



(ACN 115 157 689)

Unit 3, 136 Main Street
OSBORNE PARK WA 6017

16 February 2010

Dear Shareholder

Invitation to Participate in Shareholder Share Purchase Plan

The Board of Directors of Fairstar Resources Limited (FAS or Company) has approved the introduction of a Shareholder Share Purchase Plan (Plan). The Plan entitles Eligible Shareholders in the Company, irrespective of the size of their shareholding, to purchase up to \$15,000 in value of ordinary fully paid shares in the Company (Shares).

The Offer will result in the issue of a maximum of 50,000,000 new shares, which would raise a maximum of up to A\$2,500,000 via the issue of the appropriate number of Shares at the Purchase Price to satisfy the investment applications being made.

The volume weighted average trading price of the shares on ASX during the five trading days immediately prior to the announcement of the plan on 08 February 2010 was 7 cents. Shares are being offered under the Shareholder Share Purchase Plan at 5 cents each, a discount of 28.57% to the 5 day volume weighted average trading price.

Share Purchase Plan

The Board is pleased to offer all Eligible Shareholders an opportunity to participate in the Plan. Details of the Offer are set out in this letter and the enclosed Terms and Conditions together with an Entitlement and Acceptance Form.

Shareholders Eligible to Participate in the Plan

The right to participate in the Offer under the Plan is available exclusively to shareholders who are registered as holders of Shares in the Company at 5pm (WST) on the record date of 15 February 2010 and whose registered address is in Australia or New Zealand (Eligible Shareholders).

Use of funds

The funds raised under the Plan will be used by the Company to progress the mineral exploration projects, including conducting further drilling at the Company's Steeple Hill Iron Project (formerly Mahendra's Find Iron Ore Project), and for general working capital purposes.

Subscription and Application Procedure

If you would like to participate in the Offer, please return your completed Entitlement and Acceptance Form (enclosed), together with your cheque for the amount for which you wish to subscribe, on or before the closing-dated 5pm (WST) on 05 March 2010. No late applications will be accepted.

Please note the maximum investment per shareholder is \$15,000 and the minimum investment is \$1,000. The maximum investment any shareholder may apply for will remain \$15,000 even if a shareholder receives more than one Offer (whether in respect of a joint holding or because the shareholder has more than one holding

under separate accounts). ASIC Class Order CO 09/425 contains the procedure to be followed by a custodian so as to obtain an allocation for more than one of its beneficiaries.

The number of Shares to which you are entitled will be calculated by dividing the subscription amount you have elected by the purchase price, being 5 cents.

Additional Information and Important Dates

The Offer cannot be transferred and the Directors of the Company reserve the right to reject any application over \$15,000. Shares allotted under the Plan will be issued no later than 3 business days after the closing date of the Offer. Application for quotation on ASX of the new Shares will be made immediately following the issue of those Shares.

This Offer of Shares under the Plan is limited to a total raising of A\$2,500,000. Applications for Shares under the Plan will be allotted on the basis of the order of receipt of applications. All shareholders are encouraged to respond to this Offer as soon as possible.

If the Company rejects or partially rejects an application or purported application, the Company will promptly return to the shareholder the relevant application monies, without interest.

Underwriting and Shortfall Placement

The SSPP has not been underwritten. In the event that Subscriptions for less than the full A\$2,500,000 are received pursuant to this Offer, the shortfall may be placed at the discretion of the Company, subject to the requirements of the Corporations Act 2001 and ASX Listing Rules.

Indicative Timetable

Announcement of Plan	08 February 2010
Record Date (5.00pm WST)	15 February 2010
Opening date of Offer	16 February 2010
Closing date of Offer	05 March 2010
Issue of Shares under the Plan	09 March 2010
Dispatch date for holding statements	11 March 2010
Quotation of Shares on ASX	12 March 2010

These dates are indicative only. The Company may vary the dates and times of the Offer without notice. Accordingly, shareholders are encouraged to submit their Entitlement and Acceptance Forms as early as possible.

If you wish to participate in the Share Purchase Plan please ensure that you return the completed "Entitlement and Acceptance Form" prior to the closing date of the Offer.

Should you wish to discuss any information contained in this letter further, please do not hesitate to contact the Company Secretary, Mr Alan Thomas, on (08) 9242 5111.

Yours faithfully
ALAN THOMAS
Company Secretary

SHAREHOLDER SHARE PURCHASE PLAN

Purpose

The purpose of the Shareholder Share Purchase Plan (the Plan) is to offer shareholders of Fairstar Resources Limited (FAS) the opportunity to acquire additional fully paid ordinary shares in the Company (Fairstar Resources Shares) up to a maximum of A\$15,000 in any 12 month period at or about the market price of FAS Shares on the Australian Securities Exchange operated by ASX Limited (ASX) without the need to pay brokerage costs and without the need for FAS to issue a Prospectus, upon such terms and conditions as the board of directors of FAS, in its absolute discretion, sees fit.

Shareholders eligible to participate

Eligible shareholders of FAS Shares that are registered with an Australian or New Zealand address at the relevant record date may participate in the Plan. Due to foreign securities laws, it is not practical for shareholders resident in other countries to be offered the opportunity to participate in the Plan.

Participation in the Plan is optional and is subject to these terms and conditions. Offers made under the Plan are not renounceable (ie eligible shareholders may not transfer their rights to any FAS Shares offered under the Plan).

An offer may, at the discretion of the directors of FAS, be made under the Plan once a year. The maximum amount, which any shareholder may subscribe for in any consecutive 12 month period, is A\$15,000. The directors of FAS may also determine in their discretion the minimum amount for participation, the multiple of FAS Shares to be offered under the Plan and the period the offer is available to eligible shareholders.

Scale back

FAS may in its absolute discretion reduce the number of shares allotted to each applicant to the extent and in the manner that it sees fit ("Scale Back"). If undertaken, the Scale Back will apply to all applications received on a pro rata basis, based on each application size.

If there is a Scale Back, the difference between the applicant moneys received from you and the number of shares allocated to you multiplied by the issue price will be refunded by FAS without interest following allotment.

Price of Fairstar Resources Shares

The price per share of Fairstar Resources Shares to be issued under the Plan will be 5 cents.

Applications and Notices

At the discretion of the directors of FAS, FAS will send eligible shareholders a letter of offer and acceptance-procedures, inviting them to subscribe for FAS Shares under the Plan, and accompanied by the terms and conditions of the Plan and an entitlement & acceptance form. Applications will not be accepted after the closing date of an offer. No oversubscriptions will be accepted and any over subscriptions may be refunded without interest.

Eligible shareholders may apply to purchase a parcel of shares up to a maximum of \$15,000. If you are an eligible shareholder and wish to participate in the Plan you must follow the instructions on the Application Form and:

- (a) make payment by **Bpay** equivalent to the value of the parcel of shares you wish to apply for; or
- (b) complete the Application Form and provide a cheque or money order made payable to "Fairstar Resources Limited Share Purchase Plan"

so it is received by the Share Registry by 5 pm on 05 March 2010. Payments must be in Australian dollars.

Notices and statements made by FAS to participants may be given in any manner prescribed by its Constitution.

Underwriting

An Offer may be underwritten and the underwriters and/or sub-underwriters may be issued with Shares pursuant to the Plan where one or more of the eligible shareholders fail to subscribe for the maximum number of shares available to them under the Offer. The Directors may pay a broker's fee to Underwriters. This Offer is not underwritten.

Issue of FAS Shares

FAS Shares to be issued under the Plan will be issued as soon as reasonably practicable after the closing date specified by the Directors of FAS in the relevant offer.

FAS Shares issued under the Plan will rank equally in all respects with all other fully paid ordinary shares in FAS from the date of issue.

Shareholding statements or CHESS notification will be issued in respect of all FAS Shares issued under the Plan. FAS will, promptly after the issue of FAS Shares under the Plan, make application for those FAS Shares to be listed for quotation on the official list of ASX.

Modification and Termination of the Plan

FAS may modify or terminate the Plan at any time.

FAS will notify ASX of any modification to, or termination of, the Plan. The omission to give notice of any modification to, or termination of, the Plan or the failure of ASX to receive such notice will not invalidate the modification or termination.

Without limiting the above, FAS may issue to any person fewer FAS Shares than the person applied for under the Plan if the issue of the FAS Shares applied for would contravene any applicable law or the Listing Rules of ASX.

Dispute Resolution

FAS may, in any manner it thinks fit, settle any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant, application or FAS Shares. The decision of FAS in this respect will be conclusive and binding on all shareholders and other persons to whom that determination relates.

FAS reserves the right to waive strict compliance with any provision of these terms and conditions. The powers of FAS under these conditions may be exercised by the directors of FAS or any delegate of the directors of FAS.

Governing law

These terms and conditions are governed by the laws in force in Western Australia. Any dispute arising out of or in connection with these terms and conditions or the offer of shares under the Plan will be determined by the courts of Western Australia. By accepting this offer you agree to submit to the exclusive jurisdiction of the courts of Western Australia.

Questions and Contact Details

If you have any questions regarding the Share Purchase Plan or how to deal with this Offer, please contact your stockbroker or professional adviser or Company Secretary, Mr Alan Thomas on (08) 9242 5111.