

May 30, 2016

A.B.N. 38 115 157 689

The Manager
Australian Securities Exchange
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

ATTN: Ben Tippett

Dear Sirs,

We append hereunder responses to your letter of 26th May 2016.

Pursuant to Listing Rule 18.7, ASX requires FairStar to answer the following additional questions in a format suitable for release to the market:

1. Please provide a schedule of all of FairStar's liabilities as at the date of your response to this letter, including with each entry the following information:
 - (a) the quantum of funds owed;
 - (b) whether the liability is secured, and if so, details of the security;
 - (c) the date the liability is payable (which may be in the past); and
 - (d) whether the liability is presently payable.

Title	Amount	Secured	Date payable	Presently payable?
Trade Creditors	1,519,527.00	Unsecured	Various from 01 July 2014 to date.	Yes
Kelvin Park Pty Ltd	3,247,522.00	Secured; Mortgage over M28/373 and E28/1997	07 May 2014	FairStar has a counter-claim and the matter is subject of on-going court action.
Sheldon Phillip Coates and Harvey Larry Coates as Trustees for The Sheldon Coates Superannuation Fund	2,842,191.00 - 450,000.00 Paid from R&D Grant Money received. Balance: 2,392,191.00	Secured; Debenture (PPSA) Reg. No. 201401140138837	15 May 2014	FairStar and the appointed Limited Receivers await the rebates from Research and Development grants from Australian Taxation Office. All documents have been lodged.

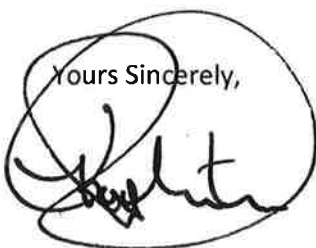
Title	Amount	Secured	Date payable	Presently payable?
Greywood Holdings Pty Ltd	1,143,846.00	Secured Debenture (PPSA) Reg. No. 201601250064084	29 February 2016	Subject is under negotiation at present.
5 Convertible Note Holders	1,313,260.00	Unsecured	29 March 2016	Amounts due are under negotiation at present.
8 Unsecured Loans	642,016.00	Unsecured	30 th June 2016	Amounts due are under negotiation at present.
Employees' wages and Salary	624,690 .00	Unsecured	01 May 2016	Yes
Australian Taxation Office	~100,000.00	Unsecured	01 May 2016	Amount payable will be set-off from Research and Development Grants currently applied for.

2. Please state FairStar's current cash balance as at the date of your response to this letter.
 - (a) FairStar's cash balance is NIL, although PPB Advisory is holding, as of 31 March 2016, \$ 501,011.19 in the FairStar bank account under their control.

3. Having regard to the information provided in response to paragraphs 1 and 2 above, and in particular paragraph 1(d), please state whether FairStar is able to pay all its debts as and when they become due and payable.
 - (a) FairStar has negotiated stay of payments due with each party as per table above.

4. If FairStar is not able to pay all its debts as and when they become due and payable, please state the date on which FairStar first became aware that this was the case.
 - (a) Not Applicable, see point 3 above.

5. Please confirm that FairStar is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.
 - (a) FairStar confirms that it is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

Yours Sincerely,


Kevin J Robertson
 Managing Director



26 May 2016

Mr Kevin Robertson
Managing Director
FairStar Resources Limited
Unit 3, 136 Main Street
Osborne Park WA 6017

By email: kevin@fairstarresources.com

Dear Mr Robertson

FAIRSTAR RESOURCES LIMITED (“FAIRSTAR”)

ASX Limited (“ASX”) refers to ASX’s letter to FairStar dated 9 May 2016 (“ASX’s First Letter”), FairStar’s letter to ASX dated 10 May 2016 (“FairStar’s First Response”), ASX’s letter to FairStar dated 19 May 2016 (“ASX’s Second Letter”), and FairStar’s letter to ASX dated 23 May 2016 (“FairStar’s Second Response”).

Capitalised terms not otherwise defined in this letter have the same meaning as in ASX’s First Letter and ASX’s Second Letter.

FairStar’s Second Response is unsatisfactory, for the following non-exhaustive reasons:

1. FairStar’s Second Response states that FairStar does not have the ability to draw down on the I-World Convertible Note Agreement (answer 1.1). It further states that this fact has not been announced to the market because FairStar has been “quietly optimistic that there will be a solution to return FairStar to the trading board and further return shareholder value” (answer 4.1).

It is entirely unclear to ASX on what basis FairStar would think this is an appropriate reason not to announce that it no longer has the ability to draw down on the I-World Convertible Note Agreement. That information on its face would appear to be material to the price or value of FairStar’s securities for the purposes of Listing Rule 3.1, and it does not appear that any of the exceptions to disclosure in Listing Rule 3.1A apply. Accordingly, it should have been announced to the market immediately FairStar became aware of the information.

2. Addressing when FairStar became aware that it is not able to draw down on the I-World Convertible Note Agreement, FairStar’s Second Response states that FairStar “only very recently become aware that the I-World funders, have insisted, verbally, that the FairStar shares should be trading” (answer 3.1). However, FairStar’s Second Response goes on to state that I-World’s understanding was “a mutually understood part of the Agreement during the discussions” (answer 5.1).

These two statements are clearly contradictory.

Leaving to one side the contradictory statement in answer 5.1 of FairStar's Second Response, even if FairStar "only very recently" became aware of the fact that it does not have the ability to draw down on the I-World Convertible Note Agreement, that does not relieve it of the obligation to announce that clearly material information to the market immediately under Listing Rule 3.1.

3. FairStar's Second Response states that FairStar "*now understands that other sources of funding would be required to achieve reinstatement*" (see answer 6.1).

The clear implication of this statement is that the I-World Convertible Note Agreement is no longer on foot, despite the statements to the contrary in FairStar's First Response and FairStar's Second Response. This fact is plainly material and should have been disclosed to the market immediately FairStar became aware of it under Listing Rule 3.1.

4. FairStar's Second Response states that FairStar has not been insolvent, nor has it traded while insolvent (answers 7.1 and 7.2).

ASX notes that the *Corporations Act 2001* (Cth) ("*Corporations Act*") section 95A defines the terms "solvent" and "insolvent" as follows:

95A(1) A person is solvent if, and only if, the person is able to pay all the person's debts, as and when they become due and payable.

95A(2) A person who is not solvent is insolvent.

FairStar's Second Response indicates both that the I-World Convertible Note Agreement is no longer able to be drawn down by FairStar (answers cited above), and that FairStar has been working to seek an injection of funds (answer 3.2).

FairStar's quarterly report for the quarter ended 31 March 2016 reported:

- (a) short term secured financing facilities payable as at the date of the report (29 April 2016) of \$7,995,000; and
- (b) cash as at 31 March 2016 of nil.

The same quantum of short term secured financing facilities payable had been reported in each of FairStar's quarterly reports dating back to the report for the period ended 30 September 2014. Each previous quarterly report dating back to 30 September 2013 had reported short term secured financing facilities payable of amounts greater than \$5,000,000.

As announced by FairStar on 7 July 2015, a receiver and manager has been appointed over specific property of FairStar, including current and future cash at bank, any and all receivables, and FairStar's entitlement to research and development rebates. As at the date of this letter, the appointment of the receiver and manager continues.

Given the above, it appears to ASX that FairStar may be insolvent for the purposes of the Corporations Act.

Pursuant to Listing Rule 18.7, ASX requires FairStar to answer the following additional questions in a format suitable for release to the market:

1. Please provide a schedule of all of FairStar's liabilities as at the date of your response to this letter, including with each entry the following information:
 - (a) the quantum of funds owed;
 - (b) whether the liability is secured, and if so, details of the security;
 - (c) the date the liability is payable (which may be in the past); and
 - (d) whether the liability is presently payable.
2. Please state FairStar's current cash balance as at the date of your response to this letter.
3. Having regard to the information provided in response to paragraphs 1 and 2 above, and in particular paragraph 1(d), please state whether FairStar is able to pay all its debts as and when they become due and payable.
4. If FairStar is not able to pay all its debts as and when they become due and payable, please state the date on which FairStar first became aware that this was the case.
5. Please confirm that FairStar is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

ASX would remind you again that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- knowingly, breaches section 1309(1) of the Corporations Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or
- without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporations Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **3:00pm WST on Monday 30 May 2016**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, FairStar's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ben.tippett@asx.com.au with a copy to james.rowe@asx.com.au.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[sent electronically without signature]

Ben Tippett

Adviser, Listings Compliance (Perth)