

July 1, 2009

A.B.N. 38 115 157 689

Australian Securities Exchange  
2 The Esplanade  
PERTH WA 6000

ATTENTION: Mr Nicholas Ong

Dear Sir

**RE RIGHTS ISSUE OF OPTIONS AND OPTIONS EXPIRING 30 AUGUST 2009**

FairStar Resources has resolved to proceed with a rights issue of options to shareholders. The new options will be issued to shareholders on a 1 for 5 basis at an issue price of \$0.001 and will be exercisable at 10 cents on or before 31 August 2011.

A prospectus will be prepared and forwarded to shareholders. In due course the company will submit the proposed timetable for the issue to ASX.

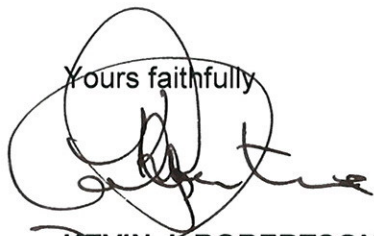
As you are aware, the company currently has 72,159,493 million options exercisable at 25 cents due to expire on 30 August 2009. The options currently trade as FASO.

The company has resolved to seek shareholder approval to offer on a date being not earlier than 1 September 2009 for the holders of the lapsed 30 August 2009 options to apply for new options to subscribe for shares in the company.

The terms of the new options to be issued to the holders of the lapsed 30 August 2009 options will be the same as the options to be issued to shareholders as set out above; that is, an issue price of \$0.001 payable on application with the new options exercisable at 10 cents on or before 31 August 2011.

**The new options will be issued to the holders of lapsed 30 August 2009 options on a 1 for 1 basis.** The issue of new options to the holders of lapsed 30 August 2009 options is conditional upon shareholder approval.

Yours faithfully



**KEVIN J. ROBERTSON**  
Managing Director