

## Quarterly Report for the Period ending 30 September 2009

### Corporate

At the end of the September quarter Lachlan Star had cash deposits of \$5.7 million.

Several projects were reviewed for acquisition during the quarter, however none met the technical and financial criteria that the Company feels is required to justify an acquisition.

The Company's strategy is to be exposed to a variety of commodities across several geographic regions. The commodities targeted by the Company are bulk commodities (coal and iron ore), copper, and gold. The geographic regions of interest are currently eastern Australia and Southern Africa.

Projects within the bulk commodity and copper sectors provide the Company with an exposure to the strong demand from China and the recovering demand from the rest of Asia, Europe, and the Americas.

Projects within the gold sector provide the Company with an exposure to the rising gold price. Gold assets that will have costs predominately in US\$ are the main focus for the Company as this will provide the most direct exposure to the rising US\$ gold price. The gold price has increased strongly over the past quarter as a result of a declining US\$ and strong investment buying.

#### **Luir Gold**

As previously announced, the Company had agreed to invest a total of \$3m (at a price of C\$0.12 per share) in Luiri Gold, a TSX Venture exchange listed company with gold projects in Zambia.

The investment was completed during the quarter after Luiri Gold shareholders voted overwhelmingly in favour of the transaction.

Luir Gold announced on 17 September that a 9,500 m drill program had been commenced which will include both infill drilling at Matala and Dunrobin deposits and follow up drilling at recently defined new targets. The aim of the program is to improve the classification categories of the current resources, and secondly, to increase the size of the current resource base. The targets are all in close proximity to the resources already defined at the Matala and Dunrobin deposits respectively.

Luir Gold is also planning to conduct more follow up exploration to define a pipeline of medium term drilling targets based on the regional soil geochemical sampling programme over the rest of the Matala Dome mineralized structure. These include a number of targets which are in similar structural positions to the Matala and Dunrobin deposit.

Subsequent to the end of the quarter, Luiji Gold lodged a prospectus to raise \$8 million at 20c by issuing 40 million CHESS Depository Interests (CDI's) (the Offer). The Offer is fully underwritten by Euroz Securities Pty Ltd.

Lachlan Star holds approximately 30.7% of the issued share capital of Luiji Gold. The Company has committed to subscribe for a further \$1.8 million of CDI's at 20c, which will result in the Company holding approximately 28% of Luiji Gold at the completion of the Offer.

Luiji Gold has two main assets which provide Lachlan Star with exposure to exciting gold and iron ore assets:

- The Luiji Hill Gold Project includes 656,000 ounces of gold contained in 7.1 million tonnes at 2.9g/t for the Inferred category and 144,000 ounces of gold contained in 2.2 million tonnes at 2.1g/t for the Indicated category.
- At Nambala, an independent review by Coffey Mining indicated that on part of the mineralized body there exists the 'mineral potential' of between 100 and 300 million tonnes of iron at grades of 55-60% Fe. Interpretation of the regional geology indicates that the iron contained in this deposit could be several times larger than this figure.

### **Exco Resources**

The Company purchased 2 million shares in Exco Resources in a placement at a price of 23.5c per share during the June quarter. Exco is an ASX listed resource company with advanced copper and gold projects in Queensland and South Australia respectively.

At White Dam, Exco has entered a 75:25 joint venture with Polymetals Group Pty Ltd, who will manage the implementation and operation of the project. White Dam contains a resource inventory of 330,400 ounces of gold, and the project has now been granted final approvals. The project remains on track for first gold production by early 2010.

In north-west Queensland Exco holds a large (>4,100km<sup>2</sup>), strategically located and highly prospective land package. Resources delineated for the project to date total 51Mt, containing 425,000 tonnes of copper and 373,000 ounces of gold.

Subsequent to the end of the quarter, the Company sold a total of 1.11 million shares at an average price of 27.9c per share.

## Projects

### **Bushranger Copper Project - EL 5574 (100%)**

The Bushranger copper project is located in the Lachlan Fold Belt of New South Wales and contains an Indicated and Inferred resource of 124,000 tonnes of copper and 1.6 million ounces of silver. Work during the quarter included a review of the historical exploration results and planning of an exploration drilling program to be carried out in the next two quarters.

The application for the renewal of the tenement was approved in full.

### **Alexander Coal Project**

As previously announced, the claim holder of the Alexander Coal Project is in dispute with another party over the title of the project. This dispute is progressing through the courts in South Africa and all work has been halted on the project until more clarity is received on the title of the project.

More information about the Company can be found at our website [www.lachlanstar.com.au](http://www.lachlanstar.com.au).

For and on behalf of the Board



Mick McMullen  
Chairman

#### **About Lachlan Star Limited**

*Lachlan Star Limited (ASX: LSA) is an emerging minerals exploration and development company headquartered in Perth, Western Australia. The company is focused on acquiring and developing assets within the gold, copper and bulk commodities sectors within Australia and overseas. The company has a board of directors and management team with an impressive track record of advancing resource projects through to production.*

*Lachlan Star's current projects include the Bushranger copper and gold project in NSW and the Princhester magnesite deposit in QLD. Lachlan Star also has a 30.7% interest in Luiji Gold, a company with gold and iron assets in Zambia.*

*Directors and Management – Mick McMullen - Chairman  
Declan Franzmann - Executive Director  
Tom Duckworth - Director(non executive)  
Hamish Bohannon - Director(non executive)*

*Visit: [www.lachlanstar.com.au](http://www.lachlanstar.com.au)*

#### **Competent Persons Statement**

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves for Luiji Gold is based on information compiled Mr Michael Sperinck, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Sperinck is employed by Luiji Gold Limited. Mr Sperinck has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sperinck consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97.

Name of entity

**LACHLAN STAR LIMITED**

ACN or ARBN

**88 000 759 535**

Quarter ended ("current quarter")

**30 SEPTEMBER 2009**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(8)	(8)
(b) development		
(c) production		
(d) administration	(251)	(251)
(e) staff costs		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	61	61
1.5 Interest and other costs of finance paid		
1.6 Other (new ventures)		
<b>Net Operating Cash Flows</b>	<b>(198)</b>	<b>(198)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments	(2,606)	(2,606)
(c) other fixed assets		
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Cash acquired on acquisition of subsidiary		
<b>Net investing cash flows</b>	<b>(2,606)</b>	<b>(2,606)</b>
1.13 Total operating and investing cash flows (carried forward)	(2,804)	(2,804)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,804)	(2,804)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Costs associated with the issue of shares, options etc		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Payment to Settle Deed of Company Arrangement		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	<b>(2,804)</b>	<b>(2,804)</b>
1.20	Cash at beginning of quarter/year to date	8,462	8,462
1.21	Deposits at call		
1.22	Cash at end of quarter	5,658	5,658

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	67
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows:

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	20
4.2 Development	-
<b>Total</b>	<b>20</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank (at call)	5,658	8,462
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,658</b>	<b>8,462</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter %	Interest at end of quarter %
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid-up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Issued during quarter				
7.3 +Ordinary securities	1,079,867,371	1,079,867,371		
7.4 Issued during quarter				
7.5 +Convertible debt securities (description and conversion factor)				
7.6 Issued during quarter				
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	2,500,000		\$0.025	20/04/2010
	2,500,000		\$0.035	20/04/2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Company Secretary

Date: 30 October 2009

Print name: Robert Anderson

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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