

23 May 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 19th 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. Does FairStar have a present ability to draw down funds under the I-World Convertible Note Agreement? Please provide details.
 - 1.1 At this instant in time FairStar does not have the ability to draw on the I-World Convertible Note.
2. If the answer to question 1 is "yes", please confirm whether FairStar will be drawing down funds under the I-World Convertible Note Agreement immediately, given its apparent need for funds. If it will not, please explain why.
 - 2.1 N/A
3. If the answer to question 1 is "no", when did FairStar first become aware that it is not able to draw down on the I-World Convertible Note Agreement? Please provide details as to how and by what method FairStar became aware.
 - 3.1 FairStar has only very recently become aware that the I-World funders, have insisted, verbally, that the FairStar shares should be trading; given the fact that the Agreement does include an escrow period, they have moved to the position of be "able to see the effect of their investment" as time passes.
 - 3.2 FairStar has been working with the introducer of I-World, Creafin & Associates to seek an investor who would inject some funds to enable the due process for the trading suspension to be lifted.
4. If the answer to question 1 is "no", has FairStar previously disclosed to the market that it

is not able to draw down on the I-World Convertible Note Agreement? If yes, please provide details. If not, please explain why.

4.1 FairStar did not disclose as FairStar has been quietly optimistic that there will be a solution to return FairStar to the trading board and further return shareholder value. FairStar is very mindful that the only way any shareholder can receive a return to their investment is through FairStar shares being traded. The directors have had this goal, for the benefit of the welfare and value of its ~ 5400 shareholders to source capital and return the shares to the trading board.

5. FairStar's Response indicates that I-World considers that it is not obliged to provide funds under the I-World Convertible Note Agreement until such time as FairStar's securities are reinstated to quotation on ASX. FairStar's Response does not state that I-World is in breach of the I-World Convertible Note Agreement.

5.1 Does FairStar accept I-World's purported interpretation of this aspect of I-World Convertible Note Agreement?

- The Agreement does not explicitly state the requirement by I-World of FairStar's reinstatement; it was a mutually understood part of the Agreement during the discussions.

5.2 Does the I-World Convertible Note Agreement state that the reinstatement of FairStar's securities to quotation is a precondition to the draw-down of funds? If not, is this condition provided for in another agreement, whether written or verbal? Please provide full details.

- This understanding was mutually agreed to during the negotiations and as FairStar were already in suspension and as the accounts needed to be lodged urgently, this wish was communicated and the directors were of the firm opinion that the suspension would be lifted upon lodgment of the audited accounts. The directors were made aware of the auditors opinion and also scrutinized the market, at that time, and noted that there were a few other similar companies who having had a similar opinion stated, by their auditors, had continued to trade on the ASX platform. On this anecdotal basis, an opinion was formed, and communicated verbally to I-World and Creafin & Associates. At that time directors of both companies felt comfortable that FairStar shares would resume trading.

6. If the answer to question 1 is "no", does FairStar consider that it will need to secure material fundraising in order to achieve reinstatement of its securities to quotation on ASX? Please provide reasons for your answer. Has FairStar previously disclosed this fact to the market? Please provide details.

6.1 FairStar now understands that other sources of funding would be required to achieve reinstatement.

- FairStar would need to satisfy creditors and have working capital for at least 15 months.

6.2 FairStar is of the opinion that unless a firm offer was at hand, such as cleared funds in our lawyers trust account, it would not be fair and reasonable for the directors to make any statement about the certainty of receiving funding. More importantly if

the directors announce “funding negotiations” which have NOT reached the “binding and irrevocable position”, they would be miss-leading the shareholders. But as soon as this position is achieved, they according to Listing Rules 3.1; the directors would be required to announce.

7. Referring explicitly to the FairStar’s liabilities and the definitions of “solvent” and “insolvent” in section 95A of the Corporations Act, please advise whether:

7.1 FairStar has been, at any point in time, insolvent?

- No.

7.2 FairStar has traded, at any point in time, while insolvent?

- No.

8. Please confirm that FairStar is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

8.1 FairStar confirms that it is compliance with the Listing Rules, and in particular, Listing Rule 3.1.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin J Robertson', is enclosed within a circular scribble.

Kevin J Robertson
Managing Director



19 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 Letter") and Fairstar's letter to ASX dated 10 May 2016 ("Fairstar's Response"). Capitalised terms in this letter have the same meaning as in ASX's Letter.

Fairstar's Response is unsatisfactory.

Paragraphs 1.1 and 2.1 respectively of Fairstar's Response state that the I-World Convertible Note Agreement is still on foot, and that its terms have not changed.

Paragraph 3.2 of Fairstar's Response states that Fairstar has not attempted to draw down funds under the I-World Convertible Note Agreement.

Fairstar's Response did not respond to the question in ASX's Letter as to whether the I-World Convertible Note Agreement is able to be drawn down by Fairstar.

Paragraph 3.3 of ASX's Letter asked:

If Fairstar has not drawn down, or attempted to draw down, any further funds under the I-World Convertible Note Agreement, please explain why not, given its apparent need for funds.

Fairstar's Response stated as follows:

The Agreement was made when FairStar's 2014 accounts were being prepared and the Company's shares were suspended from trading. The understanding held by I-World was that the shares would begin trading subsequent to the accounts being lodged. As the suspension was not lifted by the ASX, this has affected the draw downs. FairStar continues to negotiate with I-World.

No explanation was provided as to the inconsistency between this statement and the assertions that the I-World Convertible Note Agreement remains on foot with unchanged terms.

ASX interprets Fairstar's Response as indicating that Fairstar is not able to draw down on the I-World Convertible Note Agreement.



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. Does Fairstar have a present ability to draw down funds under the I-World Convertible Note Agreement? Please provide details.
2. If the answer to question 1 is “yes”, please confirm whether Fairstar will be drawing down funds under the I-World Convertible Note Agreement immediately, given its apparent need for funds. If it will not, please explain why.
3. If the answer to question 1 is “no”, when did Fairstar first become aware that it is not able to draw down on the I-World Convertible Note Agreement? Please provide details as to how and by what method Fairstar became aware.
4. If the answer to question 1 is “no”, has Fairstar previously disclosed to the market that it is not able to draw down on the I-World Convertible Note Agreement? If yes, please provide details. If not, please explain why.
5. Fairstar’s Response indicates that I-World considers that it is not obliged to provide funds under the I-World Convertible Note Agreement until such time as Fairstar’s securities are reinstated to quotation on ASX. Fairstar’s Response does not state that I-World is in breach of the I-World Convertible Note Agreement.
 - 5.1 Does Fairstar accept I-World’s purported interpretation of this aspect of I-World Convertible Note Agreement?
 - 5.2 Does the I-World Convertible Note Agreement state that the reinstatement of Fairstar’s securities to quotation is a precondition to the draw-down of funds? If not, is this condition provided for in another agreement, whether written or verbal? Please provide full details.
6. If the answer to question 1 is “no”, does Fairstar consider that it will need to secure material fundraising in order to achieve reinstatement of its securities to quotation on ASX? Please provide reasons for your answer. Has Fairstar previously disclosed this fact to the market? Please provide details.
7. Referring explicitly to the Fairstar’s liabilities and the definitions of “solvent” and “insolvent” in section 95A of the Corporations Act, please advise whether:
 - 7.1 Fairstar has been, at any point in time, insolvent?
 - 7.2 Fairstar has traded, at any point in time, while insolvent?
8. Please confirm that Fairstar is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

ASX would remind you 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 23 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)