

29 November 2010

Dear Shareholder

## NON-RENOUCEABLE RIGHTS ISSUE

The Board of Lachlan Star Limited (“**Lachlan**” or the “**Company**”) is pleased to offer you the opportunity to acquire additional shares in the Company. Please find attached an Offer Document for your consideration.

The Company has identified the gold industry as presenting significant opportunities to enhance shareholder value and has reached agreement with the five shareholders of Oro Chile LLC (**the Vendors**) to acquire 100% of DMC Newco (**Proposed Acquisition**), a company that in turn owns 100% of two Chilean companies, Compania Minera Dayton (**CMD**) and Dayton Chile Exploraciones Mineras Limitada (**DCEM**). CMD and DCEM collectively own a 100% interest in the Compañía Minera Dayton Project, located in Andacollo approximately 350km north of Santiago in Chile (**CMD Project**). The Rights Issue proceeds, in conjunction with a proposed share placement of \$5.5 million, will enable the Company to fund the cash component of the consideration to acquire the CMD Project.

All Board members have stated their intention to subscribe for a proportion of their rights entitlement.

The Rights Issue, which is not underwritten, will raise approximately \$5.4 million (before expenses of the issue). Details of the Rights Issue are set out in the accompanying materials and you should read these in their entirety before deciding to participate. Key points of the Rights Issue are as follows:

- a) Under the Rights Issue you are able to acquire additional fully paid ordinary shares in the capital of the Company (**Shares**) via a non-renounceable rights issue on the basis of one (1) new Share for every two (2) Shares held at the record date of 25 November 2010.
- b) There are no transaction costs payable on the allotment of shares under the Rights Issue.
- c) Should you elect to participate in the Rights Issue, all shares will be issued at \$0.01 each. This pricing represents a discount of 5.5% from Lachlan’s 5 day weighted average share price immediately before the announcement of the Offer on 17 November 2010.
- d) Shares allotted under the Rights Issue will rank equally with existing fully paid ordinary shares.

The Rights Issue timetable is set out under Section 1.10 of the Offer Document.

To participate in the Rights Issue you must follow the actions in Section 2 of the Offer Document. There is no minimum subscription under the Rights Issue. Holding statements are expected to be dispatched on 23 December 2010 for shares allotted under the Rights Issue.

The Directors encourage you to consider the Offer carefully. If you are unsure about any aspects of the Offer we would encourage you to consult your financial advisor.

If you have any questions in relation to the Rights Issue, please do not hesitate to contact the Company Secretary, Bob Anderson, on (08) 9481 0051.

A handwritten signature in black ink, appearing to read 'Mick McMullen'.

Mick McMullen  
Chairman

**LACHLAN STARLIMITED**  
**ABN 88 000 759 535**  
**OFFER DOCUMENT**

For a non-renounceable Rights Issue of one (1) New Share for every two (2) Shares held by Shareholders registered at 5:00pm (WST) on 25 November 2010 at an issue price of \$0.01 per New Share to raise up to \$5,400,000 (**Offer**).

**IMPORTANT NOTICE**

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this document. This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

This Offer opens on 1 December 2010 and closes at 5:00pm WST on 15 December 2010. However, the Directors reserve the right to close the Offer early or extend the Closing Date. Valid Applications must be received before the Offer closes.

Please read the instructions in this document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Rights.

**IMPORTANT NOTES**

**No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company or any of its officers in connection with the Offer.**

**Eligibility**

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Right to participate in the Offer.

**Overseas Shareholders**

This Offer Document has been prepared to comply with the requirements of the laws of Australia. No action has been taken to register this Offer Document in any jurisdiction outside Australia and New Zealand, or to otherwise permit a public offering of Rights or Shares in any jurisdiction outside Australia and New Zealand. Any failure to comply with foreign legal restrictions in connection with the Rights Issue may constitute a violation of applicable securities laws, and persons who receive this Offer Document should seek advice on and observe any such restrictions. This Offer Document does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

## **Privacy Act**

As a Shareholder, Lachlan and the Share Registry have already collected certain personal information from you. If you apply for New Shares, Lachlan and the Share Registry may update your personal information or collect additional personal information. Such information will be used to assess your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Company and tax law requires some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

Lachlan and the Share Registry may disclose your personal information for purposes related to your shareholding to their agents and service providers as authorised under the Privacy Act. Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Lachlan or the Share Registry. If Lachlan's or the Share Registry's record of your personal information is incorrect or out of date, it is important that you contact the Share Registry so that your records can be corrected.

## **Governing law**

This Offer Document, the Rights Issue and the contracts formed on acceptance of the Applications are governed by the laws applicable in Western Australia. Each Applicant submits to the exclusive jurisdiction of the courts of Western Australia.

## **Enquiries**

If you have any questions in relation to the Rights Issue, please contact your stockbroker, solicitor, accountant or financial adviser. If you have any queries about your Right please contact the Share Registry on the number below:

Computershare Investor Services Pty Limited  
Locked Bag 2508 Perth WA 6001  
Telephone (within Australia): 1300 850 505  
Telephone (outside Australia): +61 39415 4000  
<http://www.computershare.com.au>

## **1. DETAILS OF THE OFFER**

### **1.1 The Offer**

The Company is making a pro rata non-renounceable offer to Eligible Shareholders of New Shares at an issue price of \$0.01 each on the basis of one (1) New Share for every two (2) Shares held on the Record Date (the Offer) to raise up to \$5,400,000.

### **1.2 Use of Funds**

Capital raised under the Rights Issue will be used by the Company to partly fund the cash component of the consideration for the CMD Project in Chile. In the event that the Company does not receive the full subscription of \$5,400,000, the funds raised pursuant to the Offer will be first applied towards the expenses of the Offer, and secondly to partly fund the cash component of the consideration for the CMD Project in Chile.

### **1.3 Minimum Subscription**

There is no minimum subscription.

### **1.4 Underwriting**

The Offer is not underwritten.

### **1.5 Rights and Acceptance**

The Right of Eligible Shareholders to participate in the Offer will be determined on the Record Date.

Your Right is shown on the Entitlement and Acceptance form accompanying this Offer Document. Acceptances may exceed your Right (as shown on the Entitlement and Acceptance Form), should you wish to apply to take up Additional New Shares. Allocation of any Shortfall will be at the sole direction of the Directors. Applying for Additional New Shares does not guarantee an allotment of those shares. In the event your Application for Additional New Shares is unsuccessful your Application Monies will be refunded to you.

Refer to Section 2 for instructions on how to accept your Rights.

### **1.6 No Rights Trading**

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your Right to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

## 1.7 Shortfall

If you do not wish to take up any part of your Right you are not required to take any action. That part of your Right not taken up will form part of the Shortfall. 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 to Applicants for Additional New Shares or parties selected by Directors. It should be noted that applying for Additional New Shares is not an assurance that any Shortfall allocation may be forthcoming.

## 1.8 Commissions Payable

The Company has not entered into firm commitment agreements in respect of any Shortfall Shares. In the event that Shortfall Shares are placed pursuant to such agreements, the Company reserves the right to pay a commission subject to the receipt by the Company of a valid tax invoice. In such an instance the nature and amount of the commission will be notified to ASX.

## 1.9 Capital Structure

The following table shows the proposed capital structure of the Company upon completion of the Offer, assuming the attainment of the full subscription, and on completion of the Placement and the Vendor Issue the subject of shareholders resolutions at the Company's Extraordinary General Meeting to be held on 23 December 2010.

	<b>Full Subscription</b>
Existing shares on issue at date of this Offer Document	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 Offer Document	47,500,000

The precise number of New Shares to be issued will be depend on the number of Eligible Shareholders and their entitlements, the level of acceptances under the Offer and the success of the Directors in placing some or all of the Shortfall.

Holders of Options at the date of this Offer Document will not be entitled to participate in the Offer.

## 1.10 Timetable

<b>Event</b>	<b>Proposed Date</b>
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

These dates are subject to change and are indicative only. The Company reserves the right to amend this Timetable including, subject to the Corporations Act and the Listing Rules, to extend the Closing Date, and Lachlan reserves the right to withdraw the Rights Issue at any time before the allotment and issue of New Shares in its absolute discretion.

Issues of new Shares under this Rights Issue will only be made after approval for their quotation on ASX has been granted. Application Monies will be held by Lachlan in a subscription account on behalf of each Eligible Shareholder who has applied for New Shares under the Rights Issue until the New Shares are issued. If the Rights Issue is withdrawn and New Shares are not issued, the Application Monies will be refunded to those Eligible Shareholders who applied for New Shares under the Rights Issue as soon as reasonably practicable. Interest earned on the Application Monies will be for the benefit of Lachlan and will be retained by Lachlan irrespective of whether New Shares are issued.

## 1.11 Opening and Closing Dates

The Offer opens on the Opening Date, being 1 December 2010. The Company will accept Entitlement and Acceptance Forms until 5:00 pm WST on the Closing Date, being 15 December 2010, or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

## 1.12 Issue and Dispatch

The expected dates for issue of New Shares offered by this Offer Document and dispatch of holding statements is expected to occur on the dates specified in the Timetable set out in Section 1.10. It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

## 1.13 ASX Listing

Application for official quotation by ASX of the New Shares offered pursuant to this Offer Document has been made. If approval is not obtained from ASX before the expiration of 3 months after the date of this Offer Document (or such period as varied by the ASIC) the Company will not issue any New Shares and will repay all Application Monies for the New Shares within the time prescribed under the Corporations Act, without interest. The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

## 1.14 CHESS

The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation. Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number (HIN) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

## 1.15 Overseas Shareholders

**This Offer Document and accompanying Entitlement and Acceptance Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.** The offer of securities in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the New Shares the subject of this Offer Document or otherwise permit a public offering of the New Shares the subject of this Offer Document in any jurisdiction outside Australia. It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the allotment and issue of the New Shares pursuant to this Offer Document. The return of a completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

## 1.16 Taxation Implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

## 1.17 Dividends

The Directors will not be able to declare a dividend on the Shares unless the Company makes sufficient distributable profits from which to pay such a dividend. The Directors consider it unlikely that any dividends will be paid in respect of Shares or New Shares in the medium term. Investors should note that the ability of the Company to pay future dividends is dependent on many factors including the Company's future earnings, profits, general business and financial conditions, and capital requirements. Final determination of any dividend payments will be at the discretion of the Directors.

## **1.18 Risk Factors**

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 3.

## **1.19 Enquiries Concerning Offer Document**

Enquiries concerning the Entitlement and Acceptance Form can be obtained by contacting Computershare Investor Services Pty Limited by telephone on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia), or the Company on (08) 9481 0051.

## **1.20 Continuous disclosure**

Lachlan is a disclosing entity for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These disclosure obligations require Lachlan to disclose to ASX any information that a reasonable person would expect to have a material effect on the price or value of the securities of Lachlan. Copies of documents lodged with ASX in relation to Lachlan may be viewed at the ASX website or through the Company's website at [www.lachlanstar.com.au](http://www.lachlanstar.com.au).

The Rights Issue is being made to Eligible Shareholders without disclosure to investors pursuant to Section 708AA of the Corporations Act. The Company filed a notice with ASX on 1 December 2010 in accordance with section 708AA(2)(f) with respect to the Rights Issue.

## **1.21 Effect on control**

The Rights Issue will mean that up to approximately 539,933,686 New Shares (subject to rounding) may be issued. Upon completion of the Rights Issue, Placement and Vendor Issue, and assuming full take-up of Rights, the issued capital of the Company will comprise approximately 3,169,801,057 ordinary shares.

The potential effect of the Rights Issue on control of the Company will be affected by the level of Applications made:

(i) If all Eligible Shareholders take up their entitlements, then the Rights Issue will have no significant effect on the control of the Company.

(ii) If particular Eligible Shareholders elect not to take up all of their entitlements under the Rights Issue, then the shareholding interests of those particular shareholders will be diluted.

(iii) Although the issue is not underwritten, the Directors intend to place some or all of the Shortfall Shares (subject to the ASX Listing Rules) to meet the minimum requirements of the Company. Placement of some or all of the Shortfall may increase holdings of existing shareholders if they participate in the Shortfall placement.

(iv) Placement of some or all of the Shortfall to new shareholders may result in their attaining a substantial shareholding in the Company. Again, the potential effect will depend on the level of take-up by existing shareholders and the resultant Shortfall available to be placed.

## 2. ACTION REQUIRED BY SHAREHOLDERS

### 2.1 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. Your acceptance may exceed your Right as shown on that form, however this does not guarantee you will be allotted New Shares applied for in excess of your Right.

You may participate in the Offer as follows:

*(a) if you wish to accept your Right in full:*

- (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
- (ii) attach your cheque or attend to payment via the BPay option for the amount shown on the Entitlement and Acceptance Form; or

*(b) if you wish to apply for more than your Right:*

- (i) fill in the number of New Shares and Additional Shares you wish to apply for in the spaces provided on the Entitlement and Acceptance Form; and
- ii) attach your cheque or attend to payment via the BPay option for the appropriate Application Monies (at \$0.01 per Share); or

*(c) if you only wish to accept part of your Right:*

- (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
- ii) attach your cheque or attend to payment via the BPay option for the appropriate Application Monies (at \$0.01 per Share); or

*(d) if you do not wish to accept all or part of your Right*

you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to **“Lachlan Star Limited – NRE A/C”** and crossed **“Not Negotiable”**. Your completed Entitlement and Acceptance Form and cheque must be forwarded to the Company’s share registry, Computershare Investor Services Pty Limited, so that they are received no later than 5:00pm (WST) on the Closing Date. Entitlement and Acceptance Forms with cheques can be sent by post to Computershare Investor Services Pty Limited, Locked Bag 2508, Perth WA 6001.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Right.

### 3. RISK FACTORS

An investment in the Company is not risk free and investors should consider the risk factors described below, together with information contained elsewhere in this Offer Document, before deciding whether to apply for New Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares. The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

#### (i) Mineral industry risks

##### (a) Exploration and development risks

Exploration is a high risk activity that requires large amounts of expenditure over extended periods of time. There is no assurance that exploration and development of the mineral interests owned by the CMD Project can be profitably exploited.

##### (b) Production risks

The Company's ability to produce mineral products may be hampered by the unavailability of power and other utilities, roads and infrastructure.

##### (c) Development and mining risks

Possible future development of a mining operation at any of the Company's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable ore bodies, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

If the Company commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions and fires, explosions or accidents. In addition, the Company may be subject to reduced ore treatment rates through the proposed processing plant, higher treatment costs and worse than anticipated metallurgical characteristics. No assurance can be given that the Company will achieve commercial viability through the development and/or mining of its projects and treatment of ore.

##### (d) Title risk

The Tenements are subject to various conditions, obligations and terms. If renewal is required this may be at the discretion of the relevant government minister or official. If approval for renewal is refused, the Company will suffer a loss of the opportunity to undertake further exploration and/or exploitation of the Tenements.

##### (e) Commodity price volatility risk

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for precious metals, forward selling by

producers, and production cost levels in major metal-producing regions. In addition, government regulations (including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of natural resources and environmental protection) may affect the marketability and price of natural resources.

Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(f) Environmental risks

Inherent in mining and exploration operations is a real environmental risk. The legal framework governing this area is constantly developing in all jurisdictions. Thus the Company is unable to fully ascertain any future liability that may arise from any new laws or regulations.

Mineral exploration and production can be environmentally sensitive activities which can give rise to substantial costs for environmental rehabilitation, damage, control and losses.

(g) Reserves and Resources risks

Reserve and resource estimates are expressions of judgement based on experience, knowledge and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may adversely affect the Company's operations.

**(ii) Company specific risks**

(a) Reliance on key personnel

The Company's success depends to a significant extent upon its key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of such personnel could have an adverse effect on the Company.

(b) Future funding

The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash will be adequate to fund its business development activities, exploration program and other objectives in the short term.

Should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

(c) Sovereign risk

The Company's proposed operations in Chile are subject to the usual risks associated with operating in a foreign country. These risks may include economic, social or political

instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety and labour relations, as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity.

Any future material adverse changes in government policies or legislation in Chile that affect foreign ownership, mineral exploration, development or mining activities may affect the viability and profitability of the Company and its projects.

**(iii) General risks**

**(a) Economic climate**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include: the level of direct and indirect competition against the Company, industrial disruption, interest rates, the rate of inflation, currency fluctuations, the outbreak of hostilities and stock market conditions.

**(b) Policies and legislation**

Any material adverse changes in Federal, State or Territory government policies or legislation of Australia may affect the viability and profitability of the Company.

The above risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered in this rights issue. Therefore, the Securities to be issued pursuant to this rights issue carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities.

#### 4. DEFINED TERMS

**Additional New Shares** means New Shares over and above a shareholder's Rights

**Applicant** refers to an Eligible Shareholder who submits an Entitlement and Acceptance Form.

**Application** refers to the submission of an Entitlement and Acceptance Form.

**Application Monies** means the aggregate amount of money payable for the New Shares applied for in a duly completed Entitlement and Acceptance Form.

**ASIC** means the Australian Securities and Investments Commission

**ASX** means ASX Limited ACN 008 624 691.

**Business Day** has the same meaning as in the Listing Rules.

**CHESS** means ASX Clearing House Electronic Subregistry System.

**Closing Date** means 15 December 2010.

**CMD Project** means the Compañía Minera Dayton Project in Chile.

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

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

**Directors** means the directors of the Company.

**DMC Newco** means DMC Newco Pty Ltd ACN 134 784 642.

**Dollar or \$** means Australian dollar unless otherwise stated.

**Eligible Foreign Shareholder** means a Shareholder with an address on the Company's register of Shareholders as at the Record Date which is outside of Australia and New Zealand in relation to whom the Company has formed the view that an offer under this Offer Document 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

**Eligible Shareholder** means a Shareholder with an address on the Company's register of Shareholders as at the Record Date which is in Australia or New Zealand and Eligible Foreign Shareholders.

**Entitlement and Acceptance Form** means the Entitlement and Acceptance Form accompanying this Offer Document.

**Issue Price** means \$0.01 each per New Share.

**Listing Rules** means the official listing rules of ASX.

**New Share** means a new Share proposed to be issued pursuant to this Offer.

**Offer** means the non-renounceable pro rata offer of New Shares at an issue price of \$0.01 each on the basis of one (1) New Share for every two (2) Shares held on the Record Date pursuant to this Offer Document.

**Offer Document** means this Offer Document dated 1 December 2010.

**Offer Period** means the period commencing on the Opening Date and ending on the Closing Date.

**Opening Date** means 1 December 2010.

**Option** means an option to acquire a Share.

**Quotation** means quotation of the New Shares on ASX.

**Record Date** means 25 November 2010.

**Right** means the entitlement to subscribe for one (1) New Share for every two (2) Shares held by an Eligible Shareholder on the Record Date and Rights has a corresponding meaning.

**Rights Issue** means a pro rata non-renounceable offer to Eligible Shareholders to subscribe for New Shares on the basis of one New Share for each two Shares of which the Eligible Shareholder is the registered holder as at 5.00pm AWST on the Record Date at an issue price of \$0.01 each per New Share, pursuant to the Offer Document.

**Share** means fully paid ordinary shares in the capital of the Company.

**Share Registry** means Computershare Investor Services Pty Ltd.

**Shareholder** means a holder of Shares from time to time.

**Shortfall** and **Shortfall Shares** means the number of New Shares comprising the difference between the New Shares for which valid Applications have been received and accepted by the Company by the Closing Date and the number of New Shares the subject of this Offer.

**WST** means Australian Western Standard Time.

**Please return completed form to:**  
Computershare Investor Services Pty Limited  
Locked Bag 2508 Perth  
Western Australia 6001 Australia  
Enquiries (within Australia) 1300 850 505  
(outside Australia) 61 3 9415 4000  
www.computershare.com

000001  
000  
SAM  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



Securityholder Reference Number (SRN)



I 1234567890 I N D

Use a **black pen**.  
Print in **CAPITAL** letters  
inside the grey areas.

A	B	C	1	2	3
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For your security keep your SRN/HIN confidential.

## Entitlement and Acceptance Form (including Additional Securities)

This personalised form can only be used in relation to the securityholding represented by the SRN or HIN printed above. This is an important document and requires your immediate attention. If you are in doubt about how to deal with this document, please consult your financial or other professional adviser.

### Non-Renounceable Entitlement Issue closing 5pm AWST on 15 December 2010

Non-Renounceable Entitlement Issue of 1 New Share for every 2 Shares registered and entitled to participate at the record date at an issue price of A\$0.01 per New Share.

Receipt of the slip below by 5pm AWST on 15 December 2010 with your payment, utilising the payment options detailed overleaf will constitute acceptance in accordance with the terms and conditions of the Offer Document dated 1 December 2010.

I/We enclose my/our payment for the amount shown below being payment of A\$0.01 per New Share. I/We hereby authorise you to register me/us as the holder(s) of the Share allotted to me/us, and I/we agree to be bound by the Constitution of the Company.

A Securityholder Entitlement details	
Subregister	Issuer
Existing Shares entitled to participate at Record Date on 25 November 2010	XXX,XXX,XXX
Entitlement to New Shares on a 1 for 2 basis	XXX,XXX,XXX
Amount payable on full acceptance at A\$0.01 per New Share	X,XXX,XXX.XX
Entitlement Number	123456789012

LSA

2NRB

See back of form for completion guidelines



▼ PLEASE DETACH HERE ▼



**LACHLAN STAR**  
Limited  
ABN 88 000 759 535



Please see overleaf for Payment Options

Ent: X,XXX Pay: X,XXX



Biller Code: 123456  
Ref No: 1234 5678 9012 3456 78

<b>B</b> Number of New Shares applied for	<b>C</b> Number of additional Shares applied for	<b>D</b> Amount enclosed at A\$0.01 per New Share
<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

<b>E</b> Payment Details – Please note that funds are unable to be directly debited from your bank account				
Drawer	Cheque number	BSB number	Account number	Cheque amount
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

Make your cheque or bank draft payable to Lachlan Star Limited - NRE A/C

<b>F</b> Contact Details	Please provide your contact details in case we need to speak to you about this slip
Name of contact person	Contact person's daytime telephone number
<input type="text"/>	( <input type="text"/> ) <input type="text"/>

1234567890123456+1234567890-1234+12

# How to complete the Entitlement and Acceptance Form (including Additional Securities)

Please note that photocopies of this form will not be accepted. These instructions are cross-referenced to each section of the Entitlement and Acceptance Form.

**A** Details of your Entitlement based on your Securityholding at 5pm AWST on 25 November 2010 are shown in box A on the front of this Entitlement Form.

## **B** New Securities Applied for

You can apply to accept either all or part of your Entitlement. Enter in box B the number of New Shares you wish to accept from your Entitlement.

Please ensure you complete Section B on the bottom of the form.

## **C** Additional Securities Applied for

Enter the number of additional New Shares you wish to apply for (if any).

No Eligible Securityholder is assured of receiving any New Shares applied for in excess of their Entitlement and any amount by which applications from Eligible Securityholders exceed their Entitlements may be scaled back at Lachlan Star Limited's discretion, in such manner as Lachlan Star Limited considers is reasonable in the circumstances.

Please ensure you complete Section C on the bottom of the form.

## **D** Acceptance Monies

Enter the total amount of acceptance monies payable. To calculate this amount, multiply the total number of New Shares applied for in box B, and if applicable, box C, by A\$0.01.

Please ensure you complete Section D on the bottom of the form.

## **E** Payment Details

You can apply for shares by utilising the payment options detailed below. **Please note that funds are unable to be directly debited from your bank account.**

By making your payment using either electronic means or by cheque, bank draft or money order, you confirm that you:

- agree to all of the terms and conditions as detailed in the Offer Document dated 1 December 2010

Your cheque, money order or bank draft must be made in Australian currency and drawn on an Australian branch of a financial institution. Such payment must be made payable to Lachlan Star Limited - NRE A/C and crossed "Not Negotiable". Payments not properly drawn may be rejected.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Acceptance form being rejected. Paperclip (do not staple) your cheque(s) to the form where indicated. Cash will not be accepted. Receipt of payment will not be forwarded.

## **F** Contact Details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding the slip below.

The directors reserve the right to make amendments to this form where appropriate.

## Lodgement of Acceptance

If you are applying for shares and your payment is being made using BPAY®, you do not need to return the slip below. Your payment must be received by no later than 3pm (AWST) on 15 December 2010. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Ensure you have read and accurately followed your banking instruction's BPAY FAQ or other instructions prior to making multiple payments for multiple holdings under this offer. Neither CIS nor Lachlan Star Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order, the slip below must be received by Computershare Investor Services Pty Limited (CIS) Perth by no later than 5pm (AWST) on 15 December 2010. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for securityholders in Australia. New Zealand holders will need to affix the appropriate postage. Return the slip below with cheque attached.

Neither CIS nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means.

## Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

**If you have any enquiries concerning this form or your entitlement, please contact CIS on 1300 850 505.**

This form may not be used to notify your change of address. For information, please contact CIS on 1300 850 505 or [www.computershare.com](http://www.computershare.com) (Certificated/Issuer Sponsored Holders only).

**CHES holders must contact their Controlling Participant to notify a change of address.**

## Payment Options:



**Biller Code:** 123456

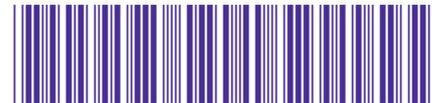
**Ref No:** 1234 5678 9012 3456 78

Telephone & Internet Banking – BPAY

Call your bank, credit union or building society to make this payment from your cheque or savings account. More info: [www.bpay.com.au](http://www.bpay.com.au)



**Lachlan Star Limited  
Computershare Investor  
Services Pty Limited  
Locked Bag 2508  
Perth, Western Australia 6001  
AUSTRALIA**



Entitlement Number: <xxxxxxxxxx>

**SAMPLE CUSTOMER  
SAMPLE STREET  
SAMPLE STREET  
SAMPLE STREET  
SAMPLE STREET  
SAMPLETOWN TAS 7000**

