gold prospects, during this period, comprised the drilling of very shallow (5m) vertical and shallow (35m) widely spaced (400m to 800m) fences of angled RAB holes mostly concentrated at the Golden Dingo Main Prospect. Therefore, the following targets are identified as worthy of follow up confirmatory surface exploration and reconnaissance RAB drilling during Q3 and Q4 2007:

- The **Golden Dingo Prospect** with a surface float rock gold anomaly measuring some 5km of strike by 300m to 400m in width, developed within a WNW striking shear zone, and with a highest assay value of 101 g/t Au returned from float gossanous quartz vein material with float samples defining a large and strong gold anomalous zone. Drilled by RAB fences with a 400m and 800m line spacing ;
- **Hoppity's Zone** defined within a NW striking shear zone of gold in quartz –gossan veins and veinlets shedding surface float over a zone measuring 2.5km in strike and 200m width, with the highest float sample returning a grade of 28.60 g/t gold;
- **Jim's Zone** defined by a few significant float samples of gossanous quartz veins over a 1km strike along a NW striking shear over an apparent width of 250m. Surface float returned assay values up to 42.50 g/t gold, hosted within gossanous quartz vein material.

3.2.5 EXPLORATION LICENCE APPLICATION – MUSIC WELL

E37/894 "Music Well" covering an area of 86.80 km², has been applied for. This covers the northern extension of the West Spinifex Shear Zone and is contiguous with the northern Spinifex Well Exploration Licenses E37/760 and E37/793.

3.2.6 MOUNT PADBURY URANIUM PROJECT

Exploration Licences E51/1147 and E51/1150 were granted by the Department of Industry and Resources on the 24th January 2007.

The results of 10 rock chip samples taken from the Shire Roads Borrow Pit excavated besides the Meekatharra to Mount Padbury road located in Exploration License application E51/1147 are given in Table 1, below.

Table 1: The results of rock samples taken from the 30m long x 20m wide borrow pit

Sample Number	XRF Uranium Content ppm	Assay Grade Expressed as U₃O₈
504514	231	272
504515	601	708
504516	214	252
504517	76	90
504518	189	223
504519	204	240
504520	144	170
504521	346	408
504522	182	215
504523	199	235
Mean of all Results	239	281

All samples were analysed at GENALYSIS Laboratories Pty Limited, Perth, Western Australia, by the Pressed Powder XRF Technique. It should be remembered that the discovery pit was not excavated for the purposes of exploration and as such constitutes a blind discovery beneath 1m to 1.50m of Wiluna hard pan cemented alluvial cover.

3.3 Effect of the Offer on Fairstar

48,401,501 Options will be issued when the issue is fully subscribed by Shareholders and (if necessary) the Underwriter. These options will raise \$242,008 to be added to working capital, less the expenses of the issue estimated at \$25,000, including the Underwriting fee.

Upon completion of the Offer, the Company will have on issue 96,803,002 Shares and 51,401,501 Options.

The above figures have been calculated on the basis that none of the existing options will be exercised prior to the record date.

3.4 Circumstances or matters subsequent to the IPO Document

Other than the matters stated in this Prospectus, the Company is not aware of any material matter or circumstance that would impact on the contents of the IPO Document or the activities and prospects of the Company and be relevant to assist shareholders, investors and their professional advisers making an informed assessment of matters relevant to Fairstar.

3.5 STATEMENTS OF FINANCIAL POSITION

The IPO Document contain a set of accounts to 30 June 2006 and a Pro Forma Statement of financial Position as at that date showing the effect of the fundraising pursuant to the IPO Document.

Set out below is the Company's Statement of Financial Position as at 31 December 2006, which has not been audited, and has been prepared as part of the management accounts to show the financial position of the Company as at that date, which is a date subsequent to the fundraising pursuant to the IPO Document. The Statement of Financial Position does not take into account the funds to be raised by the issue of the Options pursuant to this Prospectus.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2006

	31/12/2006 \$	30/6/2006 \$
Current Assets		
Cash assets	6,396,757	772,346
Current tax assets	171,419	44,887
Other	38,588	9,953
Total Current Assets	6,606,764	827,185
Non-Current Assets		
Property, plant and equipment	669,865	189,692
Total Non-Current Assets	669,865	189,692
Total Assets	7,276,629	1,016,877
Current Liabilities		
Payables	1,297	201,676
Interest-bearing liabilities	4,213	10,356
Current tax liabilities	19	-
Total Current Liabilities	5,529	212,032
Non-Current Liabilities		
Interest-bearing liabilities	47,165	47,165
Total Non-Current Liabilities	47,165	47,165
Total Liabilities	52,694	259,196
Net Assets	7,223,935	757,681
Equity		
Contributed equity	9,289,620	1,395,569
Reserves	151,200	151,200
Retained profits / (Accumulated losses)	(2,216,885)	(789,089)
Total Equity	7,223,935	757,681

4. TERMS OF OPTIONS AND RIGHTS ATTACHING TO SHARES

4.1 TERMS AND CONDITIONS OF OPTIONS

The material terms and conditions of the Options are as follows:

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 pm WST on 30 August 2009 will automatically expire.

4.2 RIGHTS ATTACHING TO SHARES

There is only one class of shares on issue in the Company being fully paid ordinary shares. The rights attaching to Shares in the Company are set out in the Constitution of the Company and, in certain circumstances, regulated by the Corporations Act, the Listing Rules of the ASX, the SCH Business Rules and the general law.

The following is a summary of the principal rights of the holders of Shares.

Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative have one vote for the Share and a fraction of a vote for every partly paid share proportional to the amount paid up per partly paid share, registered in such shareholder's name on the Company's share register. A poll may be demanded by the chairperson of the meeting, by any five shareholders present in person or by proxy, attorney or representative, or by any one or more shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the shares of all those shareholders having the right to vote at that meeting.

Dividends

Dividends are payable out of the Company's profit and are declared by the Directors. Dividends declared will be payable on the Shares at an amount per share determined by the Directors.

Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by the ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by the ASX or in any other usual form or in any form approved by the Directors. The Directors may refuse to register any transfer of Shares, other than a Proper SCH Transfer (as defined in the Corporations Act), where permitted by the Listing Rules of the ASX. The Company must not refuse to register or give effect to or delay or in any way interfere with a Proper SCH Transfer of Shares or other securities.

Meetings and Notice

Each shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution of the Company, the Corporations Act or the ASX Listing Rules.

Liquidation Rights

The Shares rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of shareholders divide the whole or any part of the remaining assets of the Company between the shareholders in proportion to the paid-up value of their respective holdings. The liquidator can with the sanction of a special resolution of the Company's shareholders vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

Shareholder Liability

As the Shares are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of shareholders present and voting at the general meeting. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

ASX Listing Rules

If the Company is admitted to the Official List of the ASX; then despite anything in the Constitution of the Company, if the ASX Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

5. ADDITIONAL INFORMATION

5.1 MARKET PRICE OF SHARES

Fairstar Shares commenced quotation on ASX on 30 October 2006 and have since traded between 52 cents and \$1.97. The Share price on 19 February 2007 closed at \$1.37.

The Company has no Options currently quoted on ASX.

5.2 CONTINGENT DISCLOSURE AND DOCUMENTS AVAILABLE FOR INSPECTION

Fairstar (ASX Code: FAS) is a disclosing entity under the Corporations Act and, as such, is subject to regular reporting and disclosure requirements. As an ASX listed company, Fairstar is subject to Listing Rules which require it to immediately notify ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged in relation to the Company with the ASIC may be obtained from or inspected at any office of the ASIC. This includes the IPO Document.

Information that is already in the public domain has not been reported in this Prospectus, other than that which is considered necessary to make this Prospectus complete.

The Company will provide free of charge, to any person on request during the application period in relation to this Prospectus a copy of each of the documents used to notify ASX of information relating to the Company under the provisions of the ASX Listing Rules.

The following is a list of such documents lodged with ASX since the IPO Document and to the date of this Prospectus.

Date	Details
27 Oct 2006	Admission to Official List
27 Oct 2006	Pre-quotation Disclosure
27 Oct 2006	Distribution Schedule
27 Oct 2006	Top 20 shareholders
27 Oct 2006	Escrowed Securities
27 Oct 2006	Terms and conditions of Options granted to Directors
27 Oct 2006	Confirmation of Completion of Tenement Agreements
27 Oct 2006	Appendix 1A: ASX Listing Application and Agreement
27 Oct 2006	Constitution
8 Nov 2006	Appendix 3B
9 Nov 2006	Loyalty Options
6 Dec 2006	Strategic Tenement Acquisition
8 Dec 2006	Commencement of Drilling at Kumalpi Gold Prospects
11 Dec 2006	Mr Padbury Rock Chip Sample Results
14 Dec 2006	Appendix 3B
14 Dec 2006	Initial Director's Interest Notice x 5
24 Jan 2007	Tenements Granted at Mount Padbury Uranium Project
29 Jan 2007	Spinifex Well Project - New Data & Information
31 Jan 2007	Second Quarter Activities Report
31 Jan 2007	Response to Western Australian Newspaper Article
01 Feb 2007	Second Quarter Cashflow Report
05 Feb 2007	Pending Loyalty Options
05 Feb 2007	Non-Executive Director Appointment
07 Feb 2007	Spinifex Well Project Update
12 Feb 2007	Initial Director's Interest Notice

5.3 INTERESTS OF DIRECTORS AND EXPERTS

A full disclosure of the interests of Directors and experts of the Company is set out the IPO Document and other than set out below or elsewhere in this Prospectus, that information is current.

Directors' Shareholdings

The Directors' interests in the Shares as at the date of this Prospectus are:

Director	Shares	Options exercisable at 25 cents on or before 30 Aug 2009
Harold J Paiker	500,000	600,000
Kevin J Robertson	3,125,000	600,000
Nigel Maund	1,437,500	600,000
Alan Rudd	3,125,000	600,000
Ken Allen	500,000	600,000
Sharad Nigam	60,000	

5.4 UNDERWRITING AGREEMENT

Set out below is a summary of the contract to which the Company is a party and which may be material to the terms of this Prospectus and which is not included in the IPO Document.

Findlay and Co Stockbrokers (Underwriters) Pty Ltd (the Underwriter) has agreed to fully underwrite the subscription of the 48,401,501 Options to be issued pursuant to this Prospectus.

Underwriting Costs

The Company shall pay the Underwriter an underwriting fee equal to 3.5% of the Underwritten Amount of \$242,008 and will reimburse the Underwriter for agreed costs incurred by the Underwriter in relation to this Prospectus.

Cessation of the Underwriter's Obligations

The liability of the Underwriter under the Underwriting Agreement ceases on the date on which the whole of the Underwritten Options have been fully subscribed or the Underwriter has discharged all of its obligations in respect of any shortfall, or the Underwriter has terminated the Underwriting Agreement, whichever occurs first.

Termination Events

In the event of the happening of anyone or more of the following contingencies, the Underwriter may, at any time after becoming aware thereof, without cost or liability to itself, by notice in writing to the Company, terminate the Underwriting Agreement and be relieved of its obligations under the Underwriting Agreement.

3 Termination Events

- 3.1 The Underwriter may without cost or liability to themselves or damages arising out of any breach by the Company of its representations, warranties or obligations under this Agreement, by notice in writing to the Company, upon or at any time prior to Closing Date terminate its obligations under this Agreement if:
 - (a) **(Indices and Gold price fall)**: any of the S&P ASX 200 Index or the S&P ASX 200 Materials Index as published by ASX is at any time after the date of this Agreement 10% or more below its respective levels as at the close of business on the business day prior to the date of this agreement or the price of gold on the London Metals Exchange is at any time after the date of this Agreement 10% or more below its price at the close of business on the Business Day prior to the date of this Agreement; or

- (b) **(Prospectus)**: the Company does not lodge the Prospectus on the Lodgement Date or the Prospectus or the Offer is withdrawn by the Company; or
- (c) **(No Official Quotation)**: Official Quotation by ASX has not been granted by the Shortfall Notice Deadline Date or, having been granted, is subsequently withdrawn, withheld or qualified; or
- (d) **(Supplementary prospectus)**: The Underwriter, having elected not to exercise its right to terminate its obligations under this Agreements as a result of an occurrence as described in clause 1 (m)(vi), forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with A SIC for any of the reasons referred in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require;
- (e) **(Misleading Prospectus)**: it transpires that there is a statement in the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (f) **(Non-compliance with disclosure requirements)**: it transpires that the Prospectus does not contain all the information required by the Corporations Act;
- (g) **(Restriction on allotment)**: the Company is prevented from allotting the Options within the time required by this Agreement, the Corporations Act, the ASX Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (h) **(Withdrawal of consent to Prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (i) **(ASIC application)**: an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, and that application has not been dismissed or withdrawn;
- (j) **(ASIC hearing)**: ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act;
- (k) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, the United Kingdom, the United States of America, and the People's Republic of China, or a terrorist act that causes the death of more than 500 people is perpetrated on any of those countries or any diplomatic military, commercial or political establishment of any of those countries anywhere in the world;
- (l) **(Authorisation)** any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (m) **(Termination Events)**: Subject always to clause 3.2, any of the following events occurs:
 - (i) **(Default)**: default or breach by the Company under this Agreement of any condition; or
 - (ii) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company to the Underwriter is or becomes untrue or incorrect in any material way; or
 - (iii) **(Contravention of constitution or Act)**: a contravention by the Company of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX; or
 - (iv) **(Adverse change)**: an event occurs which gives rise to a material adverse change in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company; or
 - (v) **(Significant change)**: a new circumstance as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor; or

- (vi) **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of the Company is or becomes, in a material manner, misleading or deceptive or likely to mislead or deceive; or
- (vii) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State Authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy; or
- (viii) **(Event of Insolvency)**: an event of insolvency occurs in respect of the Company; or
- (ix) **(Judgment against a Relevant Company)**: a judgment in an amount exceeding \$100,000 is obtained against the Company, other than any claims foreshadowed in the Prospectus; or
- (x) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement is commenced or threatened against the Company, other than any claims foreshadowed in the Prospectus; or
- (xi) **(Board and senior management composition)**: there is a change in the composition of the Board or a change in the senior management of the Company without the prior written consent of the Underwriter; or
- (xii) **(Indictable offence)**: a director or senior manager of the Company is charged with an indictable offence; or
- (xiii) **(Force Majeure)**: a Force Majeure causing a material adverse effect in the Company's business or any obligation under the Agreement lasting in excess of 7 days occurs; or
- (xiv) **(Certain resolutions passed)**: the Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter; or
- (xv) **(Capital Structure)**: the Company alters its capital structure in any manner not contemplated by the Prospectus; or
- (xvi) **(Investigation)**: any person is appointed under the Corporations Act to investigate the affairs of the Company; or
- (xvii) **(Market Conditions)**: a suspension or material limitation in trading generally on ASX occurs for two consecutive trading days or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia and the United States of America.

5.5 EXPENSES OF THE ISSUE

The total estimated costs of the Issue, including, underwriting fees, will be approximately \$25,000 including GST where applicable.

5.6 CONSENTS

Lawton Gillon, Geological Investigation Services Pty Ltd, Stanton Partners Corporate Pty Ltd gave their written consents to their names and independent reports being included in the IPO Document. None of these parties have made statements included in this Prospectus, nor are there any statements made in this Prospectus on the basis of any statements made by those persons except where there is reference to the IPO Document. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of this Prospectus.

There may be other persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus, nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

Findlay and Co Stockbrokers (Underwriters) Pty Ltd has consented to being named as the Underwriter in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Advanced Share Registry Services has consented to being named as the Company's Share Registrar in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Stantons International has consented to being named as the Company's Auditor in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

6. DIRECTORS' RESPONSIBILITY STATEMENT AND CONSENT

This Prospectus is authorised by the Company and is lodged with the ASIC pursuant to Section 718 of the Corporations Act. The Directors have consented in writing to this lodgement under the terms of Section 720 of the Corporations Act.

A handwritten signature in black ink, appearing to read 'H. Paiker', with a long horizontal flourish extending to the right.

Harold Paiker

CHAIRMAN

DATED 26 February 2007

7. DEFINED TERMS

The following definitions apply throughout this document unless the context requires otherwise.

Applicant(s)	The person(s) who submit valid Entitlement & Acceptance Forms pursuant to this Prospectus.
Application	A valid application made to subscribe for a specified number of Shares pursuant to this Prospectus.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Stock Exchange Limited.
Closing Date	5.00 pm Western Standard Time 2 April 2007.
Directors	The directors of the Company.
Entitlement and Acceptance Form	The form so described and attached to or accompanying this Prospectus.
Fairstar or Company	Fairstar Resources Limited ABN 38 115 157 689
IPO Document	The Prospectus dated 13 September 2006
Listing Rules	The official Listing Rules of ASX.
Offer	The Rights Issue pursuant to this Prospectus to subscribe for Options.
Official List	The Official List of ASX.
Option(s)	An option to subscribe for a Share with an exercise price of 25 cents and an expiry date of 30 August 2009.
Prospectus	This Prospectus dated 26 February 2007 for the offer of 48,401,501 Options
Rights Issue	The pro rata non-renounceable entitlement issue of Options to Shareholders pursuant to this Prospectus.
Share(s)	Fully paid ordinary share(s) in the Company
Shortfall	Options not taken up under the Rights Issue and reverting to the Underwriter
Underwriter	Findlay and Co Stockbrokers (Underwriters) Pty Ltd
WST	Western Standard Time, Perth, Western Australia

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