

18 November 2010

Company Announcements Office  
ASX Limited

Via ASX Online

Dear Shareholder

### **NON-RENOUCEABLE RIGHTS ISSUE**

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

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 lodged with the ASX and 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.

<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

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](http://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.

### Capital Structure on completion of the Rights Issue

The following table shows the proposed capital structure of the Company upon completion of the Rights Issue, together with the effect on the capital structure of the Share Placement and Vendor Issue related to the acquisition of the Oro gold project in Chile, which was announced to ASX on 17 November 2010.

	<b>Full Subscription</b>
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

The Oro gold project, Share Placement and Vendor Issue are subject to shareholder approval at the Company's Extraordinary General Meeting to be held on or around 20 December 2010.

The precise number of new shares to be issued will depend 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.

For and on behalf of the Board



Mick McMullen  
Chairman