

17 November 2010

Company Announcements Office
ASX Limited

Via ASX Online

Dear Sirs

NON-RENOUCEABLE RIGHTS ISSUE AND PLACEMENT

Lachlan Star Limited (ASX: LSA) (“**Lachlan**” or “**Company**”) is pleased to announce:

- a) a non-renounceable pro-rata rights issue of fully paid ordinary shares in Lachlan to existing shareholders to raise up to approximately \$5.4 million before issue costs (“**Rights Issue**”). The Rights Issue is being made at an issue price of \$0.01 per share on the basis of one (1) new share for every two (2) shares held at the Record Date (25 November 2010). The pricing of the Rights Issue has been set at \$0.01 to provide an incentive for all shareholders to participate in the capital raising. It is intended to apply the proceeds from the Rights Issue towards supplementing the Company’s working capital. The Rights Issue is not underwritten.
- b) A placement (“**Placement**”) of up to 550,000,000 fully paid ordinary shares to institutional and other exempt investors at an issue price per Share of no less than 80% of the 5 day volume weighted average price prior to the share issue. The proceeds of the Placement, which is subject to shareholder approval, will be used to finance part of the initial cash consideration for the acquisition of the Oro gold mine and associated exploration tenements in Chile (“**CMD Project**”). The placement is not underwritten.

Rights Issue

Key terms of the Rights Issue are set out below. Full details of the offer will be contained in the Letter of Offer and Entitlement which will be despatched to shareholders on or about 1 December 2010.

Summary of Key Information

Nature of offer	Pro-rata non-renounceable Rights Issue of new shares
New share issue price	\$0.01 per new share
Offer ratio	1 new share for every 2 existing shares held as at Record Date
Number of new shares to be issued	Up to approximately 540 million new shares
Amount to be raised under the Rights Issue	Up to approximately \$5.4 million before issue costs

The Rights Issue will be increased by up to 23,750,000 shares if existing option holders exercise their options prior to the Record Date.

Key Dates

The key dates for the Rights Issue are set out below. The dates are indicative only and Lachlan reserves the right to vary them, subject to the Corporations Act 2001 (“Act”) and the ASX Listing Rules.

Event	Proposed Date
Announcement of Offer and Appendix 3B (prior to opening)	17 November 2010
Letter to option holders (prior to opening)	17 November 2010
Notice sent to Security Holders	18 November 2010
Shares commence trading on an ex-entitlement basis	19 November 2010
Record Date to identify shareholders entitled to participate in the Offer	25 November 2010
Offer document dispatched to shareholders and announcement that despatch has been completed, s708AA(2)(f) cleansing statement	1 December 2010
Closing date at 5pm WST	15 December 2010
Notify ASX of under subscriptions	20 December 2010
Despatch holding statements and s708A(5)(e) cleansing statement	23 December 2010

There will be no deferred settlement of the sale of shares offered under the Rights Issue. Trading in shares will commence on the first business day following the despatch of the holding statements.

Eligible Shareholders

Eligible Shareholders are those with an address on the company's register of shareholders which is within Australia or New Zealand, and Eligible Foreign Shareholders.

An Eligible Foreign Shareholder is a shareholder with an address on the Company's register of shareholders which is outside of Australia and New Zealand in relation to whom the Company forms the view that an offer can lawfully be made without complying with any additional legal or regulatory requirements in the jurisdiction in which that address is located, or the cost of compliance with those requirements is considered by the Company not to be unreasonable.

The Rights Offer Document together with an Entitlement and Acceptance Form will be mailed to shareholders on or about 1 December 2010.

Information provided in relation to the Rights Issue

The Rights Issue is being made without disclosure to investors under Part 6D.2 of the Act, in accordance with Section 708AA of the Act.

Shareholders will not receive a prospectus in relation to the Rights Issue but will receive a written invitation providing details on how to take up their entitlement under the Offer. Any decision to acquire new shares should only be made after making independent enquiries and consulting relevant professional advisers. Shareholders should have regard to publicly available information about Lachlan before deciding whether or not to acquire new shares.

Copies of the Company's announcements to ASX can be obtained from its website www.lachlanstar.com.au or from the ASX website. The Company's ASX code is LSA.

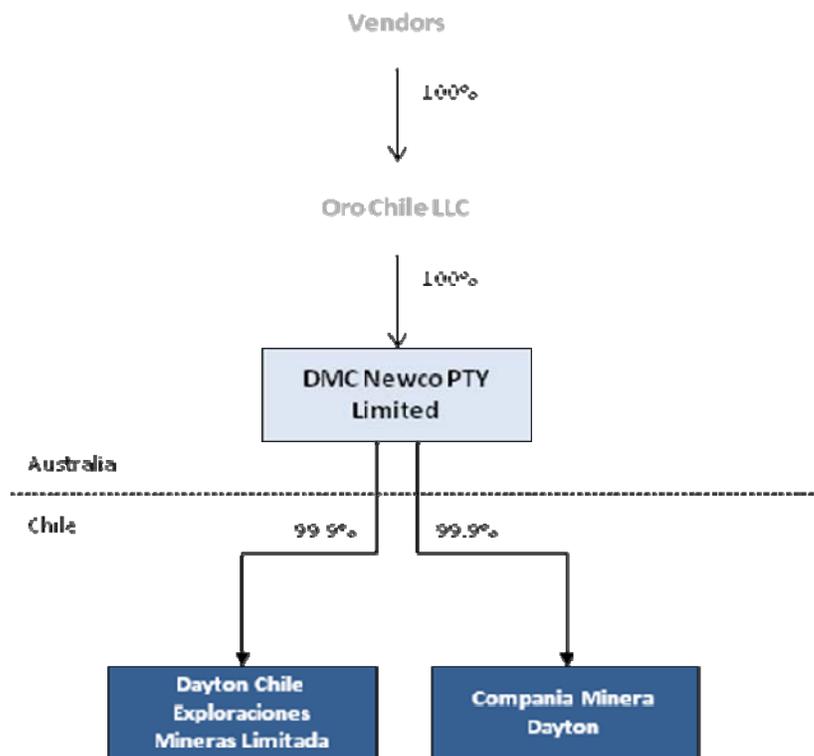
If a shortfall remains after shareholders have taken up their entitlements, the Directors reserve the right pursuant to Listing Rule 7.2 (exception 3) to place any shortfall with parties selected by them.

New shares, once issued, will rank equally with the Company's existing shares.

The rights and obligations attached to shares in the Company are set out in Lachlan's Constitution, which may be examined free of charge by appointment during business hours at the Company's offices at Lower Ground Floor, 57 Havelock Street, West Perth WA 6005.

Placement

The Company has identified the gold industry as presenting significant opportunities to enhance shareholder value and has reached agreement with the shareholders of Oro Chile LLC (**the Vendors**) to acquire 100% of the Compañía Minera Dayton Project in Chile (**CMD Project**) by purchasing Oro Chile LLC's shares in DMC Newco Pty Ltd.



The initial consideration for the acquisition of the CMD Project is a payment of US\$19 million (assuming an exchange rate of 1:1 for the AUD/USD), consisting of a cash consideration of US\$9 million and the issue of 1,000,000,000 Shares in the Company. This initial consideration will be made upon transfer of the shares in DMC Newco Pty Ltd, the Australian holding company for the CMD project, to Lachlan Star Limited.

A deposit of US\$1.5 million is payable to the Vendors on execution of the Share Sale Agreement, with the remaining US\$7.5 million cash consideration payable at completion. The deposit is refundable in the event that the transaction does not proceed due to events outside the Company's control, but non refundable in the event that the Company is unable to proceed with the transaction in the event it cannot raise sufficient finance. Completion is to occur by 18 January 2011 unless mutually agreed by the parties in writing.

The cash component of the initial consideration will be satisfied through a combination of some or all of the following financing options:

- existing cash on hand
- the issue of up to 550,000,000 Shares at an issue price of no less than 80% of the 5 day volume weighted average price prior to the share issue (the Placement the subject of this announcement)
- debt facilities
- the sale of some or all of the Company's stake in Luiiri Gold Limited (currently valued at \$7.1 million)

The share component of the initial payment is to be satisfied through the issue of up to 1,000,000,000 Shares at a deemed issue price of \$0.01 each to the Vendors ("**Vendor Issue**").

Both the Placement and the Vendor Issue are subject to shareholder approval at an Extraordinary General Meeting to be held on or around 20 December 2010.

In addition to the initial consideration, there are a series of deferred consideration payments, some of which are related to the achievement of specified gold production, which may become payable. The payment terms are as follows:

- a) deferred consideration equal to 2.5% of the gold produced from the existing open pit inventory contained within the pit designs and other specific deposits with mineralisation that may be economically exploited using open pit methods (the Mineral Inventory collectively) between 1 January 2011 and 31 December 2014; and
- b) deferred consideration equal to 25% of the gold produced from the Mineral Inventory between 1 January 2011 and 31 December 2014 over and above 119,000 ounces; and
- c) repayment of shareholder loan of US\$1.3m starting in July 2011 at \$100,000/month; and
- d) deferred consideration of US\$0.5m in cash payable quarter 1 2013; and
- e) deferred consideration of US\$0.5m in cash payable quarter 2 2013

In the event the Company is required to make any of the deferred consideration payments, the method of financing will be determined at the time depending on the prevailing market conditions and may take the form of a rights issue, further placement, debt funding (either plain debt or by way of convertible note), or from future cash flows.

The Company intends to pursue the strategy of developing the CMD Project, continuing exploration at the Bushranger Copper Project, managing its investment in Luiiri Gold Limited, and growing the Company through further acquisitions within the resource sector, with a strategic focus in the bulk commodities, copper and gold sectors.

Completion of the acquisition is conditional upon, amongst others:

- a) the Company obtaining the necessary funding to purchase the DMC Newco shares; and
- b) execution of a voluntary escrow deed under which the Vendors agree to the voluntary escrow of the Company Shares they hold for a period of six months following settlement of the transaction.

As a result of the transaction the Vendors will become the largest shareholders in the Company with a combined total of approximately 31.6%.

Capital Structure on completion of the Rights Issue, Placement, and Vendor Issue

The following table shows the proposed capital structure of the Company upon completion of the Rights Issue, Placement, and Vendor Issue.

The precise number of new shares to be issued may vary and will be dependent on the number of eligible shareholders and their entitlements, the level of acceptances under the Rights Issue, the success of the directors in placing some or all of the shortfall, and the success of the Placement.

	Full Subscription
Existing shares on issue at date of this announcement	1,079,867,371
Number of new shares to be issued under the Rights Issue	539,933,686
Number of new shares to be issued under the Placement	550,000,000
Number of new shares to be issued under the Vendor Issue	1,000,000,000
Total shares on issue after completion of the Rights Issue, Placement, and Vendor Issue	3,169,801,057
Options to acquire shares on issue at the date of this announcement	47,500,000

For and on behalf of the Board



Mick McMullen
Chairman

About Lachlan Star Limited

Lachlan Star Limited 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 QL as well as a 28% holding in Luiiri Gold.

Visit: www.lachlanstar.com.au