

FAIRSTAR RESOURCES LIMITED

ACN 115 157 689

PROSPECTUS

for

A pro rata non-renounceable entitlement issue of 1 New Option for each 7 Shares held at an issue price of 0.1 cent per New Option

and

a pro rata non-renounceable entitlements issue of 1 New Option for each Lapsed Option held at an issue price of 0.1 cent per New Option ("Rights Issue")

The Rights Issue closes at 5.00 pm WST on 27 January 2012.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

1. CORPORATE DIRECTORY

Directors

Kevin J. Robertson Managing Director
Gary Lyons Director – Non-Executive
Con Markopoulos Director – Non-Executive
Harold J. Paiker Director – Non-Executive

Share Registry *

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009 Australia
T: +61 (0) 8 9389 8033
F: +61 (0) 8 9389 7871

Secretary

Alan Edward Thomas

Auditor

Stantons International Audit and Consulting
Pty Ltd
Level 1
1 Havelock Street
WEST PERTH WA 6005

Registered and Principal Office

Unit 3, 136 Main Street
OSBORNE PARK WA 6017 Australia
T: +61 (0) 8 9242 5111
F: +61 (0) 8 9242 5677
E: admin@fairstarresources.com
W: www.fairstarresources.com

ASX Code:

| | |
|-----------------|------|
| Ordinary shares | FAS |
| Options | FASO |

* This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Their name is included for information purposes only.

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2. DATES

The following key dates are indicative only:

| Event | Date |
|---|------------------|
| Lodgement of Prospectus with the ASIC and ASX | 19 December 2011 |
| Ex date | 30 December 2011 |
| Record Date for Determining Entitlements | 6 January 2012 |
| Prospectus despatched to Shareholders and holders of lapsed options | 12 January 2012 |
| Closing Date* 5.00 pm (WST) | 27 January 2012 |
| Securities quoted on a deferred settlement basis | 30 January 2012 |
| Despatch of holding statements * | 6 February 2012 |

* The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such the date the Securities are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES AND STATEMENTS

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 19 December 2011 and was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus.

No New Options will be issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus. New Options issued pursuant to this Prospectus will be 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 the definition section of this Prospectus

This Prospectus is an offer of options to apply for continuously quoted securities of a corporation. This Prospectus contains all the information investors and their professional advisers would reasonably require to make an informed assessment of:

- (a) the effect of the offer on the company and the rights; and
- (b) liabilities attaching to the Options offered.

As a disclosing entity for the purposes of the Corporations Act, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from or inspected at an ASIC office.

The Company will make available to persons who request the following documents:

- (a) the annual financial report most recently lodged with ASIC by the Company;
- (b) any half year financial report lodged with ASIC by the Company after the lodgement of the annual financial report and before the lodgement of the copy of this Prospectus with ASIC; and

- (c) any continuous disclosure notices given by the Company after the lodgement of the annual financial report and before the lodgement of the copy of this Prospectus with ASIC.

RISK FACTORS

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus. For further information in relation to the risk factors of the Company please refer to Section 8 of this Prospectus.

ELECTRONIC PROSPECTUS

This Prospectus will be issued as an Electronic Prospectus in relation to the Shortfall. The Prospectus will be available on the Company's website at www.fairstarresources.com. The offer of New Options comprising the Shortfall pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. If you are a shareholder resident outside Australia, you may only apply for Shortfall by way of a hard copy of this Prospectus.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

New Options offered by this Prospectus are speculative

4. DIRECTOR'S LETTER

19 December 2011

Dear Shareholder

Fairstar Resources Limited is pleased to offer its Shareholders the opportunity to subscribe for New Options by participating in a 1 for 7 Rights Issue at an issue price of 0.1 cent per New Option. Fairstar Resources Limited is also pleased to be able to extend an offer to the holders of lapsed 30 August 2011 options ("Lapsed Options") to apply to New Options on a 1 for 1 basis at 0.1 cent per New Option. Shareholders approved the grant of options to the holders of lapsed options at the annual general meeting conducted on 24 November 2011.

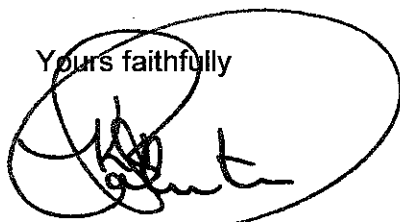
This Rights Issue plans to raise up to a maximum of \$277,000, which will be used to fund the costs of the issue and provide working capital.

The details of the Offer of New 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 5.00 pm WST on 27 January 2011. If you wish to participate in this Rights Issue of New Options it is essential that your Completed Entitlement and Acceptance Application Form reaches the Company's Share Registry by this time.

If you have any questions or queries regarding the details contained in this document, please contact your financial adviser or our Company Secretary, Mr Alan Thomas, on 9242 5111.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Kevin Robertson', is enclosed within a large, hand-drawn oval.

KEVIN ROBERTSON
Managing Director

5. EFFECT OF THE RIGHTS ISSUE

5.1 Effect on Capital Structure

If the Rights Issue under this Prospectus is fully subscribed the capital structure of the Company will be as follows:

(a) **Shares**

Number

775,205,214 Ordinary Shares on issue prior to Rights Issue

(b) **Options**

Number

Options on Issue

5,513,368 Options with an average exercise price of 2.6 cents at expiry date between 31 July 2012 and 22 September 2012

474,373 Options with an exercise price of 6.5 cents at expiry date of 15 December 2012

166,731,476 New options to be issued under this prospectus exercisable at 10 cents each expiring 31 August 2014, being the holders of the 2011 lapsed options

110,743,602 New options to be issued to Shareholders under this prospectus exercisable at 10 cents each expiring 31 August 2014

283,464,819 Total Options following Rights Issue

- (i) It is assumed that no existing Options are exercised and that no further Shares are issued by the Company on or before the Record Date.

5.2 Financial Effect of the Issue

The principal effects of the Issue are:

- The Company's cash funds and Shareholders' equity will increase by \$277,000 less expenses of the Issue, which are estimated to be approximately \$42,000; and
- The total number of securities on issue will increase as stated in Section 5.1.

The issue will have no immediate effect on the Company's financial performance. Below is pro forma balance sheet indicating the financial effects of the issue.

Pro Forma Balance Sheet as at 30 June 2011

| | 2011 \$ | PRO FORMA ADJUSTMENTS \$ | CLOSING BALANCE \$ |
|--------------------------------------|-------------------|--------------------------------|--------------------------|
| Current assets | | | |
| Cash and cash equivalents | 81,486 | 235,000 | 316,486 |
| Trade and other receivables | 156,993 | | 156,993 |
| Total current assets | <u>238,479</u> | <u>235,000</u> | <u>473,479</u> |
| Non-current assets | | | |
| Other receivables | 163,600 | | 163,600 |
| Financial assets | 12,824,189 | | 12,824,189 |
| Property, plant and equipment | 859,118 | | 859,118 |
| Capitalised exploration expenditure | 3,089,522 | | 3,089,522 |
| Other assets | - | | - |
| Total non-current assets | <u>16,936,429</u> | | <u>16,936,429</u> |
| Total assets | <u>17,174,908</u> | <u>235,000</u> | <u>17,409,908</u> |
| Current liabilities | | | |
| Trade and other payables | 2,544,242 | | 2,544,242 |
| Borrowings | 4,223,925 | | 4,223,925 |
| Provisions | 10,000 | | 10,000 |
| Total current liabilities | <u>6,778,167</u> | | <u>6,778,167</u> |
| Non-current liabilities | | | |
| Borrowings | 47,255 | | 47,255 |
| Total non-current liabilities | <u>47,255</u> | | <u>47,255</u> |
| Total liabilities | <u>6,825,422</u> | | <u>6,825,422</u> |
| Net assets | <u>10,349,486</u> | <u>235,000</u> | <u>10,584,486</u> |
| Equity | | | |
| Issued capital | 109,907,370 | | 109,907,370 |
| Reserves | 3,849,805 | 235,000 | 4,084,805 |
| Accumulated losses | (103,407,689) | | (103,407,689) |
| Total equity | <u>10,349,486</u> | <u>235,000</u> | <u>10,584,486</u> |

6. RIGHTS ISSUE DETAILS

6.1 The Rights Issue

The Company is making an offer to the holders of lapsed 30 August 2011 Options on the basis that for every one (1) Lapsed Option held at the Record Date, Lapsed Option holders will have the right (but not the obligation) to apply for one (1) New Option at an issue price of 0.1 cent per New Option (the "**Rights Issue**").

The Company is making a non-renounceable offer of New Options on the basis that for every seven (7) Shares held by Shareholders at the Record Date, Shareholders will have the right (but not the obligation) to subscribe for one (1) New Option at an issue price of 0.1 cent per New Options (the "**Rights Issue**").

The Rights Issue is non-renounceable and Shareholders or Lapsed Option holders as the case may be may not sell or transfer all or any part of their Entitlement to this Rights Issue on ASX or otherwise.

As at the date of this Prospectus, the Company has 775,205,214 Shares and 5,987,741 existing Options on issue. Holders of existing Options will not be entitled to participate in the Rights Issue however they may exercise their existing Options prior to the Record Date if they wish to participate in the Rights Issue. Assuming none of these existing Options are exercised prior to the Record Date, the number of New Options offered under this Prospectus will be 277,475,218.

The fractional Entitlements to New Options will be rounded up to the nearest whole number.

Shareholders and the holders of Lapsed Options may accept their Entitlement in whole or in part, or may decide not to accept their Entitlement at all. Shareholders and the holders of Lapsed Options who do not accept their Entitlement in full will, as a result of the Rights Issue, have their potential percentage shareholding in the Company diluted.

Shareholders and the holders of Lapsed Options wishing to take up all or part of their Entitlement under the Rights Issue can only do so by completing the personalised Entitlement and Acceptance Form which accompanies this Prospectus.

It is important that Shareholders and the holders of Lapsed Options consider the Rights Issue carefully. If Shareholders and the holders of Lapsed Options are in doubt as to the course of action they should follow, they should consult their professional adviser.

6.2 Rights Issue Price

The issue price of the New Options is 0.1 cents each, payable in full upon acceptance. The New Options will be issued on the terms and conditions set out in section 7.1.

6.3 Purpose of the Issue

Assuming no existing Options are exercised prior to the Record Date and full subscription is reached, the issue of New Options under this Prospectus will raise approximately \$277,000 before expenses.

The funds raised by the Rights Issue will be used to meet the costs of the Rights Issue and for working capital purposes.

6.4 Entitlements and Acceptance

A personalised Entitlement and Acceptance Form accompanies this Prospectus. Shareholders and the holders of Lapsed Options who wish to accept all or part of their Entitlement must

complete and lodge their Entitlement and Acceptance Form together with the appropriate acceptance monies in accordance with the instructions set out on that form.

If you decide not to accept your Entitlement, you need not do anything. If you decide not to accept all or part of your Entitlement, the New Options not accepted by you will form part of the Shortfall Offer will be dealt with in accordance with Section 6.6 of this Prospectus.

The number of New Options accepted on the personalised Entitlement and Acceptance Form must not exceed the entitlement shown on the Entitlement and Acceptance Form. If the Entitlement and Acceptance Form is not completed correctly or if the accompanying payment is for the wrong amount, it may still be accepted by the Company. The Company's decision as to whether to accept the application and how to construe, amend or complete it shall be final, but no Applicant will be treated as having offered to purchase more New Options than is indicated by the amount of the cheque for the application monies and any surplus application monies will be returned, without interest.

Completed Entitlement and Acceptance Forms together with the appropriate application monies must reach the Company's share registry at the following address on or before the Closing Date:

Advanced Share Registry
150 Stirling Highway
NEDLANDS WA 6009
Australia

Advanced Share Registry
PO Box 1159
NEDLANDS WA 6909
Australia

Any Entitlement not accepted will form part of the Shortfall Offer to be dealt with in accordance with Section 6.6 of this Prospectus.

Payment must be made to **Fairstar Resources Limited** by cheque crossed "**not negotiable**" and must be in Australian dollars.

6.5 Underwriting

The issue of New Options pursuant to this Prospectus is not underwritten. There is no minimum amount to be raised pursuant to this issue.

6.6 Shortfall Offer

Any Entitlement not taken up pursuant to the Rights Issue will form the Shortfall Offer. The Directors reserve the right to issue Shortfall Options at their absolute discretion. Shareholders who wish to subscribe for Shortfall Options are invited to complete the field on their Entitlement and Acceptance Form accompanying this Prospectus and return it to the Company together with a separate cheque for the value of the Shortfall Options. Non-Shareholders who wish to subscribe for Shortfall Options are invited to complete a Shortfall Application Form accompanying this Prospectus and return it to the Company together with a cheque for the value of the Shortfall Options.

The Directors reserve the right to allot to an Applicant a lesser number of Shortfall Options than the number for which the Applicant applies for on their Shortfall Application Form, or to reject an application, or to not proceed with placing the Shortfall.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three (3) months following the Closing Date. The issue price for each Shortfall Option shall be 0.1 cents, being the price at which New Options have been offered under the Rights Issue.

6.7 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHES for those investors who have a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation. Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Securities allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

6.8 ASX Listing

Application for official quotation by ASX of the New Options offered by this Prospectus has been made. If the New Options are not admitted to quotation on ASX before the expiration of 3 months after the date of this Prospectus, the Company will not issue any New Options and will repay all acceptance and application monies for the New Options as soon as practicable, without interest.

The fact that ASX may admit the New Options offered by this Prospectus to quotation is not to be taken in any way as an indication of the merits of the Company or the New Options.

6.9 Opening and Closing Dates

The Rights Issue will open for acceptances of Entitlements on 30 December 2011. The Closing Date for acceptances will be 27 January 2012. The Directors reserve the right to vary the Opening Date and Closing Date, subject to compliance with ASX Listing Rules.

6.10 Participation

All Shareholders at the Record Date are entitled to participate in the Rights Issue on the basis of one (1) New Option for every seven (7) Shares held on the Record Date. Any holders of Shares issued and allotted as a result of existing Options being exercised prior to the Record Date will also be able to participate in the Rights Issue. All holders of Lapsed Options at the Record Date are entitled to participate in the Rights Issue on the basis of one (1) New Option for every one (1) Lapsed Option held on the Record Date.

6.11 Issue

New Options will be issued within 6 Business Days after the Closing Date.

In accordance with the Corporations Act, all application monies shall, before issue of New Options pursuant to this Prospectus, be held by the Company in trust in a bank account established solely for that purpose. Any interest earned on the acceptance money will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Options takes place.

6.12 Non Resident Shareholders or Potential Investors

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Shareholders outside of Australia and New Zealand having regard to:

- (a) the number of Shareholders registered outside of Australia and New Zealand;

- (b) the number and value of the securities to be offered to Shareholders registered outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the New Options being offered by the Rights Issue are only being offered to Shareholders, holders of Lapsed Options and potential investors resident in Australia or New Zealand.

Where this Prospectus has been despatched to Shareholders, or is obtained by potential investors, resident outside Australia and New Zealand, this Prospectus is provided for information purposes only. This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

The offer of the Shortfall pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. For persons outside Australia, an application for Shortfall may only be made pursuant to a hard copy of the Prospectus. Prior to the Closing Date, any person may obtain a hard copy of this Prospectus by contacting the Company.

6.13 Enquiries

Enquiries concerning the Entitlement and Acceptance Form should be directed to Advanced Share Registry by telephone on (08) 9389 8033 or facsimile on (08) 9389 7871.

Enquiries relating to this Prospectus should be directed to the Company by telephone on (08) 9242 5111 or facsimile on (08) 9242 5677 or e-mail on admin@fairstarresources.com.

6.14 Privacy Statement

If you apply for New Options, you will be asked to provide personal information to the Company (and the Company's share registry on its behalf) which collects, holds and uses that personal information in order to assess your application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

Under the Privacy Act 1988 (as amended), you may request access to your personal information held by (or on behalf of) the Company. You can do this by contacting the Company's share registry, details of which are set out in Section 1.

6.15 Issue expenses

The expenses of the issue are estimated to be:

| | |
|---|--------------------|
| ASIC lodgement fees | \$2,137.00 |
| ASX quotation fees | \$2,250.00 |
| Printing, postage and share registry costs | \$16,000.00 |
| Prospectus preparation and processing costs | \$22,000.00. |
| TOTAL | \$42,387.00 |

7. RIGHTS ATTACHING TO NEW OPTION CONDITIONS

7.1 Conditions of Options

TERMS AND CONDITIONS OF OPTIONS EXPIRING 31 AUGUST 2014

(AMOUNT PAYABLE: 10 CENTS)

1. **Entitlement**
Each Option shall entitle the holder the right to subscribe (in cash) for one (1) Share in the capital of the Company.
2. **Option Period**
Each Option will expire at 5.00pm WST on 31 August 2014 (such date being referred to as the "Option Expiry Date"). Each Option may be exercised at any time prior to the Option Expiry Date in accordance with the notice provisions set out below and any Option not so exercised shall automatically expire on the Option Expiry Date.
3. **Ranking of Share Allotted on Exercise of Option**
Each Share allotted as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects *pari passu* with the existing Shares in the capital of the Company on issue at the date of allotment.
4. **Voting**
A registered owner of an Option (herein referred to as an "Option Holder") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being Option Holder, members of the Company.
5. **Transfer of an Option**
Each Option is transferable at any time prior to the Option Expiry Date. This right is subject to any restrictions on the transfer of an Option that may be imposed by the ASX in circumstances where the Company is listed on ASX.
6. **Method of Exercise of an Option**
 - a. The Company will provide to each Option Holder a notice that is to be completed when exercising the Options (herein such notice being called a "Notice of Exercise of Options"). Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the Option Expiry Date. The Notice of Exercise of Options must state the number of Options exercised and the consequent number of Shares in the capital of the Company to be allotted; which number of Options must be a multiple of 10,000 if only part of the Option Holders total Options are exercised, or if the total number of Options held by an Option Holder is less than 10,000, then the total of all Options held by that Option Holder must be exercised.
 - b. The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of 10 cents (\$0.10) per Share.
 - c. Subject to Clause 7 hereof, the exercise of less than all of an Option Holders Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holders entitlement under the Option Holders remaining Options.
 - d. Within 14 days from the date the Option Holder properly exercises Options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.
 - e. If the Company is listed on the ASX, the Company will within seven (7) days from the date of issue and allotment of Shares pursuant to the exercise of an Option, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act and the Listing Rules.
 - f. The Company will generally comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted Options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the Options and the timetable outlined in the Listing Rules, the timetable outlined in the Listing Rules shall apply.

7. **Reconstruction**
In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
8. **Participation in New Share Issues**
There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the Options are exercised. The Company will ensure that during the exercise period of the Options, the Record Date for the purposes of determining Entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced (or such other date if required under the Listing Rules) in order to afford the Option Holder an opportunity to exercise the Options held by the Option Holder.
9. **Change of Options' Exercise Price or Number of Underlying Shares.**
There are no rights to change the exercise price or the number of underlying Shares if there is a pro-rata issue or bonus issue to the holders of Shares.

LODGEMENT INSTRUCTIONS

Cheques shall be in Australian currency made payable to Fairstar Resources Limited and crossed "Not Negotiable". The application for shares on exercise of the options with the appropriate remittance should be forwarded to Fairstar Resources Limited, Unit 3, 136 Main Street, Osborne Park WA 6017.

8. ADDITIONAL INFORMATION

8.1 Risk Factors

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

i. Economic risks

Share market conditions, particularly those affecting exploration companies, may affect the price of the Company's quoted securities regardless of operating performance.

The price of mineral is influenced by physical and investment demand for, and supply of, those commodities. Fluctuations in these commodity prices may influence the value of individual projects in which the Company has an interest and the price of the Company's listed securities.

General economic conditions may affect interest rates and inflation rates. Movements in these rates may have an impact on the price of the Company's listed securities.

ii. Exploration and development risks

The business of mineral exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable reserves;
- access to adequate capital for project development;
- design and construction of efficient development and production infrastructure within capital expenditure budgets;
- securing and maintaining title to interests;
- obtaining consents and approvals necessary for the conduct of mineral exploration, development and production; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, and commodity prices affect successful project development and operations.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

iii. Reliance on key personnel

Within the existing corporate structure, the Company's success is dependent upon the ability of the Directors to manage the existing assets and identify acquisition opportunities for future growth. To manage its growth, the Company must in due course identify, hire, train and retain skilled personnel and senior management.

iv. Mineral price volatility

The demand for, and price of, minerals is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, actions taken by governments and international cartels, and global economic and political developments.

International mineral prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in mineral prices may have a material adverse effect on the Company's business, financial condition and results of operations.

v. Foreign exchange risk

Global currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in Australia and elsewhere and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities together with the ability to fund those plans and activities.

vi. Environmental

The Company's activities are subject to the environmental risks inherent in the mineral industry. The Company is subject to environmental laws and regulations in connection with operations it may pursue in the mineral industry, which operations are currently in Australia. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

vii. Competition

The Company may potentially compete with other companies for new leases and prospects, including major mineral companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

viii. Future capital needs and additional funding

The funding of any further ongoing capital requirements beyond the requirements as set out in this Prospectus will depend upon a number of factors including the extent of the Company's ability to generate income from activities which the Company cannot forecast with any certainty.

Any additional equity financing will be dilutive to shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may not be able to take advantage of opportunities or develop projects. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.

ix. Regulatory

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

x. General economic and political risks

Changes in the general economic and political climate in the United States, Australia and on a global basis that could impact on economic growth, the mineral prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any mineral activity that may be conducted by the Company.

xi. Insurance

Insurance against all risks associated with mineral production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

xii. Speculative Nature of Investment

An investment in the Company is speculative. The Company holds an interest in a project in the mineral sector and there are no guarantees that the project or any future investments or acquisitions in the mineral sector will be profitable or otherwise successful.

The above risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Options offered under this Prospectus. Therefore, the New Options offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the New Options.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Options. There are inherent risks and uncertainties associated with the Company's current and future investments. Neither the Directors nor the Company warrant the future performance of the Company or any return on an investment in the Company.

8.2 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- the promotion or formation of the Company; or
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Other than as set out below or elsewhere in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated, and no benefits have been given or agreed to be given to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Rights Issue.

Directors' Remuneration

The existing Board of Directors consists of a Managing Director, one executive Director and three non-executive Directors. Shareholders have approved the Company paying Directors' fees of up to a maximum of \$350,000 per annum to be divided between Directors as they see fit, until such time as any different amount is approved by Shareholders. The current policy is to pay the non-executive Directors \$70,000 per annum.

The Directors are entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or in connection with the performance of their duties as Directors. Subject to the Corporations Act and ASX Listing Rules, if a Director is called upon to perform extra duties or make special exertions on behalf of the Company, the Directors may remunerate that Director which may either be in addition to or in substitution for his usual Director's fees.

Directors' Interests in Securities

At the date of this Prospectus the relevant interest of each of the Directors in the securities of the Company are as follows:

Current Shareholding and Optionholding

| Director | Ordinary Shares | Unquoted Options | Entitlement to New Options under this Prospectus in respect of Shareholding |
|-----------------|------------------------|-------------------------|--|
| Kevin Robertson | 3,412,600 | - | 487,514 |
| Gary Lyons | 884,946 | - | 126,421 |
| Con Markopoulos | 136,500 | - | 19,500 |
| Harold Paiker | 500,000 | - | 71,429 |

Lapsed Options

The Directors' holdings of Lapsed Options are as follows:

| Director | Number of Lapsed Options | Entitlement to New Options under this Prospectus in respect of optionholding |
|-----------------|---------------------------------|---|
| Kevin Robertson | 2,754,722 | 2,754,722 |
| Gary Lyons | 155,990 | 155,990 |
| Con Markopoulos | Nil | Nil |
| Harold Paiker | Nil | Nil |

8.3 Interests of Experts

Other than as set out elsewhere in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was

associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue,

and no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid and no benefits given or agreed to be given to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by them in connection with the promotion or formation of the Company or the Rights Issue.

Stantons International Audit and Consulting Pty Ltd are the auditors to the Company. They have provided audit services to the Company during the last two years totalling approximately \$50,000 (exclusive of GST).

Stantons International Audit and Consulting Pty Ltd were appointed auditors to the Company at the 2010 annual general meeting.

Stanton Partners were the auditors of the Company immediately prior to the appointment of Stantons International Audit and Consulting Pty Ltd. Stanton Partners has provided audit services to the Company during their tenure as auditors of the Company and the last 2 years, totalling approximately \$45,000 (exclusive of GST).

8.4 ASX Listing, Continuous Disclosure and Documents Available for Inspection

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are quoted enhanced disclosure ("ED") securities and options to acquire quoted ED securities, and the securities are in a class of securities that were quoted ED securities at all times in the 12 months before the issue of this Prospectus.

As a "disclosing entity" the Company is subject to regular reporting and disclosure obligations which require it to disclose to ASX any information of which it is, or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company. Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the provisions of the ASX Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock exchange conducted by ASX, throughout the 12 months before the issue of this Prospectus.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

The New Options to be issued under this Prospectus are in respect of a class of shares that were continuously quoted securities at all times in the 12 months before the issue of this Prospectus.

The Company will provide a copy of each of the following documents, free of charge, to any investor who so requests during the application period under this Prospectus:

- (a) the Full Year Statutory Accounts for Fairstar Resources for the period ending 30 June 2011; and

- (b) the following documents used to notify ASX of information relating to Fairstar Resources during the period after lodgement of the Full Year Statutory Accounts of Fairstar Resources for the period ending 30 June 2011 and before the issue of this Prospectus:

| Date | Contents |
|-------------------|---|
| 7 December 2011 | Appendix 3B |
| 30 November 2011 | AGM Video Presentation |
| 25 November 2011 | Appendix 3B |
| 24 November 2011 | Results of meeting |
| 24 November 2011 | AGM presentation |
| 23 November 2011 | AGM update |
| 17 November 2011 | Mining Lease granted |
| 15 November 2011 | Amended notice of meeting – AGM |
| 14 November 2011 | Native title agreement concluded |
| 7 November 2011 | RNS: divestments of iron rights to Fairstar Resources |
| 7 November 2011 | Additional iron ore rights acquired |
| 1 November 2011 | Appendix 3Y |
| 31 October 2011 | Quarterly activities and cash flow report |
| 26 October 2011 | Annual report – 2011 |
| 26 October 2011 | Appendix 3B |
| 26 October 2011 | Clarification |
| 26 October 2011 | Fairstar boardroom radio broadcast |
| 24 October 2011 | Major funding announcement |
| 20 October 2011 | Trading halt |
| 20 October 2011 | Notice of annual general meeting |
| 30 September 2011 | Appendix 3B |

If Shareholders, or investors, require any further information in relation to the Company, the Directors recommend that they take advantage of the ability to inspect and obtain copies of the documents referred to above. All requests for copies of the above documents should be addressed to the Company Secretary, Fairstar Resources Limited, 136 Main Street, Osborne Park, Western Australia, 6017 or facsimile (08) 9242 5677.

8.5 Share Trading History

The highest, lowest and last closing market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

| | Price | Date |
|---------|-----------|-------------------|
| Highest | 5.4 cents | 13 September 2011 |
| Lowest | 3.3 cents | 3 November 2011 |
| Last | 3.5 cents | 16 December 2011 |

8.6 Expenses of the Rights Issue

The expenses of the Rights Issue are estimated to be \$42,387. These expenses are payable by the Company.

8.7 Litigation

The Company is currently involved in the following litigation:

- The Company has commenced proceedings and obtained judgment against two parties in the United States. The Company has obtained judgment in its favour in the amount of US\$2.2 million and is currently endeavouring to enforce its judgment. One of the parties against whom judgment has been obtained has filed for bankruptcy protection in the United States.
- A former director of the Company, Mahendra Pal, has commenced proceedings in the District Court of Western Australia against the Company claiming he is owed director's fees and other amounts under his contract of employment. The Company disputes the claim and is defending the action.

8.8 Consents

Each of the parties referred to in this Section:

- does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

There are a number of 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 this Prospectus.

8.9 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of Shares and Options in response to an electronic application form, subject to compliance with certain provisions. The Company is relying on this exemption in relation to the offer of Shortfall.

The offer pursuant to an Electronic Prospectus is only available for applications for the Shortfall and to persons receiving an electronic version of this Prospectus within Australia.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Shortfall Application Form. If you have not, please e-mail the Company at admin@fairstarresources.com and the Company will send to you, without charge, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept a Shortfall Application Form from a person if it has reason to believe that when that person was given access to the electronic Shortfall Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such case, the application monies received will be dealt with in accordance with section 722 of the Corporations Act.

9. DIRECTORS' AUTHORISATION

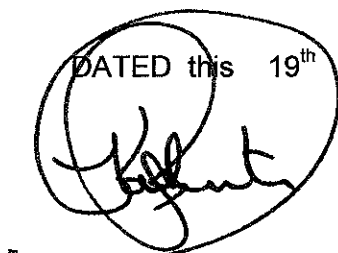
This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Options pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

DATED this 19th day of December 2011

A handwritten signature in black ink, enclosed within a circular scribble. The signature appears to read 'Kevin Robertson'.

KEVIN ROBERTSON
Director
FAIRSTAR RESOURCES LIMITED

10. DEFINITIONS

| | |
|---------------------------------|---|
| \$ | Australian dollars. All amounts in this Prospectus are in Australian currency unless otherwise stated. |
| 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. |
| ASTC Settlement Rules | means the settlement rules of the securities clearing house which operates CHES. |
| ASX | ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited. |
| ASX Listing Rules | the official listing rules of ASX. |
| Board | the board of Directors. |
| Business Day | every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day. |
| CHES | the Clearing House Electronic Subregister System. |
| Closing Date | the last date for receipt of completed Entitlement and Acceptance Forms, being 5.00 pm WST on 27 January 2012, or such other date as the Directors may determine. |
| Company or Fairstar Resources | Fairstar Resources Ltd (ACN 115 157 689). |
| Corporations Act | Corporations Act 2001 (Cth). |
| Directors | the directors of the Company. |
| Electronic Prospectus | the electronic version of the Prospectus. |
| Entitlement | the right of a Shareholder to subscribe for New Options in the Rights Issue. |
| Entitlement and Acceptance Form | the personalised entitlement and acceptance form accompanying every paper copy of this Prospectus sent to Shareholders. |
| Lapsed Options | the options that lapsed on 30 August 2011. |
| New Options | the Shares offered for subscription pursuant to the Rights Issue. |
| Offer | The Rights Issue pursuant to this Prospectus to subscribe for New Options. |
| Official List | The Official List of ASX. |
| Opening Date | the first date for receipt of completed Entitlement and Acceptance Forms, being 4 January 2012. |
| Option | an option to acquire a Share. |
| Prospectus | this prospectus dated 19 December 2011 and includes the Electronic Prospectus. |

| | |
|----------------------------|--|
| Record Date | 5.00 pm WST 6 January 2012. |
| Rights Issue | the non-renounceable pro rata rights issue pursuant to the Prospectus of up to 277,475,078 New Options on the basis of one New Option for every 7 Shares held on the Record Date at an issue price of 0.1 cent per New Option, 1 New Option for each Lapsed Option held on the Record Date at an issue price of 0.1 cents per New Option to raise up to approximately \$277,000 before expenses. |
| Section | a section of this Prospectus. |
| Securities | New Options. |
| Share | an ordinary share in the capital of the Company. |
| Shareholders | holders of Shares in the Company on the Record Date. |
| Shortfall | shortfall in subscription of New Options under the Rights Issue pursuant to this Prospectus. |
| Shortfall Application Form | the Shortfall Application Form accompanying this Prospectus. |
| Shortfall Offer | the offer of any Shortfall. |
| Shortfall Options | New Options not taken up by Shareholders or the holders of Lapsed Options as the case may be under the Rights Issue. |
| WST | Western Standard Time. |

FAIRSTAR RESOURCES LIMITED

ACN 115 157 689

SHORT FORM APPLICATION FORM (FOR SHORTFALL OFFER ONLY)

Capitalised terms used in this application form are, unless otherwise defined herein, as defined in the Prospectus to which this form is attached.

Shareholders wishing to accept their Entitlement to New Options under the Rights Issue cannot use this Shortfall Application Form. They must use the personalised Entitlement and Acceptance Form which accompanied their copy of the Prospectus.

This application will only be considered after the Closing Date of 27 January 2012. Applicants should read the Prospectus dated 19 December 2011 in its entirety before deciding to apply under the Shortfall Offer.

Fairstar Resources Limited
136 Main Street
Osborne Park WA 6017

Fairstar Resources Limited
PO Box
Osborne Park WA 6

I/We apply for _____ New Options and _____ New options (number of shares applied for) in Fairstar Resources Limited at 0.1 cent each, or such lesser number of New Options as may be allocated by the Directors.

I/We lodge full application monies of \$ _____ .00 (amount of your cheque)

Complete Full Name:

(Applicant) _____
(Mr/Mrs/Miss/Ms or Company Name) (given names) (surname)

(Joint Applicant) _____
(Mr/Mrs/Miss/Ms or Company Name) (given names) (surname)

Address Details: _____
(number and street)

_____ (suburb or city) (State) (postcode)

Telephone Details: _____
STD () (Home) STD () (Business) (contact name)

Email Address: _____

Cheque Details: _____
(Drawer) (Bank) (Branch)

Broker Sponsored Applicants Only:

SBN/IPN _____ HIN _____

This Shortfall Application Form does not need to be signed. By lodging this Shortfall Application Form and a cheque for the application monies, the applicant hereby:

1. applies for the number of New Options specified in the Shortfall Application Form or such lesser number as may be allocated by the Directors as instructed by the Directors;
2. agrees to be bound by the terms and conditions set out in the Prospectus and the Constitution of the Company;
3. authorises the Directors to complete or amend this Shortfall Application Form where necessary to correct any errors or omissions;
4. acknowledges that an application for Shortfall does not guarantee an allotment of New Options.

SHORT FORM APPLICATION FORM AND INSTRUCTIONS TO APPLICANTS

Please complete all relevant sections of the Shortfall Application Form using BLOCK LETTERS. If you have questions on how to complete this Shortfall Application Form please telephone (08) 9242 5111.

The Shortfall Application Form relates to the one for 5 non-renounceable pro rata Rights Issue of up to 277,475,078 New Options at an issue price of 0.1 cents each to raise up to approximately \$277,000, pursuant to the Prospectus dated 19 December 2011. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the New Options of the Company and it is important to read this document before applying for New Options. A person who gives another person access to this Shortfall Application Form must at the same time and by the same means, give the other person access to the Prospectus, and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable) and a Shortfall Application Form, on request to applicants without charge.

The Prospectus does not constitute an offer in any place where or to any person to whom it would not be lawful to make such an offer.

Please post or deliver the completed Shortfall Application Form together with your cheque to the address listed below:

Fairstar Resources Limited
136 Main Street
Osborne Park WA 6017

Fairstar Resources Limited
PO Box
Osborne Park WA 6

so as to reach the Company on or before the last date instructed by the Company.

Please write your name in full. This must be either your own name or the name of a company. You should refer to the examples noted for the correct forms of name which can be registered. Applications using the incorrect form of name may be rejected. If your Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. Any decision as to whether to treat your application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to subscribe for more New Options than is indicated by the amount of the accompanying cheque for the application monies referred to.

Your address should be your preferred postal address for all correspondence. All communications to you from the Company's Registry (shareholding statements, annual/interim reports, correspondence, etc) will be mailed to the person(s) and address as shown.

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Fairstar Resources Ltd. At least one full given name and the surname is required for each natural person. Applications cannot be made by persons under 18 years of age. Examples of the correct form of registrable title are set out below:-

| Type of Investor | Correct Form of Registrable Title | Incorrect Form of Registrable Title |
|-----------------------------|--|-------------------------------------|
| Trusts | Mr John David Smith | John Smith Family Trust |
| Deceased Estates | Mr Michael Peter Smith | John Smith (Deceased) |
| Partnerships | Mr John David Smith & Mr Ian Lee Smith | John Smith & Son |
| Clubs/Unincorporated Bodies | Mr John David Smith | Smith Investment Club |
| Superannuation Funds | John Smith Pty Ltd | John Smith Superannuation Fund |

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Fairstar Resources Limited

ABN

38 115 157 689

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 110,743,602 options offered to ordinary shareholders on a prorata basis pursuant to prospectus dated 19 December 2011 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Options exercisable at 10 cents each, with an expiry date of 31 August 2014 |

Appendix 3B
New issue announcement

| <p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | <p>No- this will be a new class of securities</p> | | | | | | | |
|--|---|--|--------|--------|-------------|------------------|-------------|--|
| <p>5 Issue price or consideration</p> | <p>0.1 cents per option</p> | | | | | | | |
| <p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p> | <p>Options issued on a 1:1 basis to lapsed optionholders, and on a 1:7 basis for shareholders. A total of 277,475,078 options are offered under the prospectus.</p> | | | | | | | |
| <p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p> | <p>To be advised</p> | | | | | | | |
| <p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p> | <table border="1"> <thead> <tr> <th data-bbox="694 1406 995 1451">Number</th> <th data-bbox="995 1406 1283 1451">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="694 1451 995 1507">775,204,214</td> <td data-bbox="995 1451 1283 1507">Ordinary Shares.</td> </tr> <tr> <td data-bbox="694 1507 995 1664">277,475,078</td> <td data-bbox="995 1507 1283 1664">Options exercisable at 10 cents each on or before 31 August 2014</td> </tr> </tbody> </table> | | Number | +Class | 775,204,214 | Ordinary Shares. | 277,475,078 | Options exercisable at 10 cents each on or before 31 August 2014 |
| Number | +Class | | | | | | | |
| 775,204,214 | Ordinary Shares. | | | | | | | |
| 277,475,078 | Options exercisable at 10 cents each on or before 31 August 2014 | | | | | | | |

| | Number | +Class |
|---|-----------|---|
| 9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable) | 663,311 | Options expiring 31/7/2012 at an exercise price of \$0.04221 |
| | 683,125 | Options expiring 07/08/2012 at an exercise price of \$0.0391 |
| | 1,070,549 | Options expiring 14/8/2012 at an exercise price of \$0.0369 |
| | 951,348 | Options expiring 25/8/2012 at an exercise price of \$0.0351 |
| | 1,086,767 | Options expiring 1/9/2012 at an exercise price of \$0.0351 |
| | 541,331 | Options expiring 9/9/2012 at an exercise price of \$0.0369 |
| | 516,937 | Options expiring 22/9/2012 at an exercise price of \$0.0342 |
| | 474,373 | Options expiring 15/12/2012 at an exercise price of \$0.0654 |
| | 18 notes | Convertible notes maturing April 1 2012. Face value \$1,100,000 |

| | |
|---|--|
| 10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | The dividend policy of the company remains unchanged |
|---|--|

Part 2 - Bonus issue or pro rata issue

| | |
|---|----------------------------------|
| 11 Is security holder approval required? | No |
| 12 Is the issue renounceable or non-renounceable? | Non- renounceable |
| 13 Ratio in which the +securities will be offered | 1 option per every 7 shares held |
| 14 +Class of +securities to which the offer relates | Ordinary shares |
| 15 +Record date to determine entitlements | 6 January 2012 |
| 16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | No |

Appendix 3B
New issue announcement

| | | |
|----|---|---|
| 17 | Policy for deciding entitlements in relation to fractions | The fractional Entitlements to New Options will be rounded up to the nearest whole number |
| 18 | Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with.</small> <small>Cross reference: rule 7.7.</small> | No offer will be made to shareholders outside Australia and New Zealand. |
| 19 | Closing date for receipt of acceptances or renunciations | 27 January 2012 |
| 20 | Names of any underwriters | None |
| 21 | Amount of any underwriting fee or commission | N/A |
| 22 | Names of any brokers to the issue | None |
| 23 | Fee or commission payable to the broker to the issue | N/A |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders | N/A |
| 25 | If the issue is contingent on ⁺ security holders' approval, the date of the meeting | N/A |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | 12 January 2012 |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | N/A |
| 28 | Date rights trading will begin (if applicable) | N/A |
| 29 | Date rights trading will end (if applicable) | N/A |

| | | |
|----|--|-----------------|
| 30 | How do ⁺ security holders sell their entitlements <i>in full</i> through a broker? | N/A |
| 31 | How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | N/A |
| 32 | How do ⁺ security holders dispose of their entitlements (except by sale through a broker)? | N/A |
| 33 | ⁺ Despatch date | 6 February 2012 |

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional ⁺securities

Entities that have ticked box 34(b)

Appendix 3B
New issue announcement

| 38 | Number of securities for which +quotation is sought | | | | | |
|--------|--|---|--------|--------|--|--|
| 39 | Class of +securities for which quotation is sought | | | | | |
| 40 | <p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | | | | | |
| 41 | <p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p> | | | | | |
| 42 | Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38) | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; padding: 5px;">Number</th> <th style="width: 50%; padding: 5px;">+Class</th> </tr> </thead> <tbody> <tr> <td style="height: 80px;"></td> <td></td> </tr> </tbody> </table> | Number | +Class | | |
| Number | +Class | | | | | |
| | | | | | | |

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX’s absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Alan Thomas

Sign here: Date: ..19/12/2011.....
(Company secretary)

Print name: ALAN E THOMAS

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Fairstar Resources Limited

ABN

38 115 157 689

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 166,731,476 options offered on a prorata basis to holders of options which lapsed on 30 August 2011, pursuant to prospectus dated 19 December 2011 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Options exercisable at 10 cents each, with an expiry date of 31 August 2014 |

Appendix 3B
New issue announcement

| <p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | <p>No- this will be a new class of securities</p> | | | | | | | |
|--|---|--|--------|--------|-------------|------------------|-------------|--|
| <p>5 Issue price or consideration</p> | <p>0.1 cents per option</p> | | | | | | | |
| <p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p> | <p>Issue to lapsed optionholders was approved at a General Meeting on 24 November 2011. Options issued on a 1:1 basis to lapsed optionholders, and on a 1:7 basis for shareholders. A total of 277,475,078 options are offered under the prospectus.</p> | | | | | | | |
| <p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p> | <p>To be advised</p> | | | | | | | |
| <p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p> | <table border="1"> <thead> <tr> <th data-bbox="694 1411 997 1444">Number</th> <th data-bbox="997 1411 1283 1444">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="694 1444 997 1500">775,205,214</td> <td data-bbox="997 1444 1283 1500">Ordinary Shares.</td> </tr> <tr> <td data-bbox="694 1500 997 1664">277,475,078</td> <td data-bbox="997 1500 1283 1664">Options exercisable at 10 cents each on or before 30 August 2011</td> </tr> </tbody> </table> | | Number | +Class | 775,205,214 | Ordinary Shares. | 277,475,078 | Options exercisable at 10 cents each on or before 30 August 2011 |
| Number | +Class | | | | | | | |
| 775,205,214 | Ordinary Shares. | | | | | | | |
| 277,475,078 | Options exercisable at 10 cents each on or before 30 August 2011 | | | | | | | |

| | Number | +Class |
|---|--|---|
| 9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable) | 663,311 | Options expiring 31/7/2012 at an exercise price of \$0.04221 |
| | 683,125 | Options expiring 07/08/2012 at an exercise price of \$0.0391 |
| | 1,070,549 | Options expiring 14/8/2012 at an exercise price of \$0.0369 |
| | 951,348 | Options expiring 25/8/2012 at an exercise price of \$0.0351 |
| | 1,086,767 | Options expiring 1/9/2012 at an exercise price of \$0.0351 |
| | 541,331 | Options expiring 9/9/2012 at an exercise price of \$0.0369 |
| | 516,937 | Options expiring 22/9/2012 at an exercise price of \$0.0342 |
| | 474,373 | Options expiring 15/12/2012 at an exercise price of \$0.0654 |
| | 18 notes | Convertible notes maturing April 1 2012. Face value \$1,100,000 |
| 10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | The dividend policy of the company remains unchanged | |

Part 2 - Bonus issue or pro rata issue

| | |
|---|--|
| 11 Is security holder approval required? | |
| 12 Is the issue renounceable or non-renounceable? | |
| 13 Ratio in which the +securities will be offered | |
| 14 +Class of +securities to which the offer relates | |
| 15 +Record date to determine entitlements | |
| 16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |

Appendix 3B
New issue announcement

| | | |
|----|---|--|
| 17 | Policy for deciding entitlements in relation to fractions | |
| 18 | Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |
| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders | |
| 25 | If the issue is contingent on ⁺ security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |

- | | | |
|----|--|--|
| 30 | How do ⁺ security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |
| 32 | How do ⁺ security holders dispose of their entitlements (except by sale through a broker)? | |
| 33 | ⁺ Despatch date | |

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional ⁺securities

Entities that have ticked box 34(b)

Appendix 3B
New issue announcement

38 Number of securities for which
 +quotation is sought

| |
|--|
| |
|--|

39 Class of +securities for which
 quotation is sought

| |
|--|
| |
|--|

40 Do the +securities rank equally in all
 respects from the date of allotment
 with an existing +class of quoted
 +securities?

If the additional securities do not
 rank equally, please state:

- the date from which they do
- the extent to which they
 participate for the next dividend,
 (in the case of a trust,
 distribution) or interest payment
- the extent to which they do not
 rank equally, other than in
 relation to the next dividend,
 distribution or interest payment

| |
|--|
| |
|--|

41 Reason for request for quotation
 now

Example: In the case of restricted securities, end of
 restriction period

(if issued upon conversion of
 another security, clearly identify that
 other security)

| |
|--|
| |
|--|

| | Number | +Class |
|---|--------|--------|
| 42 Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38) | | |

Quotation agreement

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Alan Thomas

Sign here: Date: ..19/12/2011.....
(Company secretary)

Print name: ALAN E THOMAS

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