
LACHLAN STAR LIMITED

ABN 88 000 759 535

**NOTICE OF MEETING, EXPLANATORY MEMORANDUM AND
MANAGEMENT INFORMATION CIRCULAR IN RESPECT OF
THE ANNUAL GENERAL MEETING OF SHAREHOLDERS**

TIME OF MEETING: 11am (WST)
DATE OF MEETING: Wednesday 21 November 2012
PLACE OF MEETING: Lower Ground Floor
57 Havelock Street
West Perth WA 6005

This document is dated 5 October 2012.

This document should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9481 0051.

CONTENTS PAGE

Time and Place of Meeting and How to Vote	2-4
Notice of Annual General Meeting	5-7
Explanatory Memorandum and Management Information Circular	8-44
Glossary	45-46
Annexure "A"	47-54
Annexure "B"	55-56
Annexure "C"	57-58
Annexure "D"	59-60

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11am (WST) on Wednesday 21 November 2012 at Lower Ground Floor, 57 Havelock Street, West Perth WA 6005.

HOW TO VOTE

You may vote by attending the Annual General Meeting in person, by proxy, or (if you are a body corporate) by an authorised representative.

The directors of Lachlan Star Limited ("Lachlan" or the "Company") have set 22 October 2012 as the record date for determining the Shareholders of the Company entitled to receive the Notice of Meeting and 5pm (WST) on Monday 19 November 2012 as the record date for determining the Shareholders of the Company entitled to vote at the meeting.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

A Shareholder has the right to appoint a proxy (who need not be a Shareholder). A proxy can be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may, if it wishes to exercise its rights and powers as a proxy at the AGM, appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the AGM.

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint an individual to act as its representative at the AGM in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Share Registrar, Computershare Investor Services Pty Limited, before the AGM or at the registration desk on the day of the AGM. Certificates of appointment of corporate representatives are available at www.computershare.com.au or on request by contacting Computershare Investor Services Pty Limited on telephone number 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

If you are entitled to cast two or more votes at the meeting, you may appoint two proxies and you may specify the proportion or number of votes each proxy may exercise. Where two proxies are appointed, a separate form should be used for each. You are requested to show on the form a specified proportion of your voting rights which a proxy may exercise. If you appoint two proxies and the appointment does not specify the number or proportion of votes each proxy may exercise, each proxy may exercise half the votes.

To vote by proxy, please complete and sign the enclosed Proxy Form and return (together with the original of any power of attorney or other authority, if any, or a certified copy of that power of attorney or other authority under which the proxy form is signed) and return it in accordance with the following:

In respect of Shareholders registered on the Company's Australian share register

- (a) to Computershare Investor Services Pty Limited in accordance with the instructions on the Proxy Form;
- (b) by post to Lachlan Star Limited, PO Box 1523, West Perth, Western Australia, 6872;
- (c) by facsimile to the Company on facsimile number (+61 8) 9481 0052;
- (d) in person to the Company at Lower Ground Floor, 57 Havelock Street, West Perth, WA 6005; or
- (e) electronically at the Share Registry website www.investorvote.com.au,

by 11:00am (WST) Monday 19 November 2012. Proxy Forms received later than the time specified will be invalid.

For intermediary Online Subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions so that it is received not later than 11am (WST) on Monday 19 November 2012.

In respect of Shareholders registered on the Company's Canadian share register

- (a) by mail to Equity Financial Trust Company, attention Proxy Department, at 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1; or
- (b) by facsimile to +1 416 595 9593

not later than 48 hours before the Meeting. Proxy Forms received later than the time specified will be invalid.

Beneficial shareholders

If you are a beneficial shareholder of the Company and receive these materials through your broker or through another intermediary, please complete and return the voting information form ("VIF") or proxy in accordance with the instructions provided to you, by your broker, or by the other intermediary.

See the Management Information Circular attached hereto for additional details with respect to voting by proxy, including rights of revocation.

ENQUIRIES

Shareholders are asked to contact the Company Secretary, Mr Robert Anderson, on (+61 8) 9481 0051 if they have any queries in respect of the matters set out in these documents.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of Shareholders will be held at 11am (WST) on Wednesday 21 November 2012 at Lower Ground Floor, 57 Havelock Street, West Perth WA 6005.

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memorandum forms part of this Notice of Meeting and Management Information Circular.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 5pm (WST) on Monday 19 November 2012.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary.

AGENDA

ORDINARY BUSINESS – FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Annual Financial Report, the Directors' Report and the Audit Report of Lachlan Star Limited for the financial year ended 30 June 2012.

RESOLUTION 1 – RE-ELECTION OF MR PETER BABIN AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That Mr Peter Babin, a director of the Company who retires by rotation in accordance with rule 13.2 of the Company’s Constitution and who, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”

RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES AND OPTIONS

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior allotment and issue of 10,975,000 Shares and 329,250 Options exercisable at CDN\$1.60 per share on or before 3 April 2014 to sophisticated and institutional investors and to broking firms on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 3 – ISSUE OF UNLISTED OPTIONS

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the issue of 75,000 options to subscribe for fully paid ordinary shares in the Company exercisable at A\$1.50 per share on or before 21 November 2014 by way of remuneration to Roger Rosmus and Tsang Tin Man Mandy, or their nominees, subject to applicable securities laws, on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”

Voting Exclusion: In accordance with Listing Rule 7.3.8 the Company will disregard any votes cast on this Resolution by Roger Rosmus and Tsang Tin Man Mandy, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 4 – ISSUE OF UNLISTED OPTIONS

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the issue of:

- I. 100,000 options to subscribe for fully paid ordinary shares in the Company exercisable at A\$2.10 per share on or before 22 May 2015, vesting on the earlier of 22 May 2013 or an offer being made for all the shares of the Company; and*
- II. 100,000 options to subscribe for fully paid ordinary shares in the Company exercisable at A\$2.50 per share on or before 22 May 2015, vesting on the earlier of 22 May 2013 or an offer being made for all the shares of the Company*

by way of remuneration to Mr Ubiratan De Oliveira, or his nominee subject to applicable securities laws, on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”

Voting Exclusion: In accordance with Listing Rules 7.3.8 the Company will disregard any votes cast on this Resolution by Mr Ubiratan De Oliveira, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any associate of Mr De Oliveira. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 5 – APPROVAL OF 10% PLACEMENT FACILITY

To consider and, if thought fit, to pass the following resolution as a **special** resolution:

'That, in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve as a special resolution the issue of Equity Securities representing up to 10% of the issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.'

Voting Exclusion In accordance with Listing Rule 7.3A.7, the Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the issue of Equity Securities contemplated by the Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed. However, the Company will not disregard a vote if it is cast by the person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 6 – ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2012

To consider and, if thought fit, to pass the following resolution as a **non-binding** resolution:

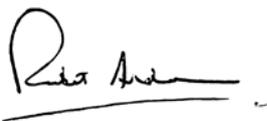
"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report required by section 300A of the Corporations Act, as contained in the Directors' Report of the Company for the year ended 30 June 2012, be adopted."

Note: Section 250R(3) of the Corporations Act provides that the vote on this Resolution is advisory only and does not bind the Directors.

Voting Exclusion: In accordance with section 250(4) of the Corporations Act, members of the key management personnel whose remuneration details are included in the report (and their related parties) are not permitted to vote on the resolution unless:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (b) the voter is the chair of the meeting and the appointment of the chair as proxy (i) does not specify the way the proxy is to vote on the resolution, and (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the company.

Dated: 5 October 2012, by order of the Board



Mr Robert Anderson
Company Secretary

EXPLANATORY MEMORANDUM AND MANAGEMENT INFORMATION CIRCULAR

This Explanatory Memorandum and Management Information Circular has been prepared for the information of the Shareholders and the solicitation of proxies in connection with the business to be conducted at the Annual General Meeting (“**AGM**”) to be held at 11am (WST) on Wednesday, 21 November 2012 at Lower Ground Floor, 57 Havelock Street, West Perth WA 6005.

The Company is a “reporting issuer” in Canada. Accordingly, pursuant to the requirements of National Instrument 51-102 - *Continuous Disclosure Obligations* (“**NI 51-102**”) of the Canadian Securities Administrators, the following disclosure is required to be included with this Explanatory Memorandum.

Unless otherwise stated, the information contained in this management information circular is as of 5 October, 2012. All dollar amount references, unless otherwise indicated, are expressed in Australian dollars.

Purpose of Solicitation

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of the Company for use at the Meeting. The Meeting will be held at Lower Ground Floor, 57 Havelock Street, West Perth, Western Australia at 11am (Perth time), for the purposes set forth in the Notice accompanying this Explanatory Memorandum and Management Information Circular.

It is expected that solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by directors, officers and employees of the Company who will not be additionally compensated therefor. All costs of this solicitation will be borne by the Company.

Appointment of Proxies by Registered Shareholders

Enclosed herewith is a form of proxy for use at the Meeting. **A Shareholder has the right to appoint up to two persons (who need not be Shareholders) to attend and act for the Shareholder and on the Shareholder’s behalf at the Meeting other than the person designated in the form of proxy and may exercise such right by inserting the full name of the desired person(s) in the blank space provide in the form of proxy.**

The proxy to be acted upon must be delivered:

In respect of Shareholders registered on the Company’s Australian share register

- (a) to Computershare Investor Services Pty Limited in accordance with the instructions on the Proxy Form;
- (b) by post to Lachlan Star Limited, PO Box 1523, West Perth, Western Australia, 6872;
- (c) by facsimile to the Company on facsimile number (+61 8) 9481 0052;
- (d) in person to the Company at Lower Ground Floor, 57 Havelock Street, West Perth, WA 6005; or
- (e) electronically at the Share Registry website, www.investorvote.com.au

by 11:00am (WST) Monday 19 November 2012. Proxy Forms received later than the time specified will be invalid.

For intermediary Online Subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions so that it is received not later than 11am (WST) on Monday 19 November 2012.

In respect of Shareholders registered on the Company's Canadian share register

- (a) by mail to Equity Financial Trust Company, attention Proxy Department, at 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1; or
- (b) by facsimile to +1 416 595 9593

not later than 48 hours before the Meeting. Proxy Forms received later than the time specified will be invalid.

Revocation of Proxies

A Shareholder executing and delivering a proxy has the power to revoke it in accordance with the provisions of the Corporations Act, which provides that every proxy may be revoked by an instrument in writing executed by the Shareholder or by his or her attorney authorised in writing and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

Voting of Proxies

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy will be voted for each of the matters to be voted on by Shareholders as described in this Management Information Circular or withheld from voting or voted against if so indicated on the form of proxy and in accordance with the instructions of the Shareholder on any ballot that may be called for. In the absence of such election, the form of proxy accompanying this Explanatory Memorandum and Management Information Circular confers discretionary authority upon the proxy for each matter for which no choice has been specified and with respect to any amendments or variations to the matters identified in the Notice of Meeting and any other matters that may properly come before the Meeting. At the time of printing this Explanatory Memorandum and Management Information Circular, management knows of no such amendment, variation or other matter to come before the Meeting. However, if any other matters that are not known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

It is intended that the person designated by management in the form of proxy (this being the Chairman of the Meeting) will vote the securities represented by the proxy in favour of each matter identified in the proxy form and for the election of the proposed director to the Board of Directors of the Company.

Section 250R(4) of the Corporations Act prohibits any votes on this resolution being cast by senior executives (or their associates) whose remuneration details are disclosed in the Remuneration Report. However, an exception to this prohibition exists to enable the Chairman to vote shareholders' undirected proxy votes. In this regard, you should specifically note that if you appoint the Chairman as your proxy and you indicate on the form of proxy that you do not wish to specify how the Chairman should vote on resolution 6, you will be deemed to have expressly directed the Chairman to cast your

votes in favour of resolution 6. If you wish to appoint the Chairman as your proxy but do NOT want your votes to be cast in favour of resolution 6, you must indicate your voting intention by marking either 'against' or 'abstain' against resolution 6 in the Proxy Form.

Advice for Beneficial Holders

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the meeting. However, in many cases, Shares beneficially owned by a holder who is not a registered Shareholder, are registered either (i) in the name of an intermediary (which is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates) or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which an intermediary is a participant). **A non-registered Shareholder cannot be recognized at the Meeting for the purpose of voting his Shares unless such holder is appointed by the applicable intermediary as a proxyholder.**

The Company has distributed copies of the Meeting materials to intermediaries and clearing agencies for distribution to non-registered Shareholders. Intermediaries are required to deliver these materials to all non-registered Shareholders of the Company who have not waived their rights to receive these materials, and to seek instructions as to how to vote the shares. Often, intermediaries will use a service company (such as Broadridge Financial Solutions Inc.) to forward these meeting materials to non-registered Shareholders.

In substitution for the proxy, non-registered Shareholders who received meeting materials will be given a voting instruction form (a “VIF”) which must be completed and signed by the non-registered Shareholder in accordance with the instructions noted on it. In this case, the mechanisms described above for registered Shareholders cannot be used and the instructions on the VIF **must** be followed (which in some cases may allow completion of the VIF by telephone or the Internet). The VIF is provided instead of a proxy. By returning the VIF in accordance with its instructions, a non-registered owner is able to instruct the registered Shareholder how to vote on behalf of the non-registered owner.

The purpose of these procedures is to allow non-registered Shareholders to direct the voting of the shares that they own but that are not registered in their name. Should a non-registered Shareholder wish to attend and vote at the Meeting in person (or have another person attend and vote on his behalf), the non-registered Shareholder should carefully follow the instructions provided on the VIF.

Proxies returned by intermediaries as “non-votes” because the intermediary has not received instructions from the non-registered Shareholder with respect to the voting of certain shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those Shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having those Shares voted in respect of any such matter.

Voting Shares and Record Date

The authorized capital of the Company consists of an unlimited number of shares of which as of 5 October 2012, a total of 86,380,017 Shares were issued and outstanding as fully paid (“**Ordinary Shares**”). The Ordinary Shares are the only shares of the Company entitled to be voted at the Meeting and subject to certain exclusions of votes described above, each Ordinary Share is entitled to one vote at the Meeting.

The directors of the Company have set 22 October 2012 as the record date for determining the Shareholders of the Company entitled to receive the Notice of Meeting and 5pm (Perth time) on Monday, 19 November 2012 as the record date for determining the Shareholders of the Company entitled to vote at the Meeting.

A simple majority of votes cast are required to approve all matters to be submitted to a vote of Shareholders at the Meeting.

Principal Holders of Shares

As at the date hereof, to the knowledge of the directors and executive officers of the Company, no person beneficially owns, directly or indirectly, or exercises control or direction over, Ordinary Shares carrying more than 10% of the voting rights attaching to all issued and outstanding Ordinary Shares of the Company, except as follows:

Name	Designation of Class	Number	Percentage
Sentry Investments Inc., Sentry Capital Corp, Sean Driscoll	Ordinary Shares	10,474,000	13.26%
James W. Stuckert	Ordinary Shares	8,820,850	10.21%

EXPLANATORY MEMORANDUM (PARTICULAR OF MATTERS TO BE ACTED UPON)

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

The Corporations Act requires the Annual Financial Report, the Directors' Report, and the Auditor's Report ("**Annual Report**") to be received and considered at the AGM. The Corporations Act does not require Shareholders to vote on the Annual Report. However, Shareholders attending the AGM will be given a reasonable opportunity to ask questions about, or make comments on, the financial statements and reports contained within the Annual Report.

The Company's auditor, PricewaterhouseCoopers, will be present at the AGM and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

2. RESOLUTION 1 – RE-ELECTION OF MR PETER BABIN AS A DIRECTOR

Rule 13.2 of the Company's Constitution provides that at each annual general meeting of the Company, one-third of the Directors other than the Managing Director is required to retire by rotation but is eligible to be re-elected.

Mr. Babin is the Director to retire by rotation and, being eligible, offers himself for re-election as a Director. Mr. Babin was appointed a director on 24 December 2010 and is a member of the Audit Committee. Mr Babin is an attorney admitted to practice in several of the United States, with more than 25 years' experience in the acquisition, disposition, financing and operations of precious metals mining projects and other natural resources projects. He was most recently (from January 2009 to December 2010) the Managing Director of DMC Newco Ltd, an unlisted Australian entity whose wholly-owned subsidiary, Compañía Minera Dayton (a Chilean mining company), was acquired by Lachlan Star on 24 December 2010. Mr Babin is also currently the chief executive officer of CaIX Minerals LLC, a Colorado entity that produces chemical-grade pulverised limestone, for use as an explosives suppressant in underground coal mines.

Mr Babin has not been a director of any other listed company since April 2003, when he resigned from the board of directors of Royal Gold Inc. Mr Babin was appointed a member of the Audit Committee on 11 January 2011.

Director Information

The following table sets out the name of the nominee for election as a Director of the Company and each other person whose term of office as a Director will continue after the Meeting, the province or state and the country in which each is resident, all positions with the Company now held by each of them, their present principal occupation, business or employment in the five preceding years, the period of time for which each has served as a Director of the Company, and the number of Shares of the Company or its subsidiaries beneficially owned or controlled or directed, directly or indirectly, by such person as at the date hereof.

Name and Residence	Position with the Company	Principal Occupation During Past Five Years	Director Since	Ordinary Shares beneficially owned directly or indirectly
Michael J. McMullen ⁽¹⁾ Western Australia, Australia	Executive Chairman	Geologist and consultant through his private family trust, Wildeville Pty Ltd as Trustee for the McMullen Family Trust (2005 to present). Non-executive Chairman of Nevada Iron Ltd (February 2012 to present). Formerly Managing Director and CEO of Northern Iron Limited (May 2007 to November 2010) and; director of Luri Gold Limited (September 2009 to November 2010).	September 26, 2007	2,490,212

Name and Residence	Position with the Company	Principal Occupation During Past Five Years	Director Since	Ordinary Shares beneficially owned directly or indirectly
Declan T. Franzmann Queensland, Australia	Managing Director	Mining engineer through his private consulting company, Citraen Pty Ltd. (2005 to present). Formerly Executive Director of Lachlan (September 26, 2007 to August 31, 2008); non-executive director of Lachlan (September 1, 2008 – November 30, 2010); director of Every Day Mine Services Limited (March 2007 to November 2010) and; director of Luiiri Gold Limited (August 2009 to November 2010).	September 26, 2007	1,217,320
Peter B. Babin ^{(1)*} Colorado, USA	Non-Executive Director	Attorney. Chief Executive Officer of CalX Minerals, LLC (February 2011 to present); Manager, Satuit LLC (January 2004 to present). Formerly Director of DMC Newco Ltd (January 2009 to December 24, 2010, including Managing Director from August 2009 to May 2010), an unlisted Australian entity that was acquired by the Company on December 24, 2010.	December 24, 2010	3,322,384
Scott G. Perry ⁽¹⁾ Ontario, Canada	Non-Executive Director	Executive Vice-President and Chief Financial Officer at AuRico Gold Inc (February 2008 to present). Formerly Chief Financial Officer and director of Highland Gold Mining Limited (December 2006 to January 2008).	September 9, 2011	Nil

Note:

(1) Member of the Audit Committee.

* Denotes candidate eligible for re-election as a director.

In accordance with the Company's Constitution, the directors of the Company shall be elected and shall retire in rotation, with one third of the directors (excluding the Managing Director and rounded down to the nearest whole number) subject to election at each annual general meeting of Shareholders held to elect directors. Also, any director appointed as a casual vacancy is required to retire at the next annual general meeting.

No proposed director of the Company is, as at the date hereof or has been within the ten years prior to the date hereof, a director, chief executive officer or chief financial officer of any company (including Lachlan Star Limited) that was the subject of a cease trade or an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, issued: (1) while that person was acting as director, chief executive officer or chief financial officer; or (2) after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in that capacity.

Other than as described below, no proposed director (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including Lachlan Star Limited) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director.

No proposed director has (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Directors' recommendation

The Directors, other than Mr Babin, unanimously recommend that Shareholders vote in favour of this resolution.

3. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES AND OPTIONS

3.1 Introduction

The Company issued 10,975,000 Shares to a number of institutional and sophisticated investors and 329,250 Options to broking firms as part of their capital raising fee on 4 May 2012 ("**May Issues**").

Resolution 2 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Shares and Options the subject of the May Issues.

Listing Rule 7.1 provides that, subject to specified exceptions, a company must not issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where Shareholders subsequently approve a previous issue of securities made without approval under Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

If Resolution 2 is passed, the Company will not have to count the Shares and Options the subject of the May Issues in the 15% limit of securities that can be issued without Shareholder approval in Listing Rule 7.1 and, accordingly, the Company's capacity to issue securities within that limit will be refreshed to the extent of the Shares and Options the subject of the May Issues. The Directors consider it prudent to maintain future funding flexibility as part of the Company's

capital management strategy. This can be done by seeking Shareholder ratification of the Shares and Options the subject of the May Issues.

3.2 Information required by Listing Rule 7.5

For the purpose of Listing Rule 7.5, the following information is provided in relation to the May Issues:

- (a) 10,975,000 Shares were allotted and issued on 4 May 2012;
- (b) 329,250 Options were issued on 4 May 2012;
- (c) the issue price per share was CDN\$1.60 per Share and the Options were issued for no consideration;
- (d) the Company raised CDN\$17,560,000 before costs from the issue of the Shares and if all of the Options are exercised, the Company will receive CDN\$526,800;
- (e) the Shares issued were fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares;
- (f) the Shares to be issued on exercise of the Options will be fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares;
- (g) the Shares and Options were issued to a number of institutional and sophisticated investors, and to broking firms as part of the May 2012 capital raising fee, none of whom were related parties of the Company;
- (h) the Options were issued on the terms and conditions set out in Annexure "A" to this Explanatory Memorandum; and
- (i) the intended use of the funds raised from the May Issues is primarily for mining operations and general working capital at the Company's CMD Gold Mine in Chile.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

4. RESOLUTION 3 – ISSUE OF UNLISTED OPTIONS

- 4.1 Shareholders are being asked to approve the issue of up to 75,000 Unlisted Options exercisable at A\$1.50 per share, expiring 21 November 2014 on the following terms to two consultants (or their nominees) to the Company at no cost and as part of their remuneration arrangements. The options vest immediately and expire 30 days after the allottee ceases to be a consultant to the Company.
- 4.2 The individuals are not related parties of the Company.
- 4.3 Resolution 3 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of these Unlisted Options. ASX Listing Rule 7.1 provides that a company must

not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period. By approving this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

4.4 Shareholder approval of all security based compensation arrangements, including the issue of the above options, is required pursuant to the TSX Company Manual, subject to limited exceptions that are not applicable in this case.

4.5 Information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the approval of the options issue:

- a) 75,000 Unlisted Options are proposed to be issued on the terms set out in paragraph 4.1;
- b) the securities will be issued no later than 3 months after the date of the AGM and it is intended that allotment will occur on the same date;
- c) the Company will not be raising any funds from the issue of the Unlisted Options but if all the Unlisted Options are exercised the Company will receive A\$112,500 in cash;
- d) Shares issued on exercise of the Unlisted Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- e) the Unlisted Options will be issued to two consultants to the Company, being Roger Rosmus and Tsang Tin Man Mandy or their nominees. Roger Rosmus and Tsang Tin Man Mandy provide advisory services on a monthly fee basis to the Company;
- f) the securities will be issued for no cash consideration and will be issued on the terms and conditions set out in Annexure "B" to this Explanatory Memorandum; and
- g) the funds raised from the exercise of the Unlisted Options will be used for working capital and to fund the Company's financial requirements at that time (which are presently unknown).

4.6 Additional information required by the TSX Company Manual is as follows:

- the 75,000 options proposed to be issued represent 0.09% of the 86,380,017 Shares outstanding as of 5 October, 2012. The Company presently has an aggregate of 1,833,340 options issued to employees, directors, insiders and service providers (defined as persons or companies engaged to provide services for an initial, renewable or extended period of twelve months or more) currently outstanding, which represents 2.12% of the 86,380,017 Shares outstanding as of 5 October, 2012 (assuming the approval of the

options proposed to be issued pursuant to this resolution and pursuant to resolution 4);

- none of the 75,000 options is proposed to be issued to an insider of the Company;
- the maximum number of securities any one person or company is entitled to receive of the 75,000 options proposed to be issued is 37,500 options, representing 0.04% of the 86,380,017 Shares outstanding as of 5 October, 2012;
- there is no formula by which the exercise price of the options was determined. However, it is the Board of Directors' practice to set an exercise price for options at a premium to the then trading price of the Company's Shares on the ASX. The closing price of the Shares on the ASX on 29 February 2012, which was the day before the Board of Directors approved the grant of the above options, was A\$1.355 and the above exercise price therefore represents a premium of 14.5% over such closing price. The closing price of Shares on ASX on 4 October 2012 was A\$1.50;
- the terms and conditions of the options, which are set out in set out in Annexure "B" to this Explanatory Memorandum, include that the options are not assignable and may not be amended except as expressly set out in the terms and conditions;
- the Company has no policy in place with respect to providing financial assistance to option holders to facilitate the exercise of options.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

5. RESOLUTION 4 – ISSUE OF UNLISTED OPTIONS

5.1 Shareholders are being asked to approve the issue of up to:

- I. 100,000 options to subscribe for fully paid ordinary shares in the Company exercisable at A\$2.10 per share on or before 22 May 2015, vesting on the earlier of 22 May 2013 or an offer being made for all the shares of the Company; and
- II. 100,000 options to subscribe for fully paid ordinary shares in the Company exercisable at A\$2.50 per share on or before 22 May 2015, vesting on the earlier of 22 May 2013 or an offer being made for all the shares of the Company,

on the following terms to an employee of the Company at no cost and as part of his remuneration arrangements. The options expire 30 days after the allottee ceases to be an employee of the Company.

5.2 The employee is not a related party of the Company.

5.3 Resolution 4 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of these Unlisted Options. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period. By approving this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

5.4 Shareholder approval of all security based compensation arrangements, including the issue of the above options, is required pursuant to the TSX Company Manual, subject to limited exceptions that are not applicable in this case.

5.5 Information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the approval of the options issue:

- 200,000 Unlisted Options are proposed to be issued on the terms set out in paragraph 5.1;
- the securities will be issued no later than 3 months after the date of the AGM and it is intended that allotment will occur on the same date;
- the Company will not be raising any funds from the issue of the Unlisted Options but if all the Unlisted Options are exercised the Company will receive A\$460,000 in cash;
- Shares issued on exercise of the Unlisted Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- the Unlisted Options will be issued to the Company's Chief Operating Officer, being Mr Ubiratan De Oliveira or his nominee;
- the securities will be issued for no cash consideration and will be issued on the terms and conditions set out in Annexures "C" and "D" to this Explanatory Memorandum; and
- the funds raised from the exercise of the Unlisted Options will be used for working capital and to fund the Company's financial requirements at that time (which are presently unknown).

5.6 Additional information required by the TSX Company Manual is as follows:

- the 200,000 options proposed to be issued represent 0.23% of the 86,380,017 Shares outstanding as of 5 October 2012. The Company presently has an aggregate of 1,833,340 options issued to employees, directors, insiders and service providers (defined as persons or companies engaged to provide services for an initial, renewable or extended period of twelve months or more) currently outstanding, which represents 2.12% of the 86,380,017 Shares outstanding as of 5 October, 2012 (assuming the

approval of the options proposed to be issued pursuant to this resolution and pursuant to resolution 3);

- the 200,000 options are proposed to be issued to an insider of the Company, being the Chief Operating Officer;
- the maximum number of securities any one person or company is entitled to receive of the 200,000 options proposed to be issued is 200,000 options, representing 0.23% of the 86,380,017 Shares outstanding as of 5 October, 2012;
- there is no formula by which the exercise price of the options was determined. However, it is the Board of Directors' practice to set an exercise price for options at a premium to the then trading price of the Company's Shares on the ASX. The closing price of the Shares on the ASX on 27 April 2012, which was the day before the Board of Directors approved the grant of the above options, was A\$1.52. The A\$2.10 and A\$2.50 exercise prices therefore represent a premium of 38% and 64% respectively over such closing price. The closing price of Shares on ASX on 4 October, 2012 was A\$1.50;
- the terms and conditions of the options, which are set out in set out in Annexures "C" and "D" to this Explanatory Memorandum, include that the options are not assignable and may not be amended except as expressly set out in the terms and conditions;
- the Company has no policy in place with respect to providing financial assistance to option holders to facilitate the exercise of options.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

6. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT FACILITY

6.1 General

Listing Rule 7.1A enables 'eligible entities' to seek shareholders' approval at an AGM to issue Equity Securities (that is to say, ordinary shares or securities, such as options, convertible into ordinary shares) representing up to 10% of its issued share capital over a 12 month period after the AGM ("**10% Placement Facility**"). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An 'eligible entity' for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. As at the date of this Explanatory Memorandum and Management Information Circular the Company is an eligible entity.

The Company is seeking Shareholder approval to issue Equity Securities under the 10% Placement Facility over the 12 month period following the 2012 AGM.

The maximum number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 6.2(c) below).

The Directors of the Company believe that Resolution 5 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

6.2 Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at the AGM.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as the Company's existing quoted class of equity securities.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities that have obtained shareholder approval at an AGM may issue or agree to issue, during the 12 month period following the AGM, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of Ordinary Securities on issue 12 months before the date of issue or agreement to issue:

- a. plus the number of fully paid Ordinary Securities issued in the 12 months under an exception in Listing Rule 7.2;
- b. plus the number of partly paid Ordinary Securities that became fully paid in the 12 months;
- c. plus the number of fully paid Ordinary Securities issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid Ordinary Securities under the entity's 15% placement capacity without shareholder approval; and
- d. less the number of fully paid Ordinary Securities cancelled in the 12 months.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 86,380,017 fully paid Ordinary Securities and has a capacity to issue:

- (i) 12,975,002 Equity Securities under Listing Rule 7.1, once Resolution 2 has been passed; and
- (ii) subject to the passing of Resolutions 2 and 5, 8,638,002 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 6.2(c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which days trades in those securities were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are actually issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM until the earlier of:

- (i) the first anniversary of the AGM; or
- (ii) the date of approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period as may be allowed by ASX ("**10% Placement Period**").

6.3 Effect of passing Resolution 5

The effect of Shareholders passing Resolution 5 will be to allow the Directors to issue Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote at the AGM.

6.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the following information is provided in relation to the 10% Placement Facility:

- (a) If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the AGM; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Equity Securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Explanatory Memorandum. The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of Equity Securities the Company has on issue. The number of Equity Securities on issue may increase as a result of issues of Equity Securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover bid), or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of the Equity Securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.75 50% decrease in Issue Price	\$1.50 Issue Price	\$2.25 50% increase in Issue Price
Current Variable A 86,380,017	10% voting dilution	8,638,002	8,638,002	8,638,002
	Funds raised	\$6,478,501	\$12,957,003	\$19,435,504
50% increase in current Variable A 129,570,026	10% voting dilution	12,957,003	12,957,003	12,957,003
	Funds raised	\$9,717,752	\$19,435,504	\$29,153,256
100% increase in current Variable A 172,760,034	10% voting dilution	17,276,003	17,276,003	17,276,003
	Funds raised	\$12,957,003	\$25,914,005	\$38,871,008

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (ii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (iii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the AGM.
 - (iv) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (v) The issue price is \$1.50, being the closing price of Shares on ASX on 4 October, 2012.
- (b) The Company will only issue the Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or Listing Rule 11.2 (disposal of the Company's main undertaking).
- (c) The Company may issue Equity Securities under the 10% Placement Facility for the following purposes:
- (i) as non-cash consideration for transactions deemed by the Board to be in the best interests of the Company. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) to raise additional funds. In such circumstances, the Company may use the funds raised towards potential transactions

deemed by the Board to be in the best interests of the Company, continued exploration and development expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon any issue of Equity Securities.

The Company's allocation policy will depend on prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to various factors, including but not limited to the following:

- (i) the methods of raising funds that are then available to the Company;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from professional and corporate advisers.

Allottees under the 10% Placement Facility have not been determined as at the date of this Explanatory Memorandum, but may include existing Shareholders and/or new Shareholders who are not related parties of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, allottees under the 10% Placement Facility may include the vendors of those assets.

- (d) The Company has not previously sought or obtained Shareholder approval under Listing Rule 7.1A.
- (e) A voting exclusion statement is included in the Notice of Meeting. At the date of this Explanatory Memorandum the Company has not approached any existing Shareholder or an identifiable class of existing Shareholders to participate in any issue of Equity Securities under the 10% Placement Facility. No existing Shareholder's votes will therefore be excluded under the voting exclusion statement.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

7. **RESOLUTION 6 – ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2012**

The Directors' Report for the year ended 30 June 2012 contains a Remuneration Report, which sets out the policy for remuneration of directors and executives. In accordance with section 250R of the Corporations Act, the Company submits its Remuneration Report for the year ended 30 June 2012 to Shareholders for consideration and adoption by way of a non-binding resolution.

The vote on this resolution is advisory only and does not bind the directors or the Company, nor does it affect the remuneration paid or payable to the Company's directors or the executives. However, the Board will take the outcome of the resolution into account when considering future remuneration policy.

Section 250R(4) of the Corporations Act prohibits any votes on this resolution being cast by senior executives (or their associates) whose remuneration details are disclosed in the Remuneration Report. However, an exception to this prohibition exists to enable the Chairman to vote shareholders' undirected proxy votes. In this regard, you should specifically note that if you appoint the Chairman as your proxy and you indicate on the Proxy Form that you do not wish to specify how the Chairman should vote on resolution 6, you will be deemed to have expressly directed the Chairman to cast your votes **in favour of resolution 6**. **If you wish to appoint the Chairman as your proxy but do NOT want your votes to be cast in favour of resolution 6, you must indicate your voting intention by marking either 'against' or 'abstain' against resolution 6 in the Proxy Form.**

At the AGM there will be a reasonable opportunity for discussion of the report.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution. The Directors acknowledge however that they have a personal interest in some aspects of the Remuneration Report.

ENQUIRIES

Shareholders are asked to contact the Company Secretary, Mr Robert Anderson, on (+61 8) 9481 0051 if they have any queries in respect of the matters set out in these documents.

MANAGEMENT INFORMATION CIRCULAR

STATEMENT OF CORPORATE GOVERNANCE

Corporate Governance

The Company's board consists of four members. Messrs. Babin and Perry are considered to be "independent" directors for the purposes of National Instrument 58-101 "Disclosure of Corporate Governance Practices" ("NI 58-101"). As such, half of the Company's directors are independent. Mr. Franzmann is not considered to be independent on the basis that he is the Managing Director of the Company (which is equivalent to the Chief Executive Officer). Mr. McMullen is not considered independent on the basis that he is the Executive Chairman of the Company.

The Board of Directors facilitates its exercise of independent judgement in carrying out its responsibilities by the independent directors acting in their capacity as independent director. In addition, the Board of Directors will hold in camera meetings for the independent directors as needed and in accordance with applicable laws, all directors will declare conflicts and abstain from voting where a conflict exists. It is the intention to appoint an additional independent, non-executive financially literate director by December 2012.

Certain directors of the Company are directors of other reporting issuers (or the equivalent) in Canada or foreign jurisdictions, as set out below:

Michael McMullen	Nevada Iron Ltd. (ASX)
Scott Perry	Aurico Gold Inc. (TSX, NYSE)

The Company's independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. In order to facilitate open and candid discussion among its independent directors, as circumstances dictate, the non-independent directors and any representatives of management in attendance at meeting of the Board of Directors are excused while the independent directors hold in camera sessions.

Mr. Michael McMullen serves as Executive Chairman of the Board of Directors and is a non-independent director. Mr. McMullen's duties as chairman include settling the agenda for, and leading, meetings of the directors. The chairman is also responsible, in consultation with the Board of Directors, for interpreting and monitoring the Company's compliance with its continuous disclosure obligations under applicable stock exchange rules and securities legislation. Messrs. Babin and Perry, the independent directors, have adequate experience and knowledge to provide their own leadership as independent directors.

During the most recently completed financial year there have been nine formal Board meetings. Attendance by each director is noted in the table below.

	(a)	(b)
SG Perry (appointed September 9, 2011)	7	7
PB Babin	9	9
MJ McMullen	9	9
DT Franzmann	9	9
TE Duckworth (resigned September 9, 2011)	2	2

(a) Number of meetings attended

(b) Number of meetings held during period of office

Mandate of the Board of Directors

The Board of Directors does not have a written mandate. Under applicable corporate law, the Board of Directors is responsible for setting the strategic direction and establishing the policies of the Company. Otherwise the Board of Directors delineates its own role and responsibilities. The Board of Directors is responsible for overseeing the Company's financial position, and for monitoring its business and affairs on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. The Board of Directors also addresses issues relating to internal controls and risk management. In addition to these duties, the Board of Directors monitors and receives advice on areas of operational and financial risk and control framework, and considers strategies for appropriate risk management arrangements. The Board of Directors holds regular meetings to discuss operational matters, and holds strategy meetings and other special purpose meetings at such other times as may be necessary to address any specific significant matters that may arise.

Position Descriptions

The Board of Directors has not developed a written position description for the Executive Chairman of the Board of Directors, however his general responsibilities are included in his consultancy agreement with the Company.

The mandate of the Audit Committee provides that the chairman of the Audit Committee shall be determined by the Board of Directors and shall not be the Chairman of the Board of Directors. The mandate of the Audit Committee also provides that its chairman thereof shall report the results of the Audit Committee's deliberations and recommendations directly to the Board of Directors.

The Board of Directors and the Managing Director (the functional equivalent to the Chief Executive Officer) have not developed a written position description for the Managing Director, however general his responsibilities are included in his consultancy agreement with the Company. The delineation of the role and responsibility of the Managing Director is determined by discussions among the Managing Director and the other members of the Board of Directors from time to time.

Orientation and Continuing Education

New directors do not participate in a formal orientation regarding the role of the Board, its committees and its directors, and the nature and operations of the business of the Company, however they do receive a letter of appointment that sets out remuneration and expenses, insurance and indemnity arrangements, time commitment

envisaged, the requirements to disclose the director's interests and any matters that affect the director's independence, the powers and duties of directors, the Company's policy in trading in securities, access to independent professional advice, and confidentiality and rights of access to corporate information. Orientation and education activities are also undertaken on an *ad hoc* basis for existing board members including meeting with the Company's management, external legal counsel and auditors, and other external consultants as is appropriate or desirable from time to time by the directors. The Company is of the view that these orientation and education activities are appropriate given the nature and scope of the Company's business activities. Each director also has the right to seek independent professional advice at the Company's expense provided that prior approval of the Chairman is obtained, which will not be unreasonably withheld.

Ethical Business Conduct

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all directors and employees. The Company's executive directors are involved in all aspects of its business. The directors are familiar with listing rules, legal requirements and general requirements for ethical behaviour and integrity in decision making, including trading in the Company's securities. The Company has adopted a written code of business conduct for its directors, officers and employees. This code may be obtained from the Company upon request. The Board of Directors monitors compliance with the code of business conduct by requiring employees and consultants to report breaches of the Code and then dealing appropriately with reported breaches. In accordance with the provisions of the code of business conduct and applicable corporate law, the directors ensure that any director or executive officer who has a material interest in proposed transactions or agreements involving the Company disclose such interest prior to consideration of the relevant matter by the directors and abstain from voting on approval of such transactions as appropriate.

Nomination of Directors

The Board of Directors believes that the Company is currently not of sufficient size to justify the establishment of a nomination committee.

The Board of Directors reviews its composition on an annual basis to ensure that the Board of Directors has the appropriate mix of expertise and experience. When a vacancy exists or where it is determined that the Board of Directors would benefit from the services of a new director with particular skills, the Board of Directors will identify candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board of Directors will then appoint or present for election the most suitable candidate.

Compensation

The Board considers that the Company is not currently of a size to justify the formation of a Remuneration Committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company, including evaluating the performance of the Company's management. If the Company's activities increase in size, scope and/or nature the appointment of a Remuneration Committee will be reviewed by the Board and implemented if appropriate.

Committees of the Directors

The Board of Directors has no standing committees other than the Audit Committee.

Assessments

The Board of Directors meets annually to review its own performance. Evaluations are based on criteria including whether strategic and operational objectives are being met. The Board of Directors have not established formal assessments of the effectiveness and contribution of individual directors or the Audit Committee. However, assessments may be undertaken on an informal basis. The directors may, in the future, adopt a process of formal written assessments as to their individual effectiveness.

STATEMENT OF EXECUTIVE COMPENSATION

Named Executive Officers

The Company's compensation practices are designed to attract, motivate and retain highly qualified employees and executives to manage the business of the Company by rewarding individual and corporate performance and aligning the interests of the Named Executive Officers (as defined in Form 51-102F6 — *Statement of Executive Compensation*) (the "**Named Executive Officers**" or "**NEOs**") with the Shareholders.

As at June 30, 2012, the Company had the following five NEOs:

- Michael McMullen (Executive Chairman);
- Declan Franzmann (Managing Director);
- Robert Anderson (Chief Financial Officer / Company Secretary);
- Ubiratan De Oliveira (Chief Operating Officer);
- Gaston di Parodi (General Manager CMD Gold Mine)

Summary Compensation Table - NEOs

The Company become a reporting issuer in Canada on October 19, 2011. Summary compensation for NEOs at June 30, 2012 for the years ending June 30, 2012 and June 30, 2011 is presented below:

Name and principal position	Year	Salary (A\$)	Option based awards(A\$)	Non-equity incentive plan compensation: annual incentive plans (A\$) ⁽³⁾	All other compensation (\$A) ⁽⁶⁾	Total compensation (A\$)
Declan Franzmann (Managing Director) ⁽¹⁾⁽⁵⁾	2012	420,000	296	90,000	-	510,296
	2011	295,500	-	-	-	295,500
Robert Anderson (Chief Financial Officer / Company Secretary) ⁽¹⁾	2012	220,000	222	35,000	-	255,222
	2011	170,000	-	-	-	170,000
Michael McMullen (Executive Chairman) ⁽¹⁾⁽⁵⁾	2012	360,000	222	100,000	-	460,222
	2011	272,500	-	-	-	272,500
Ubiratan De Oliveira (Chief Operating Officer) ⁽²⁾	2012 ⁽⁷⁾	34,247	-	-	-	34,247
Gaston di Parodi (General Manager CMD Gold Mine) ⁽⁸⁾	2012	227,232	-	24,168	415	251,815
	2011	132,986	7,427	-	960	141,373

Notes:

- 1) The executive management services that Mr. McMullen, Mr. Anderson, and Mr. Franzmann provide to the Company are all provided through Wildeville Enterprises Pty Ltd. ("**Wildeville**"), Hyndford Holdings Pty Ltd. ("**Hyndford**"), and Citraen Pty Ltd ("**Citraen**"), respectively. See "*Statement of Executive Compensation — External Management Companies*" below. The Company did not pay any compensation directly to Mr. McMullen, Mr. Anderson, or Mr. Franzmann.
- 2) Ubiratan De Oliveira commenced employment on May 22, 2012. His option based awards vest on the earlier of either May 22, 2013 or an offer being made for all the Ordinary Shares of the Company. The allotment of his options is subject to shareholder approval to be obtained at the Meeting. If approved by shareholders these options will be valued and included as compensation in the June 2013 Summary Compensation Table.
- 3) Annual incentive plan compensation represents a short term cash bonus attributable to the year ending June 30, 2012. For Messrs. Franzmann, McMullen and Anderson the bonus is due and payable 50% on April 23, 2012, and 50% on October 23, 2012. As at June 30, 2012 the following annual incentive plan compensation due and payable at April 23, 2012 had been deferred for payment at the election of the NEO: (a) McMullen (\$50,000), (b) Franzmann (\$45,000) and (c) Anderson (\$17,500). The annual incentive plan compensation for Mr di Parodi is paid under a workers collective agreement.
- 4) Mr. McMullen, Mr. Anderson, and Mr. Franzmann's salary is denominated in A\$. Mr. De Oliveira's salary is denominated in US\$ translated to A\$ at the prevailing rate at the end of each month when paid. The average translation rate for the year ending June 30, 2012 was A\$:US\$ of 1:0.998. Mr di Parodi's compensation is denominated in Chilean Peso translated to US\$ at the prevailing rate at the end of each month when paid, then translated to A\$ at the average rate A\$ / US\$ exchange rate for the year. The average translation rate for the year ending June 30,

2012 was US\$:Peso of 1:510, and the average A\$/US\$ exchange rate for the year ending June 30, 2012 of 1:1.034. Option based awards and annual incentive plans are all denominated in A\$.

- 5) Mr. McMullen and Mr Franzmann are directors of the Company. No part of their compensation is specifically allocated to the performance of director duties and the compensation in the table above includes both their position as a director and as a NEO.
- 6) "All Other Compensation" is comprised of notional interest payments on loans previously made by the Company to the NEO at a rate of 7%. There were no loans outstanding from the Company to NEOs as at October 5, 2012.
- 7) From 22 May 2012.
- 8) The 2011 compensation for Mr. di Parodi relates to the period from December 24, 2010 to June 30, 2011. Mr. di Parodi resigned on September 20, 2012.

In the table above, the fair value of options is calculated at the date of grant using the Black-Scholes Option Pricing Model. This methodology was selected given its prevalence of use for valuing options and because it provides a meaningful and reasonable estimate of fair value. This is consistent with the accounting values used in the Company's financial statements.

The following factors and assumptions were used in determining the fair value of options issued during the year ending June 30, 2012:

NEO	Grant date	Expiry date	Fair value per option	Exercise price at issue date	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
Franzmann, Anderson, McMullen	30/11/2011	25/11/2013	\$0.003	\$1.20	\$0.89	8.2%	6%	0%
Franzmann, Anderson, McMullen	30/11/2011	25/11/2013	\$0.000	\$1.50	\$0.89	8.2%	6%	0%
De Oliveira	30/04/2012	22/5/2015	\$0.119	\$2.10	\$1.52	20.3%	5%	0%
De Oliveira	30/04/2012	22/5/2015	\$0.056	\$2.50	\$1.52	20.3%	5%	0%

Compensation Discussion and Analysis - NEOs

The objective of the Company's compensation strategy is to compensate NEOs such that they are motivated to pursue the long-term growth and success of the Company and there is a clear relationship between performance and compensation.

The Company aims to reward NEOs with a level of remuneration commensurate with their position and responsibilities within the Company and so as to: (a) align the interests of the NEOs with the interests of the Shareholders; (b) ensure rewards are consistent with the strategic goals and performance of the Company; and (c) ensure total remuneration is competitive.

The elements of compensation earned, awarded or paid to the NEOs can include annual compensation in the form of a base salary including the superannuation (pension) contribution required under the *Superannuation Guarantee (Administration) Act 1992* (Cth) (the "**Superannuation Act**"), fixed allowances/benefits, short term cash bonuses and long term incentives through the grant of options. See "*Compensation*

Discussion and Analysis – NEOs – Pension Plans – Superannuation” for additional details on superannuation.

Compensation structures take into account the overall level of compensation for each director and executive, the capability and experience of the directors and senior executives, the executive’s ability to control the financial performance of the relative business or geographical segment, the Company’s performance (including earnings and the growth in share price), and the amount of any incentives within each executive’s remuneration.

When setting executive compensation for the financial year ended June 30, 2012, the Board did not take into consideration the Company’s reported earnings. No dividends were paid or declared.

Base Salary

A NEO’s base salary is set so as to provide a base level of remuneration which is both appropriate to the position and competitive in the industry.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and in the Company and, where appropriate, external advice on policies and practice. Although the Company does not engage in formal benchmarking, and does not target compensation at a specific level based on its comparative review, the Company will consult publicly available information for general industry knowledge. The remuneration levels for the following companies were consulted during this comparative review. These companies are considered to provide a representative cross section of the Company’s peers within the mining industry. The Company aims to pay at least the median compensation for comparable positions within its peers, recognising that differences in roles and responsibilities exist within individual organisations.

Perseus Mining Limited
Navigator Resources Limited
Troy Resources Limited
Mirabela Nickel Limited
Beadell Resources Limited
Independence Group NL
Saracen Mineral Holdings Limited
Straits Resources Limited
Northern Star Resources Ltd
Regis Resources Limited
Apex Minerals NL
Platinum Australia Limited
Silver Lake Resources Ltd
Tanami Gold NL
Northern Iron Limited

As required under the Superannuation Act, NEOs who are employees and are Australian residents are entitled to receive superannuation (pension) contributions which are a

percentage of their base salary. See "*Compensation Discussion and Analysis – NEOs – Pension Plans – Superannuation*".

Compensation arrangements can include a mix of fixed and performance based compensation. A component of share-based compensation is awarded at the discretion of the Board, subject to Shareholder approval when required.

Annual Bonus

A short term cash bonus was awarded during the year to executive directors and the Chief Financial Officer based on the successful listing of the Company on the TSX and the progress made in developing the CMD Gold Mine (the "**CMD Gold Mine**"). For Messrs. Franzmann, McMullen and Anderson the bonus is due and payable 50% in April 2012, and 50% in October 2012. The bonus for Mr di Parodi is paid under a workers collective agreement.

Long Term Incentives

The objective of the Company's long term incentive policy is to reward executives and senior managers in a manner which aligns an element of their remuneration with the creation of shareholder wealth, as measured by increases in the price and value of the Company's Ordinary Shares. Given the speculative nature of the Company's activities and the small executive team responsible for its running, it is believed that the performance of the Company's executives and the performance and value of the Company's Ordinary Shares are closely related. As such, options are designed to only be of benefit to the NEOs if they perform to the level whereby the value of the Company increases sufficiently to warrant exercising the options granted.

The Company does not have an employee stock option plan. However, the Company does from time to time issue options to purchase Ordinary Shares to selected directors, officers and employees. The Board has sole discretion to determine to whom option grants should be made and to determine the terms and conditions of any such options. The number and terms of outstanding options are taken into consideration when determining whether and how many new options should be granted. Under ASX listing rules, grants of options to directors are subject to Shareholder approval. Until such time as the Company adopts a stock option plan that is approved by the Shareholders, under the TSX Company Manual, all grants of stock options will be subject to Shareholder approval, subject to limited exceptions set out in the TSX Company Manual.

Previous grants of option-based awards are taken into account when considering new grants and option strike prices are typically set at a minimum premium of 25% above the five-day volume weighted average price of the Ordinary Shares prior to the Company approving the option issue.

Grants of long term incentives in the form of options are generally determined by reference to market conditions, industry practice, and the amount of cash compensation paid to that NEO. Given the evolving nature of the Company's business, the Company's overall compensation plan is under constant review so as to continue to address its objectives.

The process for determining executive compensation is based predominately on Board discussion with currently no formal key performance indicators, criteria or analysis set by the Board for the executives. The Managing Director and Chairman regularly review the compensation packages of the executive team, and make recommendations to the Board with respect to these packages. Approval of the executive compensation

packages is by Board approval, and in the case where an executive is also a director, that executive is not eligible to vote on the relevant compensation package.

Compensation Governance

The Company does not have a compensation committee, nor has it engaged in either of the two most recently completed financials years or at any time since the most recently completed financial year a compensation consultant to assist the directors in determining compensation for any of the Company's directors or executive officers. The Board as a whole has the responsibility for determining compensation, in accordance with the process set out herein.

In light of the current stage of development of the Company and the limited elements of executive compensation (salary, annual bonus and stock options), at this time the Board of Directors has not formally assessed the implications of the risks associated with the Company's compensation policies and practices. Stock options are granted to retain NEOs and motivate the NEOs by rewarding sustained, long-term development and growth that will result in increases in stock value. There is no formal process for assessing when stock options are to be granted rather they are granted at a time determined necessary by the Board in their discretion.

The Board has adopted a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The Company requires all executives and directors to sign annual statements of compliance with this policy throughout the period.

Employment Agreements

The executive management services that Mr. McMullen, Mr. Anderson, and Mr. Franzmann provide to the Company are provided through Wildeville Enterprises Pty Ltd. ("**Wildeville**"), Hyndford Holdings Pty Ltd. ("**Hyndford**"), and Citraen Pty Ltd ("**Citraen**"), respectively. See "*Statement of Executive Compensation — External Management Companies*".

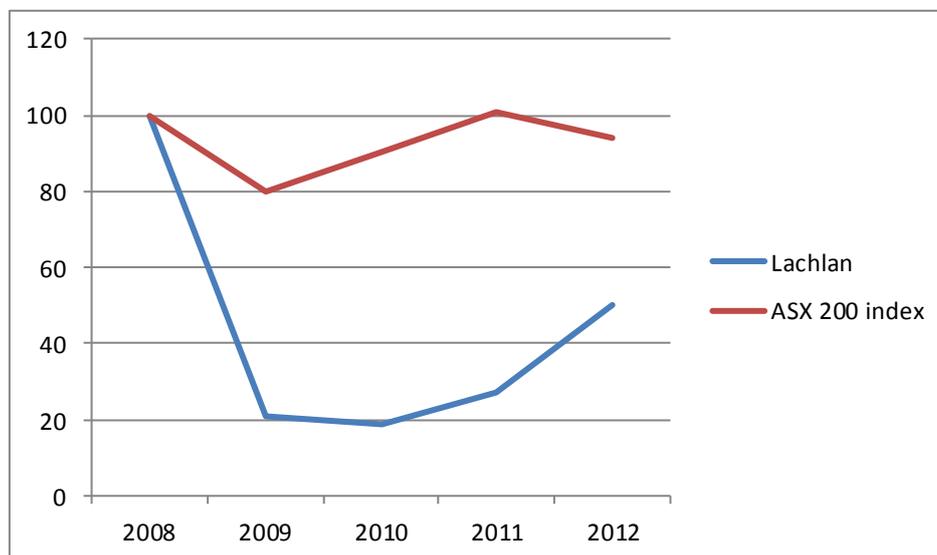
Mr. De Oliveira is engaged through an employment agreement with no fixed expiry date. Termination by the Company is with six months' notice or payment in lieu thereof. Termination by the employee is with six months' notice.

Mr. di Parodi is engaged by CMD through an employment agreement with no fixed expiry date. Termination by the Company is with one month's notice or payment in lieu thereof in addition to accrued service entitlements. Termination by the employee is with two months' notice.

Performance Graph

Given the consolidated entity's focus during the year on developing the CMD Gold Mine acquired in December 2010, the Board did not have regard to the consolidated entity's reported earnings in the current year in setting remuneration. A short term cash bonus was awarded during the year to executive directors and the Chief Financial Officer based partly on the successful listing of the Company on the TSX, and as such, the trend shown by the graph does relate to the short term cash bonus paid to executives in the current period. The Company listed on the Toronto Stock Exchange on October 19, 2011 and has only been a reporting issuer in Canada since that time.

The following graph compares, assuming an initial investment of \$100, the yearly change in the Company's cumulative total shareholder return on its Shares against the cumulative total shareholder return of the S&P/ASX 200 Index for the Company's five most recently completed financial years (as adjusted for the Company's 1 for 60 share consolidation in June 2011).



	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Lachlan Star Limited	100	20.93	18.6	26.98	49.96
S&P/ASX200 Index	100	79.86	90.36	100.97	94.18

Option-Based Awards

The Board has also determined to issue an aggregate of 75,000 options to consultants of the Company and 200,000 options to the Chief Operating Officer. In compliance with the ASX Listing Rules and the TSX Company Manual, the Shareholders will consider approving the grant of such options at the Meeting.

The following table summarizes the terms of the options to be issued, subject to shareholder approval, to consultants and a Named Executive Officer (as defined therein) of the Company.

Option-based compensation

Name	Number of securities underlying unexercised options	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$) ⁽²⁾	Vesting Date
Roger Rosmus	37,500	1.50	November 21, 2014	-	November 21, 2012
Tsang Tin Man Mandy	37,500	1.50	November 21, 2014	-	November 21, 2012
Ubiratan de Oliveira ⁽¹⁾	100,000	2.10	May 22, 2015	-	On the earlier of either May 22, 2013 or an offer being made for all the Ordinary Shares of the Company
Ubiratan de Oliveira ⁽¹⁾	100,000	2.50	May 22, 2015	-	On the earlier of either May 22, 2013 or an offer being made for all the Ordinary Shares of the Company

Notes:

1. Indicates a Named Executive Officer of the Company.
2. Based on the closing price of the Ordinary Shares on the ASX of A\$1.50 on 4 October, 2012 and subtracting the exercise price of the options. These options have not been, and may never exercised and actual gains, if any, on exercise will depend on the value of the Ordinary Shares on the date of exercise.

Pension Plans

The Company does not have a pension plan and has not provided any pension plan benefits to its NEOs.

Superannuation

As required by applicable law in Australia, the Company is required to make a minimal annual contribution to the nominated superannuation funds of Australian employees of 9% of gross annual salary. Subject to the prevailing legislation, employees are able to elect a higher rate at which the Corporation contributes. Superannuation is paid only to NEOs who are Australian residents and who are employees of the Company and not to NEOs who are engaged as consultants. Therefore, in respect of the most recently completed financial year, as the Company's NEOs are consultants or non-residents of Australia, superannuation was not paid to the NEOs.

Incentive Plan Awards – NEOs

The following table provides information regarding the incentive plan awards outstanding as of June 30, 2012 for each NEO. There were no share based awards outstanding at this date.

Option-based awards

Name	Number of securities underlying unexercised options	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$) ⁽¹⁾
Michael McMullen	66,667	1.50	November 18, 2012	Nil
Michael McMullen	75,000	1.20	November 25, 2013	3,750
Declan Franzmann	66,667	1.50	November 18, 2012	Nil
Declan Franzmann	100,000	1.20	November 25, 2013	5,000
Robert Anderson	66,667	1.50	November 18, 2012	Nil
Robert Anderson	75,000	1.20	November 25, 2013	3,750
Gaston di Parodi	33,334	1.20	December 20, 2013	1,666.70
Gaston di Parodi	33,334	1.50	December 20, 2013	Nil

Note:

1. Based on the closing price of the Ordinary Shares on the ASX of A\$1.25 on June 30, 2012 and subtracting the exercise price of the options. These options have not been, and may never exercised and actual gains, if any, on exercise will depend on the value of the Ordinary Shares on the date of exercise.

The terms of options to be issued to Ubiratan De Oliveira, subject to shareholder approval to be obtained at the Meeting, are set out in the table under the heading "Option-Based Awards" above.

Incentive Plan Awards — Value Vested or Earned During the Year

All unlisted options issued to NEOs during the year ended June 30, 2012 vested immediately. The value vested or earned during the year for incentive plan awards was as follows:

Name and principal position	Option based awards- value vested during the year (A\$) ⁽¹⁾	Non-equity incentive plan compensation - value earned during the year (A\$) ⁽²⁾
Declan Franzmann (Managing Director)	Nil	90,000
Robert Anderson (Chief Financial Officer / Company Secretary)	Nil	35,000
Michael McMullen (Executive Chairman)	Nil	100,000
Ubiratan De Oliveira (Chief Operating Officer)	Nil	Nil
Gaston di Parodi (General Manager CMD Gold Mine)	Nil	Nil

Notes:

1. All option based awards were issued with an exercise price in excess of the share price at the time of issue
2. Short term cash bonus, refer "Annual Bonus" above

All options issued vest on the grant date. The exercise price is set at a premium to the prevailing share price as determined by the Board. There are no performance goals attached to options. The exercise price of the options granted during the most recently completed financial year was higher than the closing market price on the grant date. The terms of options to be issued, subject to shareholder approval to be obtained at the Meeting, are set out in the table under the heading "Option-Based Awards" above.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one Ordinary Share of the Company with full dividend and voting rights.

Directors' Compensation

The following table sets forth the amount of all compensation provided to the directors of the Company for the year ended June 30, 2012.

Name	Fees earned (A\$)	Option-Based Compensation (A\$) ⁽²⁾	All Other Compensation (A\$) ⁽¹⁾	Total (\$A)
Peter Babin (Non-Executive Director)	35,000	222	-	35,222
Scott Perry (Non-Executive Director) ⁽³⁾	29,308	445	-	29,753
Thomas Duckworth (Non-Executive Director) ⁽⁴⁾	-	-	5,836	5,836

Notes:

- 1) "All Other Compensation" is comprised of superannuation entitlements under Australian law. See "Compensation Discussion and Analysis" for NEOs above.
- 2) "Option- Based Compensation" represents the value of options granted during the period valued using an option pricing model. This methodology was selected given its prevalence of use for valuing options and because it provides a meaningful and reasonable estimate of fair value. This is consistent with the accounting values used in the Company's financial statements.
- (3) Mr. Perry was appointed a director on September 9, 2011.
- (4) Mr. Duckworth retired as a director on September 9, 2011.
- (5) Compensation for Mr McMullen and Mr Franzmann, who are directors and NEOs' of the Company, is provided in the section "Summary Compensation Table" above. The amounts paid to these individuals are not split between their roles as officers and directors.

Compensation Discussion and Analysis - Directors

During the most recently completed financial year, each non-executive director received fees for services rendered during that year as shown in the above table. Directors are also reimbursed for all reasonable expenses incurred in their capacity of directors. Generally, directors of the Company do not receive additional amounts for committee participation or special assignments, however, should the non-executive directors provide services in excess of those expected of such a position, the Company will provide reasonable remuneration for those services. There are no other arrangements under which directors were compensated for their services as directors or as consultants or experts during the Company's most recently completed financial year.

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, at a reasonable cost to the Company.

The ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by the Shareholders in a general meeting. An amount not exceeding that amount is then divided between the directors as agreed.

The latest determination was at a general meeting on November 7, 2001 when Shareholders approved aggregate remuneration of A\$250,000 per year.

Non-executive directors may also be awarded options with the approval of Shareholders. The issue of options to non-executive directors is considered an appropriate method of aligning interests of directors with Shareholders, providing sufficient incentive and reward for directors whilst maintaining cash reserves.

The Board reviews the remuneration packages for the non-executive directors on an annual basis. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process. Comparable companies considered are set out below. These companies are considered to provide a representative cross section of the Company's peers within the mining industry. The Company aims to pay at least the median compensation for comparable positions within its peers, recognising that differences in roles and responsibilities exist within individual organisations.

Perseus Mining Limited
Navigator Resources Limited
Troy Resources Limited
Mirabela Nickel Limited
Beadell Resources Limited
Independence Group NL
Saracen Mineral Holdings Limited
Straits Resources Limited
Northern Star Resources Ltd
Regis Resources Limited
Apex Minerals NL
Platinum Australia Limited
Silver Lake Resources Ltd
Tanami Gold NL
Northern Iron Limited

Incentive Plan Awards – Directors

The following table provides information regarding the incentive plan awards for each director, other than those included as NEOs in the section "Incentive Plan Awards – NEOs" above, outstanding as of June 30, 2012. There were no other share based awards outstanding at this date.

Option-based awards				
Name	Number of securities underlying unexercised options	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$)⁽²⁾
Peter Babin	75,000	1.20	November 25, 2013	3,750
Scott Perry ⁽¹⁾	150,000	1.20	November 25, 2013	7,500
Scott Perry ⁽¹⁾	150,000	1.50	November 25, 2013	Nil

Notes:

(1) Mr. Perry was appointed a director on September 9, 2011.

(2) Based on the closing price of the Ordinary Shares on the ASX of A\$1.25 on June 30, 2012 and subtracting the exercise price of the options. These options have not been, and may never exercised and actual gains, if any, on exercise will depend on the value of the Ordinary Shares on the date of exercise.

All unlisted options issued during the year ended June 30, 2012 vested immediately. The value vested or earned during the year for incentive plan awards was as follows:

Name and principal position	Option based awards- value vested during the year (A\$) ⁽¹⁾
Peter Babin (Non-Executive Director)	Nil
Scott Perry (Non-Executive Director)	Nil
Thomas Duckworth (Non-Executive Director)	Nil

Note:

- 1) All option based awards were issued with an exercise price in excess of the share price at the time of issue

External Management Companies

None of Mr. McMullen, Mr. Anderson and Mr. Franzmann is an employee of the Company as their services to the Company are provided through consultancy agreements (each a "**consultancy agreement**") with Wildeville, Hyndford, and Citraen, respectively. The consultancy agreements have the common material terms described below.

The consultancy agreements do not contain any change of control provisions.

The Company may terminate the consultancy agreement immediately by notice to the consultant company if the consultant company or the individual providing the consulting services on behalf of the consulting company (the "**consultant**") is guilty of misconduct (including, without limitation, wilful misconduct, fraud or dishonesty) in relation to the affairs of the Company, or the consultant company or the consultant is charged with any offence which, in the reasonable opinion of the Board, has injured, or would tend to injure, the reputation or business of the Company, or the consultant company is guilty of any material or persistent default, breach, non-observance or non-performance of any of the terms or conditions of this agreement, or the consultant company goes into liquidation (except voluntary liquidation for the purpose of amalgamation or reconstruction) or has an administrator appointed to it, or a receiver or receiver and manager is appointed over the whole or any part of its undertaking or assets or if the consultant commits an act of bankruptcy or ceases for any reason to be eligible to hold office as a director of a company, or becomes permanently incapacitated by accident or illness from performing the services set out in the consultancy agreement, or by giving one month's notice and paying to the consultant company a lump sum termination payment equal to twelve months consultancy fee.

For the purposes of the above paragraph, incapacity rendering the consultant unable to perform the services set out in the consultancy agreement (the "**Services**") for a period aggregating more than three months in any six month period or for any period beyond three consecutive months, is taken to be permanent incapacity, but these periods may be reviewed at the discretion of the Company.

The consultant company may terminate the consultancy agreement immediately by notice to the Company if the Company enters into liquidation (except voluntary liquidation for the purpose of amalgamation or reconstruction) or has an administrator appointed to it, or a receiver or receiver and manager is appointed over the whole or any part of the undertaking or assets of the Company, or the Company requires the consultant company over a period aggregating more than 30 days in any two month period or for any period beyond 60 consecutive days to perform tasks or services which are materially different to the Services and substantially inconsistent with the consultant's experience, expertise or qualifications, in which event the Company shall pay to the consultant company a lump sum termination payment equal to twelve months consultancy fee; by giving 28 days' notice if the Company fails to pay any money due to the consultant company under this agreement within 14 days after a notice from the consultant company demanding such payment, in which event the Company shall pay to the consultant company a lump sum termination payment equal to twelve months consultancy fee; by giving not less than three months' prior notice of termination unless agreed otherwise with the Board.

Nothing contained in or implied by the consultancy agreement prevents the consultant company from providing or agreeing to provide to any other person, firm or company services the same as or similar to the Services provided that the provision of such services does not in any way impair or hinder the performance by the Consultant of its duties under the consultancy agreement.

Current consultancy fees payable under the consultancy agreement with Wildeville are \$360,000 per annum plus GST. The consultancy agreement expires on July 31, 2013.

Current consultancy fees payable under the consultancy agreement with Hyndford are \$220,000 plus GST per annum. The consultancy agreement expires on July 31, 2013.

Current consultancy fees payable under the consultancy agreement with Citraen are \$420,000 plus GST per annum. The consultancy agreement expires on October 31, 2013.

Termination and Change of Control Benefits

The terms of the NEOs' consultancy agreements relating to termination provisions are set out in sections "*External Management Companies*", above.

In the event of the Company being acquired by a third party and Mr. De Oliveira is made redundant, the Company will pay him the equivalent of six months' salary as compensation. There are no contracts, agreements, plans or arrangements that provide for payments to any other NEO at, following or in connection with change in control of the Company.

The termination payment applicable to the employment agreement with Mr. De Oliveira is 6 months' salary. The termination payment for Mr di Parodi is one month's salary plus accrued service entitlements.

The estimated maximum amount payable for a termination event on June 30, 2012 would have been:

<u>Name</u>	<u>Termination payable</u>
	(A\$)
Michael McMullen	360,000
Declan Franzmann	420,000
Robert Anderson	220,000
Ubiratan De Oliveira	25,424
Gaston di Parodi	181,933

Equity compensation plans

The Company does not have a formal equity compensation plan. However, the Company does from time to time issue options to purchase Ordinary Shares to selected directors, officers and employees. The Board has sole discretion to determine to whom option grants should be made and the terms and conditions of any such options. The number and terms of outstanding options are taken into consideration when determining whether and how many new options should be granted. Pursuant to the listing rules of the ASX, all option grants to directors are subject to approval of the Shareholders. Pursuant to the TSX Company Manual, all security based compensation arrangements will require the approval of Shareholders, subject to limited exceptions, until such time, if any, as the Company adopts and the Shareholders approve a formal stock option plan. The following table summarizes the Company's stock option arrangements in place with respect to its directors, officers and employees as of June 30, 2012.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders	3,873,695	A\$1.29	Nil
Equity compensation plans not approved by securityholders ⁽¹⁾	275,000	A\$2.00	Nil
Total	4,148,695	A\$1.33	Nil

Note:

- 1) The Board has determined to issue an aggregate of 75,000 options to consultants of the Company and 200,000 options to the Chief Operating Officer. These options are not included in the above table. In compliance with the ASX Listing Rules and the TSX Company Manual, the Shareholders will consider approving the grant of such options at this Meeting.

The weighted average exercise price includes 329,250 options issued with an exercise price of CDN\$1.60 per option, translated to A\$ at an A\$/CDN\$ exchange rate of 1:1.0366.

Indebtedness of directors and executive officers

No directors or executive officers or employees, or former executive officers, directors or employees, of the Company or any of its subsidiaries are indebted to the Company or any of its subsidiaries.

The Company does not have any securities purchase programme or any other lending or credit support programme.

Interest of Informed Persons in Material Transactions

No informed person or any proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has a material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction that has materially affected or would materially affect the Company or any of subsidiaries.

Interest of Certain Persons or Companies in Matters to be Acted Upon

Other than the election of a particular director in which such nominee has an interest, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has a material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in the matters to be acted upon at the Meeting.

Auditors

The auditors of the Company are PricewaterhouseCoopers, having an address at QV1, 250 St Georges Terrace, Perth WA 6000. They were appointed prior to August 2007.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com. Financial information is provided in the Company's comparative financial statements and management discussion and analysis ("MD&A") for its most recently completed financial year. The Company will provide to any person, upon request to the Company Secretary, a copy of the Company's Annual Report for the year ended June 30, 2012 which includes the financial statements of the Company for the most recently completed financial year and the audit report issued thereon and/or one copy of the Company's MD&A in respect of such financial year.

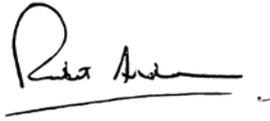
Copies of the above document will be provided free of charge to Shareholders. The Company may require the payment of a reasonable charge by any person or company who is not a Shareholder of the Company, and who requests a copy of such document. Additional information relating to the Company can be found at www.asx.com.au or at www.sedar.com.

Shareholders can contact the Company Secretary, at +61 (08) 481 0051 if they have any queries in respect of the matters set out in these documents.

Approval Of This Explanatory Memorandum And Management Information Circular

The contents and the sending of this Explanatory Memorandum and Management Information Circular have been approved by the Directors of the Company.

By order of the Board of Directors

A handwritten signature in black ink, appearing to read "Rob Anderson", written over a horizontal line.

Mr Robert Anderson
Company Secretary
Dated 5 October, 2012

GLOSSARY

10% Placement Facility has the meaning given in section 6.1.

A\$ means Australian dollar

Annual Report means the Company's annual report for the year ended 30 June 2012 containing the Financial Report, the Directors' Report and the Audit Report.

Annual General Meeting or **AGM** means the meeting convened by this Notice of Meeting.

Associate has the meaning given to it by Division 2 of Part 1.2 of the Corporations Act.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of the ASX.

Auditor's Report means the auditor's report on the Financial Report.

Board means the current board of directors of the Company.

CDN\$ means Canadian dollar

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

Company or **Lachlan Star** means Lachlan Star Limited (ABN 88 000 759 535).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the current directors of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice of Meeting.

Equity Securities has the same meaning as set out in the Listing Rules.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of Annual General Meeting including the Explanatory Memorandum.

Option means an option to acquire a Share.

Ordinary Securities has the same meaning as set out in the Listing Rules.

Proxy Form means the proxy form attached to the Notice of Meeting.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of a Share.

Share Registrar means Computershare Investor Services Pty Limited.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

TSX means the Toronto Stock Exchange.

Unlisted Option means an Option for which official quotation by ASX will not be sought.

VWAP means volume weighted average price.

WST means the time in Perth, Western Australia.

ANNEXURE "A"

TERMS AND CONDITIONS OF CDN\$1.60 OPTIONS

COMPENSATION OPTION CERTIFICATE OF

LACHLAN STAR LIMITED

ABN 88 000 759 535

NO. [] Representing _____ Compensation Options, each such Compensation Option entitling the holder thereof to acquire in accordance with the terms hereof one Ordinary Share (as hereinafter defined) of Lachlan Star Limited.

The Compensation Options evidenced hereby are restricted as to transfer as set forth herein.

THIS CERTIFIES that

[]

for value received, is the registered holder (the "**holder**") of the compensation options (the "**Compensation Options**") of Lachlan Star Limited (the "**Company**") represented hereby.

Each Compensation Option shall be exercisable by the holder to acquire at any time before April 3, 2014 upon payment of additional consideration of CDN\$1.60, one Ordinary Share of the Company.

The right to acquire the Ordinary Shares may only be exercised in accordance with the terms and conditions of this certificate by the holder within the time set forth above by:

- (i) duly completing and executing the Exercise Form attached hereto as Appendix 1; and
- (ii) surrendering this certificate to the Company.

In the event that the rights evidenced by this Compensation Option Certificate are exercised in part, the Company shall, contemporaneously with the issuance of the Ordinary Shares issuable on the exercise of the Compensation Options so exercised, issue to the holder a Compensation Option Certificate on identical terms in respect of that number of Ordinary Shares in respect of which the holder has not exercised the rights evidenced by this certificate.

These Compensation Options shall be effectively surrendered, unless deemed to be surrendered, only upon personal delivery hereof or, if sent by mail or other means of transmission, upon actual receipt thereof by the Company.

For the purposes of this Compensation Option Certificate, the adjustment provisions to the exercise price and number of Ordinary Shares to which the holder hereof is entitled upon exercise shall be subject to adjustment as set out in Appendix II hereof.

Until such time as the Company obtains a Final Receipt (as such term is defined in the Special Underwriter Warrant Certificate pursuant to which these Compensation Options are issuable), the Compensation Options and the underlying Ordinary Shares issued

upon exercise of the Compensation Option will be subject to the applicable hold periods pursuant to applicable Securities Laws and certificates representing the same may be endorsed with legends to that effect.

These Compensation Options may only be transferred upon the written consent of the Company, which consent shall not be unreasonably delayed or withheld.

The holding of this Compensation Option Certificate will not be construed as conferring upon a holder any right or interest whatsoever as a shareholder of the Company, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of shareholders or any other proceedings of the Company.

There will be no participating entitlements inherent in the Compensation Options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to Shareholders, holders of Compensation Options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.

The Compensation Options shall be governed by and performed, construed and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein and shall be treated in all respects as British Columbia contracts.

If this Compensation Option Certificate or any replacement hereof becomes stolen, lost, mutilated or destroyed, the Corporation shall, on such terms as it may in its discretion impose, acting reasonably, issue and deliver a new certificate, in form identical hereto but with appropriate changes, representing any unexercised portion of the subscription rights represented hereby to replace the certificate so stolen, lost, mutilated or destroyed.

The Company hereby covenants and agrees that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, all and every such other act, deed and assurance as the holder shall reasonably require for the better accomplishing and effectuating of the intentions and provisions of this Compensation Option Certificate. For greater clarity, if, in the opinion of counsel, any instrument is required to be filed with, or any permission, order or ruling is required to be obtained from, any securities administrator, regulatory agency or governmental authority in Canada or the United States or any other step is required under any federal or provincial law of Canada or any federal or state law of the United States before the Ordinary Shares may be issued or delivered to the holder of this certificate, the Company covenants that it will use its reasonable best efforts to file such instrument, obtain such permission, order or ruling or take all such other actions, at its expense, as is required or appropriate in the circumstances.

IN WITNESS WHEREOF the Company has caused this Compensation Option Certificate to be signed by its duly authorized officers as of _____.

**APPENDIX 1
EXERCISE FORM**

TO: Lachlan Star Limited

The undersigned holder of the within Compensation Options hereby irrevocably subscribes for:

_____ Ordinary Shares
of Lachlan Star Limited (the "Company") and hereby encloses \$ _____
representing the exercise price of CDN\$1.60 for each Ordinary Share.

DATED this ____ day of _____, 20__.

Name of Compensation Optionholder

Name of Authorized Representative

Signature of Authorized Representative

Title or Capacity of Authorized Representative

APPENDIX II

1. Adjustment of Number of Ordinary Shares and Exercise Price.

The subscription rights in effect under the Compensation Options for Ordinary Shares issuable upon the exercise of the Compensation Options shall be subject to adjustment from time to time as follows:

- (a) if, at any time during the period prior to the expiry of these Compensation Options (the "**Adjustment Period**"), the Company shall:
- (i) subdivide, re-divide or change its outstanding Ordinary Shares into a greater number of Ordinary Shares;
 - (ii) reduce, combine or consolidate its outstanding Ordinary Shares into a smaller number of Ordinary Shares;
 - (iii) issue Ordinary Shares by way of stock dividend or securities exchangeable for, or convertible into, Ordinary Shares to all or substantially all of the holders of Ordinary Shares by way of distribution (other than a distribution of Ordinary Shares upon the exercise of Compensation Options or as a dividend or pursuant to the exercise of directors, officers or employee stock options granted under stock option plans of the Company);

the Exercise Price in effect on the effective date of such subdivision, re-division, change, reduction, combination, consolidation or on the record date of such distribution, as the case may be, shall in the case of the events referred to in (i) or (iii) above be decreased in proportion to the number of outstanding Ordinary Shares resulting from such subdivision, re-division, change or distribution, or shall, in the case of the events referred to in (ii) above, be increased in proportion to the number of outstanding Ordinary Shares resulting from such reduction, combination or consolidation. Such adjustment shall be made successively whenever any event referred to in this Section 1(a) shall occur. Upon any adjustment of the Exercise Price pursuant to this Section 1(a), the Exchange Rate shall be contemporaneously adjusted by multiplying the number of Ordinary Shares theretofor obtainable on the exercise thereof by a fraction of which the

numerator shall be the Exercise Price in effect immediately prior to such adjustment and the denominator shall be the Exercise Price resulting from such adjustment;

- (b) if and whenever at any time during the Adjustment Period, the Company shall fix a record date for the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Ordinary Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Ordinary Shares (or securities convertible or exchangeable into Ordinary Shares) at a price per Ordinary Share (or having a conversion or exchange price per Ordinary Share) less than 95% of the Current Market Price (as such term is defined below) on such record date (a "**Rights Offering**"), the Exercise Price shall be adjusted immediately after such record date so that it shall equal the amount determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Ordinary Shares outstanding on such record date plus a number of Ordinary Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Ordinary Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price, and of which the denominator shall be the total number of Ordinary Shares outstanding on such record date plus the total number of additional Ordinary Shares offered for subscription or purchase or into which the convertible or exchangeable securities so offered are convertible or exchangeable; any Ordinary Shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that no such rights, warrants or options are exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed or, if any such rights, warrants or options are exercised, to the Exercise Price which would then be in effect based upon the number of Ordinary Shares (or securities convertible or exchangeable into Ordinary Shares) actually issued upon the exercise of such rights, warrants or options, as the case may be;
- (c) if and whenever at any time during the Adjustment Period the Company shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Ordinary Shares of (i) securities of any class, whether of the Company or any other corporation (other than Ordinary Shares), (ii) rights, options or warrants to subscribe for or purchase Ordinary Shares (or other securities convertible into or exchangeable for Ordinary Shares), other than pursuant to a Rights Offering; (iii) evidences of its indebtedness or (iv) cash, securities or any property or other assets then, in each such case, the Exercise Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Ordinary Shares outstanding on such record date multiplied by the Current Market Price on such record date, less the excess, if any, of the aggregate fair market value on such record date, as determined by the Company, acting reasonably and in good faith (whose determination shall be conclusive, absent manifest error), of such securities or other assets so issued or distributed over the fair market value of any consideration received therefor by the Company from the holders of the Ordinary Shares, and of which the denominator shall be the total number of Ordinary Shares outstanding on such record date multiplied by such Current

Market Price; and Ordinary Shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that such distribution is not so made, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed;

- (d) if and whenever at any time during the Adjustment Period, there is a reclassification of the Ordinary Shares or a capital reorganization of the Company other than as described in Section 1(a), or a consolidation, amalgamation, arrangement or merger of the Company with or into any other body corporate, trust, partnership or other entity, or a sale or conveyance of the property and assets of the Company as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity, any Compensation Optionholder who has not exercised its right of acquisition prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance, upon the exercise of such right thereafter, shall be entitled to receive upon payment of the Exercise Price and shall accept, in lieu of the number of Ordinary Shares that prior to such effective date the Compensation Optionholder would have been entitled to receive, the number of shares or other securities or property of the Company or of the body corporate, trust, partnership or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made, as the case may be, that such Compensation Optionholder would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance, if, on the effective date thereof, as the case may be, the Compensation Optionholder had been the registered holder of the number of Ordinary Shares or other securities or property to which prior to such effective date it was entitled to acquire upon the exercise of the Compensation Options. If necessary, as a result of any such capital reorganization, appropriate adjustments shall be made in the application of the provisions of this Compensation Option Certificate with respect to the rights and interests thereafter of the holder to the end that the provisions shall thereafter correspondingly be made applicable as nearly as may reasonably be possible in relation to any shares or other securities or property thereafter deliverable upon the exercise of the Compensation Options. No capital reorganization shall be carried into effect unless all necessary steps shall have been taken so that the Compensation Optionholder shall thereafter be entitled to receive the number of Ordinary Shares or other securities or property of the Corporation or of the continuing, successor or purchasing person, as the case may be, under the capital reorganization, subject to adjustment thereafter in accordance with provisions the same, as nearly as may be possible, as those contained herein;
- (e) in any case in which this Section 1 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Company may defer, until the occurrence of such event, issuing to the Compensation Optionholder of any Compensation Option exercised after such event the additional Ordinary Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Company shall deliver to such Compensation Optionholder an appropriate instrument evidencing such Compensation Optionholder's right to receive such additional Ordinary Shares upon the occurrence of the event requiring such adjustment and the right to receive any

distributions made on such additional Ordinary Shares declared in favour of holders of record of Ordinary Shares on and after the relevant date of exercise or such later date as such Compensation Optionholder would, but for the provisions of this Section 1(e), have become the holder of record of such additional Ordinary Shares pursuant to Section 1;

- (f) in any case in which Sections 1(a)(iii), 1(b) or 1(c) require that an adjustment be made to the Exercise Price, no such adjustment shall be made if the Compensation Optionholders of the outstanding Compensation Options receive, subject to the approval of the Toronto Stock Exchange or Australian Securities Exchange if required, the rights, warrants or options referred to in Sections 1(a)(iii) or 1(b) or the shares, rights, options, warrants, evidences of indebtedness or assets referred to in 1(c), as the case may be, in such kind and number as they would have received if they had been holders of Ordinary Shares on the applicable record date or effective date, as the case may be, by virtue of their outstanding Compensation Option having then been exercised into Ordinary Shares at the Exercise Price in effect on the applicable record date or effective date, as the case may be;
- (g) the adjustments provided for in this Section 1 are cumulative, and shall, in the case of adjustments to the Exercise Price be computed to the nearest whole cent and shall apply to successive subdivisions, re-divisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section 1, provided that, notwithstanding any other provision of this Section, no adjustment of the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price then in effect; provided, however, that any adjustments which by reason of this Section 1 are not required to be made shall be carried forward and taken into account in any subsequent adjustment;
- (h) after any adjustment pursuant to this Section 1, the term “**Ordinary Shares**” shall be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section 1, the Compensation Optionholder is entitled to receive upon the exercise of his Compensation Option, and the number of Ordinary Shares indicated by any exercise made pursuant to a Compensation Option shall be interpreted to mean the number of Ordinary Shares or other property or securities a Compensation Optionholder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this Section 1, upon the full exercise of a Compensation Option; and
- (i) notwithstanding any other provision hereof, no adjustment of the Exercise Price shall be made which would result in an increase in the Exercise Price or a decrease in the number of Ordinary Shares issuable upon the exercise of the Compensation Options (except in respect of the capital alterations described in subclause 1(d) hereof).

2. Entitlement to Ordinary Shares on Exercise of Compensation Option.

All Ordinary Shares or shares of any class or other securities, which a Compensation Optionholder is at the time in question entitled to receive on the exercise of its Compensation Option, whether or not as a result of adjustments made pursuant hereunder shall, for the purposes of the interpretation hereof, be deemed to be Ordinary Shares which such Compensation Optionholder is entitled to acquire pursuant to such Compensation Option.

3. No Adjustment for Certain Transactions.

Notwithstanding anything herein, no adjustment shall be made in the acquisition rights attached to the Compensation Options if the issue of Ordinary Shares is being made pursuant to another issued and outstanding Compensation Option or in connection with (a) any share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Company; or (b) the satisfaction of existing instruments issued at the date hereof.

4. Determination by Auditors.

In the event of any question arising with respect to the adjustments provided for hereunder such question shall be conclusively determined by the Company's auditors, who shall have access to all necessary records of the Company, and such determination, absent manifest error, shall be binding upon the Company and the holder hereof.

5. Proceedings Prior to any Action Requiring Adjustment.

As a condition precedent to the taking of any action which would require an adjustment in any of the acquisition rights pursuant to any of the Compensation Options, including the number of Ordinary Shares which are to be received upon the exercise thereof, the Company shall take any action which may, in the opinion of counsel, be necessary in order that the Company has unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the Ordinary Shares which the holders of such Compensation Options are entitled to receive on the full exercise thereof in accordance with the provisions hereof.

6. Certificate of Adjustment.

The Company shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided hereunder deliver a certificate of the Company to the holder hereof specifying the nature of the event requiring the same and the amount of the adjustment or readjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate shall be supported by a certificate of the Company's auditors verifying such calculation.

7. Other Adjustments.

If the Company after the date hereof shall take any action affecting the Ordinary Shares, other than an action described herein which, in the opinion of the directors, would have a material adverse effect on the rights of Compensation Optionholders, the Exercise Price and/or the Exchange Rate, there shall be an adjustment in such manner, if any, and at such time, by action of the directors, acting reasonably and in good faith, as they may reasonably determine to be equitable to the Compensation Optionholders in such circumstances, provided that no such adjustment will be made unless prior approval of any stock exchange on which the Ordinary Shares are listed for trading has been obtained.

8. Participation by Compensation Optionholder.

No adjustments shall be made if the Compensation Optionholders are entitled to participate in any event described on the same terms, mutatis mutandis, as if the

Compensation Optionholders had exercised their Compensation Options prior to, or on the effective date or record date of, such event.

9. ASX Listing Rules

Notwithstanding any other provision hereof, in the event of a reorganisation of the issued capital of the Company during the Adjustment period, all rights of a holder of Compensation Options are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval; and

10. Definitions

For the purposes of the above provisions:

- (a) **ASX Listing Rules** means the Listing Rules of the Australian Securities Exchange Limited;
- (b) **Current Market Price** of the Ordinary Shares at any date means the weighted average of the trading price per Ordinary Share for such Ordinary Shares for each day there was a closing price for the five consecutive trading days ending three days prior to such date on the securities exchange upon which the highest volume of Ordinary Shares have traded during such period, or if on such date the Ordinary Shares are not listed on any recognized market or exchange then as determined by the directors of the Company, acting reasonably;
- (c) **Exchange Rate** until adjusted hereunder, means one (1); and
- (d) **Exercise Price** until adjusted hereunder, means CDN\$1.60.

ANNEXURE "B"

TERMS AND CONDITIONS OF \$1.50 OPTIONS

1. The options will be issued for no consideration.
2. A certificate will be issued for the options.
3. The options will expire on 21 November 2014 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
5. The exercise price of the options is \$1.50 ("**exercise price**") each and will be payable in full on exercise.
6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by an option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.
11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.

13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.

ANNEXURE "C"

TERMS AND CONDITIONS OF \$2.10 OPTIONS

1. The options will be issued for no consideration.
2. A certificate will be issued for the options.
3. The options will expire on 22 May 2015 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
5. The exercise price of the options is \$2.10 ("**exercise price**") each and will be payable in full on exercise.
6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by an option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.
11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.

13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.

ANNEXURE "D"

TERMS AND CONDITIONS OF \$2.50 OPTIONS

1. The options will be issued for no consideration.
2. A certificate will be issued for the options.
3. The options will expire on 22 May 2015 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
5. The exercise price of the options is \$2.50 ("**exercise price**") each and will be payable in full on exercise.
6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by an option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.
11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.

13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.



Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 LSA
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 11:00 am (WST) Monday 19 November 2012**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%. If the sum of the votes cast exceeds your voting entitlement or 100%, your vote will be invalid on that item.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

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Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Lachlan Star Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Lachlan Star Limited to be held at Lower Ground Floor, 57 Havelock Street, West Perth on Wednesday, 21 November 2012 at 11:00 am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Items 4 and 6** (except where I/we have indicated a different voting intention below) even though **Items 4 and 6** is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Items 4 and 6** by marking the appropriate box in step 2 below.

In the case of each resolution set out below, the full text of the resolution is set out in the Notice of Meeting, and further explanation is set out in the Explanatory Memorandum and Management Information Circular, that accompany this form of proxy.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Item 1 Re-election of Director - Mr Peter Babin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 Ratification of prior allotment and issue of 10,975,000 shares and 329,500 options to subscribe for fully paid ordinary shares in the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Issue of 75,000 unlisted options to subscribe for fully paid ordinary shares in the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Issue of 200,000 unlisted options to subscribe for fully paid ordinary shares in the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Approval of the issue of Equity Securities representing up to 10% of the issued capital of the Company (at the time of issue)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Adoption of the Remuneration Report as contained in the Directors' Report of the Company for the year ended 30 June 2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGN Signature of Securityholder(s) *This section must be completed.*

<p>Individual or Securityholder 1</p> <div style="border: 1px solid black; height: 25px; width: 100%;"></div> <p>Sole Director and Sole Company Secretary</p>	<p>Securityholder 2</p> <div style="border: 1px solid black; height: 25px; width: 100%;"></div> <p>Director</p>	<p>Securityholder 3</p> <div style="border: 1px solid black; height: 25px; width: 100%;"></div> <p>Director/Company Secretary</p>
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Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____