

CHAIRMAN'S LETTER

27 November 2007

Dear Shareholder

Fairstar Resources Limited ("**Fairstar**") has made an offer for all of your shares in Golden West Resources Limited ("**Golden West**" or the "**Company**") which is described in the Bidder's Statement prepared by Fairstar. This takeover bid was first announced to the Australian Securities Exchange ("**ASX**") on 4 September 2007. A replacement bidder's statement was lodged by Fairstar with the Australian Securities and Investments Commission ("**ASIC**") on 26 October 2007, with a further supplementary bidder's statement being lodged on 13 November 2007.

This Target's Statement is Golden West's formal response to the Bidder's Statement.

Your Independent Directors unanimously recommend that you REJECT the Offer from Fairstar.

In the opinion of your Independent Directors, the Fairstar Offer:

- undervalues your Company;
- will significantly dilute shareholders' interests in the Wiluna West Iron Ore Project;
- does not offer access to any other substantial assets or increased capability within the combined entity;
- does not bring any meaningful cost synergies; and
- will incur substantial costs that will deplete financial resources that could otherwise be applied to the development of your Project.

As there is no cash consideration included in the Offer, the value shareholders will receive for their Golden West Shares is uncertain and will depend on the future market performance of Fairstar Shares. There is no guarantee that individual Golden West Shareholders will be able to realise the implied value of the Offer through selling Fairstar Shares acquired through this Offer on the market as the shares are not heavily traded.

The Board of Golden West has received significant support from its shareholders in rejecting this Offer. Irrevocable notices undertaking to reject the Offer have been received from Shareholders representing 27.85% of the issued shares of Golden West, including two of the Company's major shareholders, Falak Holding LLC and the Francke group of shareholders.

As greater than 20% of Shareholders have indicated that they will not accept the Offer, it is likely that Fairstar will not achieve an 80% interest in Golden West, and hence any Shareholders who accept this Offer will not qualify for scrip for scrip capital gains tax relief. Shareholders who accept the Offer may therefore face significant tax consequences which they will have to meet personally, without receiving any cash proceeds under the Offer to assist in meeting this cost.

The Board of Golden West is committed to the rapid development of the Company's 100% owned Wiluna West Project in a manner that creates maximum value for Golden West Shareholders.

The announcement of Mr Geoff Wedlock as the new Chairman of Golden West marks a significant milestone for the Company. Mr Wedlock brings more than 35 years experience in minerals exploration and project development, including senior executive roles with BHP Billiton, Portman Mining and Grange Resources. The appointment of Mr Wedlock as Chairman, effective from 30 November 2007, will undoubtedly assist Golden West with its development ambitions.

Concurrently, the Company announced the appointment of Capital Investment Partners as lead manager to undertake a share placement to institutional and sophisticated professional shareholders. The introduction of such investors onto the register of Golden West will enhance liquidity and provide support for future capital raising requirements necessary to continue the development of the Project.



Together these two developments provide an outstanding platform for the Company from which it can drive development of the Wiluna West Project to the benefit of all Shareholders.

The reasons for the Independent Directors' recommendation are described in more detail in the section headed "Reasons for Independent Directors' Recommendation" on page 4 of this Target's Statement.

Golden West has appointed PricewaterhouseCoopers Securities Ltd ("**PricewaterhouseCoopers**") as the independent expert to review the terms of the Offer.

PricewaterhouseCoopers have concluded that the terms of the Offer are **neither FAIR nor REASONABLE**.

In reaching their conclusion that the Offer is **NOT FAIR** PricewaterhouseCoopers established a mid-point fair valuation for Golden West of \$2.92 per Golden West Share and concluded that the consideration offered by Fairstar does not include a full control premium for the acquisition of the shares in Golden West.

In reaching the conclusion that the Offer is **NOT REASONABLE** PricewaterhouseCoopers raised concerns with the tax consequences for individual Shareholders, the level of transaction costs and the dilution impact they will have on the interest of Golden West Shareholders in the Wiluna West Project. PricewaterhouseCoopers conclude that there are only limited prospects for a market re-rating of shareholders' interests as a consequence of the Offer but potential adverse implications of remaining a minority shareholder in Golden West if Fairstar acquires more than 50.1% of Golden West.

A copy of the Independent Expert's Report is annexed to this Target's Statement as Appendix B and your Directors urge you to consider this report carefully as you read this Target's Statement.

In considering the Fairstar Offer, you may choose one of the following three courses of action with respect to your Golden West Shares:

1. reject the Offer and retain your Golden West Shares;
2. sell some or all of your Golden West Shares to another person; or
3. accept Fairstar's Offer in full.

Shareholders should not take any action until they have considered the Bidder's Statement and this Target's Statement, including the Independent Expert's Report, in their entirety.

Shareholders should seek professional financial advice if they are in any way concerned about whether acceptance of the Offer is in their own best interests, taking into account their own individual circumstances.

The Directors will provide you with further information if there are any material developments relating to the Offer. In the meantime, I urge you to read this Target's Statement carefully.

Should you have any enquiries in relation to the Offer, please refer to Section 7 of this Target's Statement or telephone 1800 118 938 (toll free within Australia) or +61 8 9386 2651 for international callers or Australian callers on mobile phones, between 9.00am and 5.00pm (Perth time).

Yours sincerely



Dr John Daniels
Chairman