

# **LACHLAN STAR LIMITED**

**ABN 88 000 759 535**

**ANNUAL REPORT**

**30 JUNE 2009**

## **CORPORATE DIRECTORY**

### **Directors**

MJ McMullen (Executive Chairman)  
DT Franzmann (Executive Director)  
HJL Bohannan (Non-Executive Director)  
TE Duckworth (Non-Executive Director)

### **Company Secretary**

RA Anderson

### **Auditors**

PricewaterhouseCoopers  
QV1, 250 St Georges Terrace  
Perth WA 6000

### **Bankers**

Westpac Banking Group Limited  
109 St Georges Terrace  
Perth WA 6000

### **Registered Office**

Level 3  
3 Ord Street  
West Perth WA 6005  
Telephone: +61 8 9481 0051  
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Email: [admin@lachlanstar.com.au](mailto:admin@lachlanstar.com.au)  
Website: [www.lachlanstar.com.au](http://www.lachlanstar.com.au)

### **Share Registry**

Computershare Investor Services Pty Limited  
Level 2  
45 St Georges Terrace  
Perth, WA 6000 Australia

Investor Enquiries: 1300 557 010 (within Australia)  
Investor Enquiries: +61 3 9415 4000 (outside Australia)  
Facsimile: +61 8 9323 2033

### **Stock Exchange Listing**

Securities of Lachlan Star Limited are listed on ASX Limited.

ASX Code: LSA - ordinary shares

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EXECUTIVE DIRECTOR'S REVIEW**

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Dear Shareholder

Lachlan Star emerged through the tumultuous financial circumstances of 2008 with a strong cash position and is well positioned to take advantage of opportunities created in the wake of the global financial crisis.

In June 2009 the Company announced an investment of \$3 million in Luiri Gold Limited. This investment gives the Company exposure to the Luiri Hill Gold Project which has a total JORC mineral resource of 656,000 ounces in the Inferred category and 144,000 ounces in the Indicated category at an average grade of 2.7 g/t. The funds from this investment will be used for the advancement of the Luiri Hill Gold Project.

Much of the focus of the Company's activity during 2008 was in the South African coal industry, principally the Holfontein and Alexander Coal Projects. It was disappointing that the acquisition of the Holfontein Project was not executed after a thorough due diligence process. At the Company's Annual General Meeting in November 2008 shareholders voted against the issue of shares as part consideration for the purchase of the Holfontein Project. Shareholder approval was one of the conditions of the sale agreement, and consequently the agreement lapsed.

As part of the Company's South African coal strategy it examined a number of other coal projects in the same area as Holfontein. Most advanced of these was the Alexander Coal Project. Subsequent to entering an agreement to purchase up to 74% of the project, inconsistencies in the tenure of the New Order Prospecting Right were discovered. This agreement remains current, although a condition of the agreement requires the vendor to hold unfettered title to the project. Subsequent to the end of the year the Company was notified that the vendor and the other claimant for the Alexander Project were applying to the courts to resolve the matter.

It remains the Board's strategy to grow the Company through further acquisitions within the resource sector. This strategy is focused in the bulk commodities (coal), copper and gold sectors. Additionally, the Company plans to continue exploration at the Bushranger Copper Project, and apply its significant technical and commercial experience to advancing the Luiri Hill Gold Project toward production.

Sincerely,



**Declan Franzmann  
Executive Director**

4th August 2009

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**OPERATING AND FINANCIAL REVIEW**

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The Company's activities during the year revolved around the exploration of the Bushranger copper exploration project in NSW and pursuing other opportunities within the minerals sector.

*Bushranger*

Exploration reconnaissance was completed during the year. Mapping and rock chip sampling of the northern area of the tenement was completed, with particular focus at the Arundle Prospect. This prospect consists of two historic underground gold and copper mines.

Rock chip sampling of an outcropping quartz vein returned an assay grade of 6.93 g/t gold, 2.3g/t silver, whilst sampling of a dump adjacent to a mine shaft returned 1.8 g/t gold, 2.7g/t silver. It is planned to follow up these preliminary results with further work in the coming months.

*Luiru Gold Limited*

In June 2009 the Company and Luiru Gold Limited ("Luiru"), a Canadian listed resource company, announced that they had entered into an Agreement for the investment of A\$3 million by Lachlan Star in Luiru.

Luiru's wholly-owned Zambian subsidiary, Luiru Gold Mines Limited, holds mineral tenements within southern-central Zambia covering approximately 1,200km<sup>2</sup> of highly prospective exploration ground focused on the Dunrobin and Matala gold deposits. The Luiru Hill Gold Project, which contains a JORC mineral resource of 656,000 ounces in the Inferred category and 144,000 ounces in the Indicated category at an average grade of 2.7 g/t, is situated approximately 120km west-northwest of the Zambian capital of Lusaka in Zambia's Central Province.

The Company's investment is through a convertible note of A\$300,000, carrying interest of 2% per annum, and a two tranche placement. The first tranche of the placement took the Company's equity holding to just under 20% and the second, subject to Luiru shareholder approval received on 28 July 2009, to the total placement value of A\$2.7 million. Both the placement and convertible note are set at a Luiru share price of C\$0.12 per share.

On completion of the second tranche Lachlan Star holds approximately 30.6% of the expanded Luiru share capital and Luiru will proceed with a dual listing on the ASX where Lachlan Star will arrange, on a best endeavors basis, additional third party funding of A\$2 million for Luiru. All funds raised will be used for advancing Luiru projects in Zambia and for general working capital purposes.

Lachlan Star is entitled to appoint two directors to the Luiru board and one of the current Luiru directors will resign.

*Exco Resources Limited ("Exco")*

In June 2009 the Company invested a total of \$470,000 in an Exco placement at a price of 23.5c/share. 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.

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*Alexander Coal Project*

In July 2008 the Company announced that it had entered into an agreement with Universal Pulse Trading 132 (Pty) Ltd to purchase up to 74% of the Alexander Coal Project in South Africa.

Subsequent to that announcement the Company was notified that there were inconsistencies with the tenure of the New Order Prospecting Rights held by Universal Pulse. The Alexander Coal Project consists of two Prospecting Rights, MP 30/5/1/1/2/1523 (PR) and MP 30/5/1/1/2/1626 (PR).

The Company has halted work on the Alexander Project until such time as the tenure situation can be clarified. Subsequent to the end of the year the Company was notified that the vendor and the other claimant for the Alexander Project were applying to the courts to resolve the matter.

*Holfontein Coal Project*

In December 2008 the Company announced that it had agreed with Coal of Africa to terminate the agreement to acquire the Holfontein Coal Project in South Africa.

One of the conditions precedent for the transaction was Lachlan shareholder approval for the issue of shares to Coal of Africa in part consideration for the acquisition. As announced in November 2008, shareholder approval was not obtained at the Company's Annual General Meeting.

*Financial performance*

The consolidated entity's loss after tax for the year ended 30 June 2009 was \$407,248 (2008: loss of \$5,876,014).

The prior year loss includes an impairment loss on the Bushranger exploration and evaluation asset of \$5,214,594. This impairment loss reflected the writedown of an asset acquired during that period and recognised using the fair value of consideration paid to acquire the asset, to a value that reflected the fair value of the asset supported by an arms length purchase of the asset and additional costs incurred.

**Competent Persons Statement**

*The Luiiri Gold Project resources have previously been reported by Mr Michael Sperinck, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Sperinck is employed by Luiiri Gold Limited.*

*The Exco resources have previously been reported by Mr Mike Dunbar, (who is a full time employee of the Mitchell River Group and a consultant to Exco Resources Ltd).*

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DIRECTORS' REPORT**

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The directors present their report together with the financial report of Lachlan Star Limited ("Company") and of the consolidated entity, being the Company and its subsidiaries, at the end of and for the year ended 30 June 2009.

Lachlan Star Limited is a listed public company incorporated and domiciled in Australia.

**Directors**

The names and details of the Company's directors in office at any time during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

*Declan Thomas Franzmann*  
*Executive Director*

Age 41. Appointed a director on 26 September 2007.

Declan is a mining engineer with more than 16 years mining experience. His previous experience includes operational and technical roles at underground and open pit mines throughout Australia, Indonesia and West Africa.

Mr Franzmann operates a consulting company providing mine engineering and geology services to a variety of companies and is a non-executive director of Every Day Mine Services Limited, a listed mine service company based in Cobar.

During the past three years Mr Franzmann has held the following listed company directorships:

Every Day Mine Services Limited	Since March 2007
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*Michael James McMullen*  
*Executive Chairman*

BSc (Geology)  
Age 39. Appointed a director on 26 September 2007.

Mick McMullen is a geologist with in excess of 15 years experience in exploration, financing, development and operation of mining projects. During that time he has worked in Australia, Africa, Europe, Asia and South America. He has acted as technical adviser to many of the major resource banks for project financing and mergers and acquisitions and has worked on several corporate finance transactions on the ASX, AIM, JSE and TSX markets.

He was formerly a founding shareholder and executive director of Tritton Resources Limited, a company that developed a copper mine in Australia prior to being acquired by Straits Resources Limited. He was most recently the Managing Director and CEO for Northern Iron, a company that is developing an iron ore mine in Norway.

During the past three years Mr McMullen has held the following listed company directorships:

Northern Iron Limited	Since May 2007
Tritton Resources Limited	From December 2003 to August 2006

**Directors (continued)**

*Hamish John Lindsey Bohannan*  
*Non-Executive Director*

B(Eng)Sc Hons Mining, M (Eng)Sc Rock Mechanics, MBA,  
FAusIMM, CE, MAICD  
Age 53. Appointed a director on 26 September 2007.

Mr Bohannan is a mining engineer with over 30 years experience in the minerals industry. His former roles include Managing Director of Gallery Gold, Executive General Manager of Operations for Iluka, General Manager for both the Leinster and Kambalda Nickel Operations of WMC, and Executive General Manager of Operations for Mt Lyell.

Mr Bohannan has recently been appointed the Managing Director of Bathurst Resources Limited. Prior to that he was the Managing Director of Braemore Resources, an AIM listed company with nickel and platinum assets. He has detailed knowledge of the requirements for developing and operating a mine, as well as extensive understanding of the debt and equity markets.

Mr Bohannan is Chairman of the Audit Committee.

During the past three years Mr Bohannan has held the following listed company directorships:

Tectonic Resources Limited	From February 2007 (Chairman)
Bathurst Resources Limited	From September 2008
Braemore Resources Plc	From November 2006 to April 2008

*Thomas Ernest Duckworth*  
*Non-Executive Director*

B Sc., ARSM, FIMM, C Eng, F Aus IMM.  
Age 71. Appointed a director on 26 September 2007.

Mr Duckworth is a metallurgist with over 47 years experience. His previous roles include responsibility for all process aspects of the Tritton mine development and ongoing refinements to that process plant, engineering, process design and commissioning of the Hellyer Base Metal process plant in Tasmania, founding director of Signet Engineering, responsibility for the process design for the Cannington base metal process plant, and Chief Metallurgist for BP Seltrust, including responsibility for the Teutonic Bore process plant.

During the past three years Mr Duckworth has not been a director of any other listed entity.

Mr Duckworth is a member of the Audit Committee.

**Company Secretary**

Mr Robert Anderson was appointed Company Secretary on 15 October 2007. Mr Anderson is a Chartered Accountant who has previously held company secretarial positions in both ASX-listed and private companies.

### **Directors' meetings**

The number of directors' meetings and the number of meetings attended by each of the directors of the Company during the financial year are as follows:

	(a)	(b)
MJ McMullen	5	5
DT Franzmann	5	5
TE Duckworth	5	5
HJL Bohannan	5	5

(a) Number of meetings attended

(b) Number of meetings held during period of office

### **Audit Committee**

#### *Names and qualifications of Audit Committee members*

The Committee is to include at least 2 members. Members of the Committee are Mr Hamish Bohannan (Chair) and Mr Thomas Duckworth.

Qualifications of Audit Committee members are provided in the Directors section of this directors' report.

#### *Audit Committee meetings*

The number of Audit Committee meetings and the number of meetings attended by each of the members during the reporting period are as follows:

	(a)	(b)
HJL Bohannan	2	2
TE Duckworth	2	2

(a) Number of meetings attended

(b) Number of meetings held during period of office

### **Remuneration Committee**

The Board considers that the Company is not currently of a size to justify the existence of a Remuneration Committee.

The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company. If the Company's activities increase in size, scope and/or nature the formation of a Remuneration Committee will be considered by the Board and implemented if appropriate.

The Board considers remuneration packages and policies applicable to the executive directors, senior executives, and non-executive directors. It is also responsible for share option schemes, incentive performance packages, and retirement and termination entitlements.

### **Identification of independent directors**

The independent directors are identified in the Corporate Governance Statement section of this Annual Report as set out on pages 48 to 50.

### **Remuneration report**

The Remuneration Report is set out on pages 12 to 15 and forms part of this Directors' Report.

### **Dividends**

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the reporting period (2008: Nil).

### **Auditor's independence declaration**

The auditor's independence declaration under Section 307C of the Corporations Act is set out on page 16 and forms part of the directors' report for the financial year ended 30 June 2009.

### **Insurance of directors and officers**

During the financial year the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

### **Non-audit services**

The auditors did not provide any non-audit services during the year. There was no compromise of the auditors' independence requirements under the Corporations Act 2001.

Details of the amounts paid or payable to the auditor of the consolidated entity for audit and non-audit services provided during the year are set out below:

	Consolidated 2009 (\$)	Consolidated 2008 (\$)
<i>Statutory audit:</i>		
Audit and review of financial reports	38,500	25,500
<i>Services other than statutory audit:</i>		
Acquisition accounting advice	-	12,000
Taxation services	-	24,600
	-	36,600

### **Directors' interests**

At the date of this report, the relevant interests of the directors in securities of the Company are as follows:

Name	Ordinary shares	Options over ordinary shares
MJ McMullen	99,434,464	-
DT Franzmann	52,039,171	-
TE Duckworth	12,259,326	-
HJL Bohannan	22,240,855	-

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**DIRECTORS' REPORT**

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**Share options**

*Options granted to directors and officers of the consolidated entity*

The following options over unissued ordinary shares of the Company were granted to key management personnel during the reporting period.

<i>Executive Officer</i>	Expiry Date	Exercise price	Date issued	Vesting date	Number
Kees Dekker	20/04/10	\$0.025	10/7/08	9/7/08	2,500,000
Kees Dekker	20/04/11	\$0.035	10/7/08	20/4/09	2,500,000

*Shares under option*

The following unissued ordinary shares of the Company are under option.

Expiry Date	Exercise price	01/07/08	Issued	Number Exercised	Expired	30/6/09
31/12/08	\$0.01	13,958,333	-	2,375,000	11,583,333	-
20/04/10	\$0.025	-	2,500,000	-	-	2,500,000
20/04/11	\$0.035	-	2,500,000	-	-	2,500,000
		<u>13,958,333</u>	<u>5,000,000</u>	<u>2,375,000</u>	<u>11,583,333</u>	<u>5,000,000</u>

No options have been granted since the end of the reporting period. There have been no options exercised since the end of the reporting period.

During the reporting period there was no forfeiture or vesting of options granted in previous periods.

**Operating and financial review**

An operating and financial review of the consolidated entity for the financial year ended 30 June 2009 is set out on pages 4 and 5 and forms part of this report.

**Environmental regulation and performance**

The consolidated entity's exploration activities are concentrated in Australia. Environmental obligations are regulated under both State and Federal Laws.

No environmental breaches have been notified by any government agency during the year ended 30 June 2009.

**Significant changes in state of affairs**

There have been no significant changes in the state of affairs of the consolidated entity during the period under review.

### **Likely developments**

The likely developments for the 2010 financial year are contained in the operating and financial review as set out on pages 4 and 5.

The directors are of the opinion that further information as to likely developments in the operations of the consolidated entity would prejudice the interests of the consolidated entity and accordingly it has not been included.

### **Indemnity of directors**

Deeds of Access and Indemnity have been executed by the parent entity with each of the current directors and Company Secretary. The deeds require the Company to indemnify each director and the Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the director or Company Secretary pursuant to, or arising from or in any way connected with the director or Company Secretary being an officer of the Company or its subsidiaries.

### **Proceedings on behalf of the Company**

No person has applied for leave to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### **Principal activities**

During the course of the 2009 financial year the consolidated entity's principal continuing activities were directed towards mineral exploration and investment.

### **Events subsequent to reporting date**

On 2 July 2009 the Company was issued 12,416,101 fully paid ordinary shares in Luiiri Gold Limited on conversion of its A\$300,000 Convertible Note, in conjunction with subscribing for 10,226,851 fully paid ordinary shares in that Company at an issue price of C\$0.12 per share.

On 30 July 2009 the Company paid C\$1,137,168 to subscribe for 9,476,399 shares in Luiiri Gold Limited as the 2nd tranche of its agreed placement.

Other than the above no matter or circumstance has arisen since 30 June 2009 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- (i) the consolidated entity's operations, or
- (ii) the results of those operations, or
- (iii) the consolidated entity's state of affairs.

## **Remuneration report**

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

### *Principles used to determine the nature and amount of compensation*

The Board determines remuneration policies and practices, evaluates the performance of senior management, and considers remuneration for those senior managers. The Board assesses the appropriateness of the nature and amount of remuneration on an annual basis by reference to industry and market conditions, and with regard to the Company's financial and operating performance.

Total non-executive directors' fees are approved by shareholders and the Board is responsible for the allocation of those fees amongst the individual members of the Board.

The value of remuneration is determined on the basis of cost to the Company and consolidated entity.

Remuneration of directors and executives is referred to as compensation, as defined in Accounting Standard AASB 124.

Compensation levels for key management personnel of the Company and consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board obtains, when required, independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally.

Compensation arrangements 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.

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 consolidated entity's performance (including earnings and the growth in share price), and the amount of any incentives within each executive's remuneration.

Given the consolidated entity's focus on new projects during the year, the Board did not have regard to the consolidated entity's performance and change in shareholder wealth occurring in the current financial year and previous three financial years in setting remuneration. No dividends were paid or declared during this period (2008: Nil).

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.

### *Fixed compensation*

Fixed compensation consists of base compensation as well as any employer contributions to superannuation funds. Base compensation may be supplemented by an element of equity based compensation.

### *Non-executive directors*

Total remuneration for all non-executive directors, last voted upon by shareholders at a General Meeting in November 2001, is not to exceed \$250,000 per annum. A non-executive director's base fee is currently \$30,000 per annum. The Chairman receives \$150,000 per annum.

Non-executive directors do not receive any performance related remuneration. Directors' fees cover all main Board activities and membership of Board committees. The Company does not have any terms or schemes relating to retirement benefits for non-executive directors. Non-executive directors receive share-based compensation at the discretion of the Board, and subject to approval by shareholders.

**Remuneration report (continued)**

*Short-term bonus*

Performance linked compensation is awarded when key management personnel have met the expectation of the Board which, as a whole, is responsible for the remuneration arrangements of the directors and executives of the Company. The short term bonus is an "at risk" bonus provided in the form of cash. The award of the cash bonus is at the Board's discretion.

The award of a cash bonus to the Executive Chairman and Executive Director during the period reflected the significant time and effort directed applied towards the Company's new venture activities.

*Service contracts*

The contract duration, period of notice, and termination conditions for key management personnel are as follows:

- (i) Declan Franzmann, Executive Director, is engaged through a Consultancy Agreement expiring 31 October 2011. Termination by the Company is with 12 months notice or payment in lieu thereof. Termination by the consultant is with 3 months notice.
- (ii) Robert Anderson, Company Secretary and Chief Financial Officer, is engaged through a Consultancy Agreement expiring 31 July 2010. Termination by the Company is with 6 months notice or payment in lieu thereof. Termination by the consultant is with 3 months notice.
- (iii) Michael McMullen, Executive Chairman, is engaged through a Consultancy Agreement expiring 31 July 2010. Termination by the Company is with 12 months notice or payment in lieu thereof. Termination by the consultant is with 3 months notice.
- (iv) Kees Dekker, Regional Manager – Southern Africa, is engaged through an employment agreement with no fixed expiry date. Termination by the Company is with 1 month's notice or payment in lieu thereof. Termination by the consultant is with 1 month's notice.

*Directors' and key management personnel remuneration, Company and consolidated*

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named Company and key management personnel receiving the highest remuneration are set out on the following page.

The fair value of options is calculated at the date of grant using the Black-Scholes Option Pricing Model. The following factors and assumptions were used in determining the fair value of options during the year. There were no options issued in the prior year.

Grant date	Expiry date	Fair value per option	Exercise price	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
<i>2009</i>							
10/07/2008	20/04/2010	\$0.016	\$0.025	\$0.035	55%	6.75%	0%
10/07/2008	20/04/2011	\$0.014	\$0.035	\$0.035	53%	6.75%	0%

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**DIRECTORS' REPORT**

**Remuneration report (continued)**

*Directors' and executive officers' remuneration, Company and consolidated (continued)*

Name	Short term		Share based	Post employment	Total (\$)	Proportion of remuneration performance related (%)	Value of options as a % of remuneration (%)
	Salary and fees (\$)	Bonus (\$)	Options (\$)	Superannuation contributions (\$)			
<b>Directors</b>							
<i>Non-Executive</i>							
Mr TE Duckworth							
2009	-	-	-	\$30,000	\$30,000	-	-
2008	-	-	-	\$22,973	\$22,973	-	-
Mr HJL Bohannan							
2009	-	-	-	\$30,000	\$30,000	-	-
2008	-	-	-	\$22,973	\$22,973	-	-
<i>Executive</i>							
MJ McMullen (Executive Chairman)							
2009	\$150,000	\$75,000	-	-	\$225,000	33.3%	-
2008	\$137,500	-	-	-	\$137,500	-	-
Mr DT Franzmann (Executive Director)							
2009	\$86,125	\$75,000	-	-	\$161,125	46.5%	-
2008	\$137,500	-	-	-	\$137,500	-	-
Mr GC Steinepreis, resigned 23/10/07							
2008	\$15,000	-	-	-	\$15,000	-	-
Mr DC Steinepreis, resigned 15/10/07							
2008	\$15,000	-	-	-	\$15,000	-	-
Mr PR Hearne, resigned 15/10/07							
2008	\$15,000	-	-	-	\$15,000	-	-
<b>Executive Officers</b>							
Mr RA Anderson (CFO/Company Secretary)							
2009	\$100,000	-	-	-	\$100,000		
2008	\$91,667	-	-	-	\$91,667	-	-
Mr K Dekker (Regional Manager – Southern Africa)							
2009	\$118,417	\$14,289	\$75,349	-	\$208,055	-	36.2%
2008	\$12,871	-	-	-	\$12,871	-	-
Total compensation: key management personnel (Company and Consolidated)							
2009	\$454,542	\$164,289	\$75,349	\$60,000	\$754,180		
2008	\$424,538	-	-	\$45,946	\$470,484		

Directors' fees are paid or payable to the director or a director related entity.

**Remuneration report (continued)**

*Equity instruments*

(i) Shares

No shares of the Company were granted as compensation to key management personnel during the reporting period (2008: Nil).

(ii) Options over equity instruments granted as compensation

The following options over unissued ordinary shares of the Company were granted to key management personnel during the reporting period.

<i>Executive Officer</i>	Expiry Date	Exercise price	Date issued	Vesting date	Number
K Dekker	20/04/10	\$0.025	10/7/08	9/7/08	2,500,000
K Dekker	20/04/11	\$0.035	10/7/08	20/4/09	2,500,000

There were no options over ordinary shares in the Company granted as compensation to key management personnel during the prior reporting period. No options have been granted since the end of the financial year, nor have any options held by key management personnel been exercised during or since the end of the reporting period. During the reporting period there was no forfeiture or vesting of options granted in previous periods.

Details of options that expired during the period are set out on page 10.

The movement during the reporting period, by value, of options over ordinary shares for each company director and key management person and granted as part of remuneration is detailed below:

<i>Executive Officer</i>	Granted in year (\$)	Value of Options		Total value in year (\$)
		Exercised in year (\$)	Forfeited in year (\$)	
K Dekker	75,349	-	-	75,349

The value of options granted during the year is the fair value of the options at grant date using the Black-Scholes Option Pricing Model.

The value of options exercised during the year is calculated as the market price of shares of the Company on ASX Limited as at close of trading on the date the options were exercised, after deducting the price paid to exercise the options or repay the loan.

Signed in accordance with a resolution of the directors.



**DT Franzmann  
Executive Director**

Perth 4th August 2009

## Auditor's Independence Declaration

As lead auditor for the audit of Lachlan Star Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lachlan Star Limited and the entities it controlled during the period.



Pierre Dreyer  
Partner  
PricewaterhouseCoopers

Perth  
4 August 2009

**INCOME STATEMENTS**

For the year ended 30 June 2009

	Notes	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Other revenue</b>	4	500,624	114,634	500,568	112,981
Impairment writedown on exploration asset	7	-	(5,214,594)	-	-
Impairment writedown on financial asset	11	-	-	(5,109)	(5,291,561)
Corporate compliance costs		(50,010)	(75,980)	(50,132)	(75,980)
Corporate management fees and salaries		(454,935)	(351,362)	(454,935)	(299,279)
Financial assets fair valued through profit and loss		122,990	-	122,990	-
Occupancy costs		(19,593)	(34,009)	(19,593)	(25,694)
New venture expenditure		(417,062)	(141,596)	(417,062)	(141,596)
Other		(89,262)	(173,107)	(83,975)	(154,885)
<b>Loss before income tax</b>		(407,248)	(5,876,014)	(407,248)	(5,876,014)
Income tax expense	8	-	-	-	-
<b>Loss from operations attributable to members of the parent entity</b>		(407,248)	(5,876,014)	(407,248)	(5,876,014)
Basic and diluted loss per share from operations (cents per share)	9	(0.04)	(0.88)		

*The above income statements should be read in conjunction with the accompanying notes to the financial statements.*

**BALANCE SHEETS**

As at 30 June 2009

	Notes	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Current assets</b>					
Cash and cash equivalents	17(b)	8,461,832	9,862,678	8,457,682	9,835,534
Other receivables	10	443,246	153,927	420,015	84,945
Financial assets at fair value through profit and loss	11	540,000	-	540,000	-
<b>Total current assets</b>		<b>9,445,078</b>	<b>10,016,605</b>	<b>9,417,697</b>	<b>9,920,479</b>
<b>Non-current assets</b>					
Other financial assets	11	-	-	2,547,027	2,493,175
Exploration and evaluation	12	2,509,773	2,417,521	-	-
Property, plant and equipment	13	9,922	12,736	-	-
<b>Total non-current assets</b>		<b>2,519,695</b>	<b>2,430,257</b>	<b>2,547,027</b>	<b>2,493,175</b>
<b>Total assets</b>		<b>11,964,773</b>	<b>12,446,862</b>	<b>11,964,724</b>	<b>12,413,654</b>
<b>Current liabilities</b>					
Trade and other payables	14	125,398	308,833	125,349	275,625
Employee benefits		9,881	-	9,881	-
<b>Total current liabilities</b>		<b>135,279</b>	<b>308,833</b>	<b>135,230</b>	<b>275,625</b>
<b>Total liabilities</b>		<b>135,279</b>	<b>308,833</b>	<b>135,230</b>	<b>275,625</b>
<b>Net assets</b>		<b>11,829,494</b>	<b>12,138,029</b>	<b>11,829,494</b>	<b>12,138,029</b>
<b>Equity</b>					
Contributed equity	15(a)	146,105,016	146,081,187	146,105,016	146,081,187
Reserves		75,349	465	75,349	465
Accumulated losses	15(c)	(134,350,871)	(133,943,623)	(134,350,871)	(133,943,623)
<b>Total equity</b>		<b>11,829,494</b>	<b>12,138,029</b>	<b>11,829,494</b>	<b>12,138,029</b>

*The above balance sheets should be read in conjunction with the accompanying notes to the financial statements.*

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2009

Consolidated

	Contributed equity \$	Accumulated losses \$	Share based payments reserve \$	Total \$
<b>Balance at 30 June 2007</b>	129,320,833	(128,067,609)	667	1,253,891
Shares issued for cash, net of transaction costs	9,570,645	-	-	9,570,645
Premium received on option issue	202	-	(202)	-
Shares issued on acquisition of subsidiary	7,189,507	-	-	7,189,507
Loss for the year / total recognised income and expense for the year	-	(5,876,014)	-	(5,876,014)
<b>Balance at 30 June 2008</b>	146,081,187	(133,943,623)	465	12,138,029
Shares issued on exercise of options	23,750	-	-	23,750
Share based payments	-	-	75,349	75,349
Premium received on option issue	79	-	(79)	-
Premium expensed on option expiry	-	-	(386)	(386)
Loss for the year / total recognised income and expense for the year	-	(407,248)	-	(407,248)
<b>Balance at 30 June 2009</b>	146,105,016	(134,350,871)	75,349	11,829,494

*The above statements of changes in equity should be read in conjunction with the accompanying notes to the financial statements.*

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2009

Company

	Contributed equity \$	Accumulated losses \$	Share based payments reserve \$	Total \$
<b>Balance at 30 June 2007</b>	129,320,833	(128,067,609)	667	1,253,891
Shares issued for cash, net of transaction costs	9,570,645	-	-	9,570,645
Premium received on option issue	202	-	(202)	-
Shares issued on acquisition of subsidiary	7,189,507	-	-	7,189,507
Loss for the year / total recognised income and expense for the year	-	(5,876,014)	-	(5,876,014)
<b>Balance at 30 June 2008</b>	146,081,187	(133,943,623)	465	12,138,029
Shares issued on exercise of options	23,750	-	-	23,750
Share based payments	-	-	75,349	75,349
Premium received on option issue	79	-	(79)	-
Premium expensed on option expiry	-	-	(386)	(386)
Loss for the year / total recognised income and expense for the year	-	(407,248)	-	(407,248)
<b>Balance at 30 June 2009</b>	146,105,016	(134,350,871)	75,349	11,829,494

*The above statements of changes in equity should be read in conjunction with the accompanying notes to the financial statements.*

**CASHFLOW STATEMENTS**

For the year ended 30 June 2009

	Notes	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash flows from operating activities</b>					
Receipts from customers and GST recovered		136,520	263,185	102,252	52,141
Payments to suppliers and employees		(1,091,745)	(886,865)	(1,080,794)	(575,519)
Interest received		441,737	160,629	441,681	158,975
<b>Net cash flows used in operating activities</b>	17(a)	<b>(513,488)</b>	<b>(463,051)</b>	<b>(536,861)</b>	<b>(364,403)</b>
<b>Cash flows from investing activities</b>					
Exploration and evaluation expenditure		(105,328)	(490,921)	-	-
Acquisition of property, plant and equipment		-	(6,985)	-	-
Acquisition of financial assets		(470,000)	-	(470,000)	-
Loans to third parties		(300,000)	-	(300,000)	-
Cash acquired on acquisition of subsidiary	6	-	28,470	-	-
Net investment in related entities		-	-	(58,961)	(595,228)
<b>Net cash flows used in investing activities</b>		<b>(875,328)</b>	<b>(469,436)</b>	<b>(828,961)</b>	<b>(595,228)</b>
<b>Cash flows from financing activities</b>					
Proceeds from share placements		-	10,050,000	-	10,050,000
Proceeds from exercise of share options		-	84,167	-	84,167
Payment of share issue costs		(12,030)	(527,742)	(12,030)	(527,742)
<b>Net cash flows (used in) / from financing activities</b>		<b>(12,030)</b>	<b>9,606,425</b>	<b>(12,030)</b>	<b>9,606,425</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(1,400,846)</b>	<b>8,673,938</b>	<b>(1,377,852)</b>	<b>8,646,794</b>
Cash and cash equivalents at the beginning of the financial year		9,862,678	1,188,740	9,835,534	1,188,740
<b>Cash and cash equivalents at the end of the financial year</b>	17(b)	<b>8,461,832</b>	<b>9,862,678</b>	<b>8,457,682</b>	<b>9,835,534</b>

There were no non-cash investing activities during the current or prior year.

There were no non-cash financing activities during the current year. For non-cash financing activities in the prior year refer to Note 6.

*The above cashflow statements of should be read in conjunction with the accompanying notes to the financial statements.*

**1. Reporting entity**

This financial report covers both the separate financial statements of Lachlan Star Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Lachlan Star Limited and its subsidiaries. The functional and presentation currency of the financial report is Australian dollars. The financial report was authorised for issue by the directors on 3rd August 2009.

Lachlan Star Limited is a company limited by shares, incorporated and domiciled in Australia. It's Registered Office and principal place of business is:

Lachlan Star Limited  
Level 3, 3 Ord Street  
Perth WA 6005

**2. Basis of preparation of the financial report**

*Statement of compliance*

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations), as adopted by the Australian Accounting Standards Board ("AASB"), other authoritative pronouncements of the AASB, Urgent Issues Group Interpretations, and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Lachlan Star Limited complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. Comparative information is reclassified where appropriate to enhance comparability.

*Basis of measurement*

The financial report is prepared on a historical cost basis as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

*Going concern*

The consolidated financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and discharge of liabilities in the ordinary course of business.

## 2. Basis of preparation of the financial report (continued)

### *Use of estimates and judgements*

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

### Key estimate – impairment

The company and consolidated entity assess impairment at each reporting date by evaluating specific conditions that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

### Key estimate - exploration, evaluation and development of mineral resources

Determining the carrying amount may require management to (i) estimate whether the project is in the exploration and evaluation or development phase, and; (ii) make assumptions regarding the expected future cash generation of the assets, discount rates to be applied, and the expected period of benefits.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by all entities in the consolidated entity.

### (a) Basis of consolidation

#### *Subsidiaries*

The consolidated financial report comprises the financial statements of the Company and its controlled entities. A controlled entity is any entity controlled by the Company whereby the parent entity has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those applied by the parent entity.

Where a subsidiary enters or leaves the consolidated entity during the year, its operating results are included or excluded from the date control was obtained or until the date control ceased.

Investments in subsidiaries are carried at cost in the Company's financial statements.

### (b) Recoverable amount of assets and impairment testing

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment by estimating their recoverable amount.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such an indicator exists, a formal assessment of recoverable amount is then made. Where this is less than carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the income statement.

### 3. Significant accounting policies (continued)

#### (c) Other receivables

Other receivables are stated at amortised cost or fair value.

#### (d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments that are operating in other economic environments.

#### (e) Income tax

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items adjusted by changes in deferred tax assets and liabilities. It is calculated using tax rates that have been enacted or are substantively enacted by balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company / consolidated entity intends to settle its current tax assets and liabilities on a net basis.

#### *Tax consolidation*

The Company and its wholly-owned Australian resident controlled entities formed a tax-consolidated group with effect from 1 July 2007 and are therefore taxed a single entity from that date. Lachlan Star Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

#### (f) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the consolidated entity's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area or by its sale, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 3(b).

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine properties.

### 3. Significant accounting policies (continued)

#### (g) Share based payments – shares and options

The fair value of shares and share options granted as compensation is recognised as an expense with a corresponding increase in equity. Fair value is measured at grant date and recognised over the period during which the grantees become unconditionally entitled to the shares or share options. The fair value of share grants at grant date is determined by the share price at that time. The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, any vesting and performance criteria, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. Upon the exercise of the option, the balance of the share-based payments reserve relating to the option is transferred to contributed equity.

#### (h) Employee benefits

Liability for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' service provided to reporting date and are calculated at undiscounted amounts based on remuneration rates including related on-costs such as workers compensation insurance and payroll tax.

#### (i) Property, plant and equipment

##### *Recognition and measurement*

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### *Impairment*

The carrying amount of property, plant and equipment is reviewed whenever there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part. Impairment testing is carried out in accordance with Note 3(b).

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

##### *Depreciation and impairment*

Depreciation on plant and equipment is calculated on a straight line basis at 20% (2008: 20%) over the expected useful life to the consolidated entity commencing from the time the asset is held ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

#### (j) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

### 3. Significant accounting policies (continued)

#### (k) Earnings per share

The consolidated entity presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to equity holders of the Company by the weighted number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options granted.

#### (l) Investments and other financial assets

The consolidated entity determines the classification of its financial instruments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Fair value is inclusive of transaction costs except for financial assets and liabilities at fair value through profit and loss. Changes in fair value are either taken to the income statement or to an equity reserve (refer below). Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in the income statement.

##### *(i) Financial assets at fair value through profit and loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

##### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment losses.

##### *(iii) Held-to-maturity investments*

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Held-to-maturity investments are stated at amortised cost using the effective interest rate method.

##### *(iv) Available-for-sale financial assets*

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not included in any of the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity in an available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

#### (m) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3. Significant accounting policies (continued)

#### (n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (o) Trade and other payables

Trade and other payables are stated at amortised cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 45 days of recognition.

#### (p) Revenue recognition

Interest revenue on funds invested is recognised as it accrues on a time proportion basis, using the effective interest rate method.

#### (q) Borrowing costs

Interest expenses comprise interest expense on borrowings and the unwinding of the discount on provisions.

#### (r) Foreign currency

##### *Functional and presentation currency*

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance sheet date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

#### (s) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The consolidated entity's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

##### *(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)*

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments.

The consolidated entity will adopt AASB 8 from 1 July 2009. It is likely to result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

**3. Significant accounting policies (continued)**

**(s) New standards and interpretations not yet adopted (continued)**

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the consolidated entity.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The consolidated entity will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations* (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The consolidated entity will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the consolidated entity's share-based payments.

(v) Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The consolidated entity will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009)

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The consolidated entity will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

**3. Significant accounting policies (continued)**

**(s) New standards and interpretations not yet adopted (continued)**

(vii) AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The consolidated entity will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(viii) AASB Interpretation 15 *Agreements for the Construction of Real Estate* (effective 1 January 2009)

AASB-I 15 clarifies whether AASB 118 *Revenue* or AASB 111 *Construction Contracts* should be applied to particular transactions. The consolidated entity intends to apply the interpretation from 1 July 2009. It has no current agreements for the sale of real estate and, consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.

(ix) AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (effective 1 October 2008)

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the consolidated entity. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The consolidated entity will apply the interpretation prospectively from 1 July 2009. It is not expected to have an impact on the consolidated entity's financial statements.

(x) AASB 2008-8 Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* (effective 1 July 2009)

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The consolidated entity will apply the amended standard from 1 July 2009. It is not expected to have an impact on the consolidated entity's financial statements.

(xi) AASB Interpretation 17 *Distribution of Non-cash Assets to Owners* and AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17*

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The consolidated entity will apply the interpretation prospectively from 1 July 2009. It is not expected to have an impact on the consolidated entity's financial statements.

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	2009	2008	2009	2008
	\$	\$	\$	\$
<b>4. Other revenue</b>				
Interest income	500,624	114,634	500,568	112,981
	<u>500,624</u>	<u>114,634</u>	<u>500,568</u>	<u>112,981</u>

**5. Auditors' remuneration**

*Audit and review services:*

Auditors of the Company	38,500	25,500	38,500	25,500
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*Other services:*

Auditors of the Company:

Acquisition accounting advice	-	12,000	-	12,000
Taxation services	-	24,600	-	24,600

	<u>38,500</u>	<u>62,100</u>	<u>38,500</u>	<u>62,100</u>
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**6. Acquisition of assets**

On 9 August 2007 the Company announced that it had reached agreement to acquire 100% of the issued capital of Ord Investments Pty Ltd ("Ord"), a copper exploration company.

Since Ord Investments Pty Ltd ("Ord") did not qualify as a "business" as defined in AASB 3 *Business Combinations* at the date of purchase, the acquisition has been treated as an asset acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

Lachlan issued 264,475,352 shares to the shareholders of Ord for a total value of \$5,289,507 to acquire 100% of the issued share capital of Ord, and furthermore issued 95 million ordinary shares to Straits Resources Limited ("Straits") for a total value of \$1,900,000 to support Ord in acquiring the Bushranger EL from Straits. The total fair value of consideration paid by Lachlan to acquire 100% of Ord and the Bushranger EL from Straits was \$7,189,507, allocated as follows:

	(\$)
Cash	28,470
Other receivables	220,009
Property, plant and equipment	7,117
Exploration and evaluation	7,125,324
Trade and other payables	<u>(191,413)</u>
Net assets acquired	<u>7,189,507</u>

**7. Impairment of assets**

The prior period consolidated entity impairment loss of \$5,214,594 reflects the writedown of an exploration and evaluation asset acquired during that period and recognised using the fair value of the consideration paid to acquire the asset, to a value that reflected the fair value of the asset supported by an arms length purchase price and additional costs incurred. The impairment provision has been shown separately in the income statement. Movements in the provision for impairment on exploration and evaluation assets are as disclosed in Note 12.

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	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>8. Income tax expense</b>				
<i>Numerical reconciliation of income tax expense to prima facie tax expense:</i>				
Loss before income tax expense	(407,248)	(5,876,014)	(407,248)	(5,876,014)
Prima facie income tax benefit on pre-tax loss at the Australian income tax rate of 30% (2008: 30%)	(122,174)	(1,762,804)	(122,174)	(1,762,804)
Tax effect of:				
Impairment writedowns	-	1,564,377	1,533	1,587,468
Non deductible costs	91,014	41,032	91,014	41,032
Non assessable income	(3,797)	-	(3,797)	-
Share based payments expenses	22,489	-	22,489	-
Equity raising costs	(47,083)	-	(47,083)	-
Revaluation of financial assets fair valued through profit and loss	(36,897)	-	(36,897)	-
Current year tax benefit not brought to account	96,448	157,395	94,915	134,304
Income tax expense	-	-	-	-

*Unrecognised net deferred tax assets*

Deferred tax assets have not been recognised in respect of the following items (refer Note 3(e)):

Deductible temporary differences	84,406	194,989	84,406	183,102
Tax losses	96,448	361,143	94,915	357,310
	180,854	556,132	179,321	540,412

**9. Earnings per share**

	Number	
	2009	2008
<i>Weighted average number of ordinary shares:</i>		
1 July	1,077,492,371	359,475,352
Shares issued on acquisition of subsidiary	-	256,064,635
Share placements for cash	-	53,616,438
Shares issued on exercise of options	2,361,986	1,869,635
30 June (basic and diluted)	1,079,854,357	671,026,060
<i>Loss attributable to ordinary shareholders for basic and diluted loss per share:</i>	(\$407,248)	(\$5,876,014)

All potential ordinary shares, being options to acquire ordinary shares, are not considered dilutive in the calculation of earnings per share from continuing operations as the exercise of the options would not decrease the earnings per share or increase the loss per share.

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	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>10. Other receivables</b>				
<i>Current</i>				
Other receivables	90,256	153,927	67,025	84,945
Amount receivable from third parties	352,990	-	352,990	-
	<u>443,246</u>	<u>153,927</u>	<u>420,015</u>	<u>84,945</u>

**11. Financial assets**

<i>Current</i>				
Financial assets designated at fair value through profit and loss	540,000	-	540,000	-
	<u>540,000</u>		<u>540,000</u>	
<i>Non-current</i>				
Investment in controlled entities – at cost	-	-	7,843,697	7,784,736
Impairment writedown	-	-	(5,296,670)	(5,291,561)
	<u>-</u>	<u>-</u>	<u>2,547,027</u>	<u>2,493,175</u>

The Company's investment in a controlled entity with a nominal value of \$7,843,697 (2008: \$7,784,736) is impaired. The amount of the provision is \$5,296,670 (2008: \$5,291,561). The investment relates to the investment in the Company's subsidiary, Ord Investments Pty Ltd. The investment in the controlled entity has been written down to its recoverable amount. The net assets of the subsidiary are used in determining the recoverable amount. The impairment provision has been shown separately in the income statement. Movements in the provision for impairment are as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at beginning of financial year	-	-	5,291,561	-
Impairment provision recognised during the year	-	-	5,109	5,291,561
Balance at end of financial year	<u>-</u>	<u>-</u>	<u>5,296,670</u>	<u>5,291,561</u>

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	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>12. Exploration and evaluation</b>				
Balance at beginning of financial year	2,417,521	-	-	-
Additions	92,252	7,632,115	-	-
Impairment loss	-	(5,214,594)	-	-
Balance at end of financial year	<u>2,509,773</u>	<u>2,417,521</u>	-	-
Carrying amount	<u>2,509,773</u>	<u>2,417,521</u>	-	-

Movements in the provision for impairment are as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at beginning of financial year	5,214,594	-	-	-
Impairment provision recognised during the year	-	5,214,594	-	-
Balance at end of financial year	<u>5,214,594</u>	<u>5,214,594</u>	-	-

**13. Property, plant and equipment**

*Cost:*

*Fixtures and Fittings*

Balance at beginning of financial year	14,102	-	-	-
Acquired on acquisition of subsidiary	-	7,117	-	-
Additions	-	6,985	-	-
Balance at end of financial year	<u>14,102</u>	<u>14,102</u>	-	-

*Accumulated depreciation:*

*Fixtures and Fittings*

Balance at beginning of financial year	1,366	-	-	-
Depreciation charge for year	2,814	1,366	-	-
Balance at end of financial year	<u>4,180</u>	<u>1,366</u>	-	-
Carrying amount	<u>9,922</u>	<u>12,736</u>	-	-

**14. Trade and other payables**

*Current*

Trade payables – third parties	82,398	172,688	82,348	155,351
Trade payables – related parties	7,500	15,000	7,500	15,000
Non-trade payables and accrued expenses	35,500	121,145	35,501	105,274
	<u>125,398</u>	<u>308,833</u>	<u>125,349</u>	<u>275,625</u>

All trade and other payables are expected to be settled with 12 months. Information on the consolidated entity's and parent entity's exposure to currency risk is provided in Note 24.

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	Company and Consolidated 2009		Company and Consolidated 2008	
	Number	\$	Number	\$
<b>15. Capital and reserves</b>				
<i>(a) Contributed equity:</i>				
1 July	1,077,492,371	146,081,187	359,475,352	129,320,833
Options exercised at \$0.01 per share	2,375,000	23,750	6,041,667	60,417
Share based payments reserve	-	79	-	202
Shares issued on acquisition of subsidiary	-	-	359,475,352	7,189,507
Placement for cash at \$0.02 per share	-	-	52,500,000	1,050,000
Placement for cash at \$0.03 per share	-	-	300,000,000	9,000,000
Share issue costs	-	-	-	(539,772)
30 June	<u>1,079,867,371</u>	<u>146,105,016</u>	<u>1,077,492,371</u>	<u>146,081,187</u>

Ordinary shares have the right to one vote per share at meetings of the Company, to receive dividends as declared and, in the event of a winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held. The Company does not have authorised capital or par value in respect of its issued shares.

*(b) Share based payments reserve*

Movements in the share based payments reserve are set out in the Statements of Changes in Equity on pages 19 and 20. This reserve represents the fair value at grant of share options issued. The fair value is recognised as an expense over the vesting period. The reserve is reversed to contributed equity when shares are issued on exercise of the options.

*(c) Accumulated losses*

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
1 July	(133,943,623)	(128,067,609)	(133,943,623)	(128,067,609)
Loss for the year	(407,248)	(5,876,014)	(407,248)	(5,876,014)
30 June	<u>(134,350,871)</u>	<u>(133,943,623)</u>	<u>(134,350,871)</u>	<u>(133,943,623)</u>

**16. Capital and other commitments**

*Capital expenditure commitments within 1 year*

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Exploration and evaluation	152,000	76,000	-	-

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	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>17. Reconciliation of cash flows used in operating activities</b>				
<i>(a) Cash flows used in operating activities</i>				
Loss for the year	(407,248)	(5,876,014)	(407,248)	(5,876,014)
Depreciation	2,814	1,366	-	-
Impairment writedown on exploration asset	-	5,214,594	-	-
Impairment writedown on financial asset	-	-	-	5,289,507
Impairment writedown on receivable	-	-	5,109	2,054
Revaluation of financial assets fair valued through profit and loss	(122,990)	-	(122,990)	-
Share based payments expense	74,963	-	74,963	-
<i>Changes in assets and liabilities:</i>				
Decrease / (increase) in other receivables	43,671	(34,838)	17,920	4,135
(Decrease) / increase in trade and other payables	(114,579)	231,841	(114,496)	215,915
Increase in employee benefit provisions	9,881	-	9,881	-
<i>Net cash flows used in operating activities</i>	<u>(513,488)</u>	<u>(463,051)</u>	<u>(536,861)</u>	<u>(364,403)</u>
<i>(b) Reconciliation of cash and cash equivalents</i>				
Cash at bank and at call	<u>8,461,832</u>	<u>9,862,678</u>	<u>8,457,682</u>	<u>9,835,534</u>

*(c) Risk exposure*

The consolidated entity's and the parent entity's exposure to interest rate risk is discussed in note 24. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

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**18. Consolidated entities**

Name	Country of Incorporation	Ownership interest	
		2009	2008
<i>Legal parent</i>			
Lachlan Star Limited	Australia		
<i>Legal subsidiaries</i>			
Ord Investments Pty Ltd	Australia	100%	100%
Toodyay Uranium Pty Ltd	Australia	100%	100%

**19. Related party disclosures**

*Ultimate parent*

Lachlan Star Limited is the ultimate parent entity.

*Wholly-owned subsidiaries*

During the year ended 30 June 2009 the Company's investment in its subsidiaries totalled \$58,961 (2008: \$2,495,228). The carrying value of investments in controlled entities at 30 June 2009 was \$2,547,027 (2008: \$2,493,175).

*Transactions with related parties*

The Company did not have any other transactions with related parties during the current or prior year other than remuneration to directors and their related parties, as disclosed in the Remuneration Report as set out on pages 12 to 15, and as disclosed in Note 22.

*Other related party balances*

At 30 June 2009 an amount of \$7,500 (2008: \$15,000) is included in Company and consolidated "trade and other payables" for outstanding director fees and expenses.

**20. Events subsequent to reporting date**

On 2 July 2009 the Company was issued 12,416,101 fully paid ordinary shares in Luri Gold Limited on conversion of its A\$300,000 Convertible Note, in conjunction with subscribing for 10,226,851 fully paid ordinary shares in that Company at an issue price of C\$0.12 per share.

On 30 July 2009 the Company paid C\$1,137,168 to subscribe for 9,476,399 shares in Luri Gold Limited as the 2nd tranche of its agreed placement.

Other than the above no matter or circumstance has arisen since 30 June 2009 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- (i) the consolidated entity's operations, or
- (ii) the results of those operations, or
- (iii) the consolidated entity's state of affairs.

**21. Segment information**

*Geographical segment – primary reporting segment*

The consolidated entity was active in mineral exploration and evaluation in Australia and Africa.

*Business segment – secondary reporting segment*

The consolidated entity operates in one business segment only, being mineral exploration, evaluation and investment.

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**21. Segment information (continued)**

*Geographical Segments – primary format*

	<b>Australia</b>		<b>Africa</b>		<b>Consolidated</b>	
	<b>2009 (\$)</b>	<b>2008 (\$)</b>	<b>2009 (\$)</b>	<b>2008 (\$)</b>	<b>2009 (\$)</b>	<b>2008 (\$)</b>
Revenue						
Other revenue	500,624	114,634	-	-	500,624	114,634
Total revenue	500,624	114,634	-	-	500,624	114,634
Segment result						
Result from operations	(60,204)	(5,739,569)	(347,044)	(136,445)	(407,248)	(5,876,014)
Total segment result	(60,204)	(5,739,569)	(347,044)	(136,445)	(407,248)	(5,876,014)
Assets						
Property, plant and equipment	9,922	12,736	-	-	9,922	12,736
Other	11,601,861	12,434,126	352,990	-	11,954,851	12,434,126
Total segment assets	11,611,783	12,446,862	352,990	-	11,964,773	12,446,862
Liabilities						
Total segment liabilities	125,398	243,024	9,881	65,809	135,279	308,833
Other segment information:						
Capital and exploration expenditure	92,252	7,639,100	-	-	92,252	7,639,100
Depreciation	2,814	1,366	-	-	2,814	1,366
Impairment loss	-	5,214,594	-	-	-	5,214,594

## 22. Key management personnel disclosures

### (a) Key management personnel compensation

Key management personnel compensation included in corporate management fees and expenses are as follows:

	Consolidated		Company	
	2009(\$)	2008(\$)	2009(\$)	2008(\$)
Short term benefits	618,831	424,538	618,831	372,455
Post employment	60,000	45,946	60,000	45,946
Share based payments	75,349	-	75,349	-
	<u>754,180</u>	<u>470,484</u>	<u>754,180</u>	<u>418,401</u>

Information regarding individual directors and executives compensation is provided in the Remuneration Report as set out on pages 12 to 15.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

### (b) Other key management personnel transactions

Amounts payable to key management personnel at reporting date in respect of outstanding fees and expenses are as follows:

	Consolidated		Company	
	2009(\$)	2008(\$)	2009(\$)	2008(\$)
<i>Current</i>				
Trade and other payables	62,500	29,296	62,500	29,296

A former director, Mr David Steinepreis, is associated with the entity Ord Street Services. Ord Street Services provided office accommodation and serviced office facilities for the Company and consolidated entity based on normal commercial terms and conditions in the amount of \$Nil (2008:\$20,694). The services were provided on a month to month basis and ceased in September 2007.

### (c) Share options

The movement during the reporting period in the number of options in Lachlan Star Limited held, directly, indirectly or beneficially by each key management person are as follows:

2009

<i>Executive officer</i>	Held at 01/07/08	Issued	Exercised	Held at 30/06/09
K Dekker	-	5,000,000	-	5,000,000

2008

<i>Directors</i>	Held at 01/07/07	Issued	Exercised	Held at 30/06/08 or date of resignation
DC Steinepreis	5,333,333	-	-	5,333,333
GC Steinepreis	8,333,333	-	-	8,333,333

Information regarding individual directors' and executives' compensation is provided in the Remuneration Report as set out on pages 12 to 15.

22. Key management personnel disclosures (continued)

(d) Shares

The movement during the reporting period in the number of ordinary shares in Lachlan Star Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2009			Acquired on acquisition of subsidiary	
<i>Directors</i>	Held at 01/07/08	Net acquired		Held at 30/6/09
DT Franzmann	52,039,171	-	-	52,039,171
MJ McMullen	99,434,464	-	-	99,434,464
TE Duckworth	12,259,326	-	-	12,259,326
HJL Bohannan	22,240,855	-	-	22,240,855
<i>Executive Officers</i>				
RA Anderson	12,359,326			12,359,326
K Dekker	2,500,000	-	-	2,500,000
2008	Held at 01/07/07 or date of appointment	Net acquired	Acquired on acquisition of subsidiary	Held at 30/6/08 or date of resignation
<i>Directors</i>				
DT Franzmann	50,000	500,000	51,489,171	52,039,171
MJ McMullen	247,027	1,107,922	98,079,515	99,434,464
TE Duckworth	-	-	12,259,326	12,259,326
HJL Bohannan	-	1,400,000	20,840,855	22,240,855
DC Steinepreis	16,509,583	-	-	16,509,583
GC Steinepreis	30,176,250	-	-	30,176,250
PR Hearne	6,350,000	-	-	6,350,000
<i>Executive Officers</i>				
RA Anderson	100,000	-	12,259,326	12,359,326
K Dekker	-	2,500,000	-	2,500,000

### 23. Share based payments

The number and weighted average exercise price of share options is as follows:

	2009			2008		
	Weighted average exercise price	Number of options	Expiry date	Weighted average exercise price	Number of options	Expiry date
Outstanding 1 July	\$0.01	13,958,333		\$0.22	20,352,665	
Exercised during the period	\$0.01	2,375,000		\$0.01	6,041,667	
Expired during the period	\$0.01	11,583,333		\$12.21	352,665	
Issued during the period	\$0.03	5,000,000		-	-	
Outstanding 30 June	\$0.03	5,000,000		\$0.01	13,958,333	
Exercisable at 30 June	\$0.03	5,000,000		\$0.01	13,958,333	
Outstanding 30 June comprise:	\$0.025	2,500,000	20/04/10	\$0.01	13,958,333	31/12/08
	\$0.035	2,500,000	20/04/11			

The weighted average share price at the date of exercise for share options exercised during the period was \$0.04 (2008: \$0.045).

The fair value of services received in return for options for both the Company and consolidated entity is measured by reference to the fair value of share options granted using the Black-Scholes model, as set out below.

Fair value of share options and related assumptions	Key management personnel	Key management personnel
	2009	2008
Fair value at measurement date (cents)	1.4 to 1.6	-
Share price at date of issue (cents)	3.5	-
Exercise price (cents)	2.5 to 3.5	-
Expected volatility	53% to 55%	-
Actual option life	21 to 31 months	-
Expected dividends	Nil	-
Risk-free interest rate	6.75%	-
Share-based expense recognised	\$75,349	-

The current year volatility approximates the Company's historic volatility over a 60 day period prior to the option issue and is intended to reflect the movement of the Company's share price volatility towards its peers as its assets mature.

There were no share options issued to other employees in the current or prior period.

Further details of options issued to directors and executives are set out in the Remuneration Report on pages 12 to 15.

## 24. Financial risk management

The consolidated entity's activities expose it to market risk including interest rate risk, credit risk, liquidity risk, currency risk, and price risk

This note presents qualitative and quantitative information about the Company's and consolidated entity's exposure to each of the above risks, their objectives, policies and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The consolidated entity's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in interest and exchange rates.

The consolidated entity uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and ageing analysis for credit risk.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the consolidated entity's development there are no formal targets set for return on capital. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The consolidated entity is not currently exposed commodity price risk.

### (a) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Company or consolidated entity. Neither the parent nor consolidated entity has any trade receivables at June 2009 or June 2008 and has no significant concentration of credit risk. Exposure to credit risk is considered minimal but is monitored on an ongoing basis.

Cash transactions are limited to financial institutions considered to have a suitable credit rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure.

The consolidated entity's maximum exposure to credit risk at the reporting date was:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009(\$)</b>	<b>2008(\$)</b>	<b>2009(\$)</b>	<b>2008(\$)</b>
<i>Carrying amount:</i>				
Cash and cash equivalents	8,461,832	9,862,678	8,457,682	9,835,534
Other receivables	443,246	153,927	420,015	84,945
	<u>8,905,078</u>	<u>10,016,605</u>	<u>8,877,697</u>	<u>9,920,479</u>

### (b) Interest rate risk

The significance and management of the risks to the consolidated entity and the parent entity is dependent on a number of factors including:

- interest rates (current and forward) and the currencies that are held;
- level of cash and liquid investments;
- maturity dates of investments;
- proportion of investments that are fixed rate or floating rate.

The risk is managed by the consolidated entity and parent entity maintaining an appropriate mix between fixed and floating rate investments. All cash assets are held in Australian dollars.

24. Financial risk management (continued)

(b) Interest rate risk (continued)

The consolidated entity's exposure to interest rate risk is considered minimal. The effective interest rates of income-earning financial assets at the reporting date are as follows. There were no interest-bearing financial liabilities.

	Variable rate instruments at call 2009 (\$)	Fixed rate instruments 2009 (\$)	Weighted average effective interest rate 2009	Variable rate instruments at call 2008 (\$)	Fixed rate instruments 2008 (\$)	Weighted average effective interest rate 2008
<i>Consolidated Financial assets</i>						
Cash and cash equivalents	8,461,832	-	3.6%	9,862,678	-	7.5%
Other financial assets	-	352,990	2.0%	-	-	-
<i>Company Financial assets</i>						
Cash and cash equivalents	8,457,682	-	3.6%	9,835,534	-	7.5%
Other financial assets	-	352,990	2.0%	-	-	-

At the reporting date the carrying amount of the Company's and the consolidated entity's interest bearing financial instruments was:

	Consolidated carrying amount		Company carrying amount	
	2009 (\$)	2008 (\$)	2009 (\$)	2008 (\$)
<i>Variable rate instruments</i>				
Financial assets	8,461,832	9,862,678	8,457,682	9,835,434
<i>Fixed rate instruments</i>				
Financial assets	352,990	-	352,990	-

*Sensitivity analysis*

A 10% increase or decrease of in the weighted average year-end interest rate of variable rate instruments, being 36 basis points (2008: 75 basis points), would have increased / (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008:

	Consolidated		Company	
	Equity \$	Profit and loss \$	Equity \$	Profit and loss \$
30 June 2009 increase	32,096	32,096	30,830	30,830
30 June 2009 decrease	(29,565)	(29,565)	(30,830)	(30,830)
30 June 2008 increase	73,856	73,856	73,825	73,825
30 June 2008 decrease	(73,856)	(73,856)	(73,825)	(73,825)

24. Financial risk management (continued)

(c) Fair values

The fair values of financial assets and financial liabilities, together with their carrying amounts shown in the balance sheet, are as follows:

	Carrying amount 2009 (\$)	Fair value 2009 (\$)	Carrying amount 2008 (\$)	Fair value 2008 (\$)
<i>Consolidated</i>				
Cash and cash equivalents	8,461,832	8,461,832	9,862,678	9,862,678
Other receivables	443,246	443,246	153,927	153,927
Other financial assets	540,000	540,000	-	-
Trade and other payables	(125,398)	(125,398)	(308,833)	(308,833)
	<u>9,319,680</u>	<u>9,319,680</u>	<u>9,707,772</u>	<u>9,707,772</u>
<i>Company</i>				
Cash and cash equivalents	8,457,682	8,457,682	9,835,534	9,835,534
Other receivables	420,015	420,015	84,945	84,945
Other financial assets	3,087,027	3,087,027	2,493,175	2,493,175
Trade and other payables	(125,349)	(125,349)	(275,625)	(275,625)
	<u>11,839,375</u>	<u>11,839,375</u>	<u>12,138,029</u>	<u>12,138,029</u>

All trade and other receivables / payables have a life of less than one year, and therefore their carrying amount is deemed to reflect their fair value. The basis for determining fair values is disclosed in Note 3(l).

(d) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as and when they fall due. The consolidated entity's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under a range of financial conditions. Neither the Company nor the consolidated entity currently has any available lines of credit. The following are the contractual maturities of non- derivative financial liabilities:

	Carrying amount (\$)	Contractual cashflows (\$)	6 months or less (\$)
<i>Consolidated 2009</i>			
Trade and other payables	125,398	125,398	125,398
Employee benefits	9,881	9,881	9,881
	<u>135,279</u>	<u>135,279</u>	<u>135,279</u>
<i>Company 2009</i>			
Trade and other payables	125,349	125,349	125,349
Employee benefits	9,881	9,881	9,881
	<u>135,230</u>	<u>135,230</u>	<u>135,230</u>
<i>Consolidated 2008</i>			
Trade and other payables	308,833	308,833	308,833
	<u>308,833</u>	<u>308,833</u>	<u>308,833</u>
<i>Company 2008</i>			
Trade and other payables	275,625	275,625	275,625
	<u>275,625</u>	<u>275,625</u>	<u>275,625</u>

**24. Financial risk management (continued)**

*(e) Currency risk*

The Company has entered into an Investment Agreement with Luiiri Gold Limited ("Luiiri") whereby Lachlan has agreed to invest A\$2.7 million in Luiiri. The investment is denominated in A\$, however the agreed subscription price for Luiiri's shares is denominated in Canadian dollars. At the agreed subscription price the A\$2.7m investment was equivalent to 20,931,750 Luiiri shares. A 10% rise in the A\$ to the C\$ would make the A\$2.7m investment equivalent to 23,024,925 Luiiri shares. A 10% fall in the A\$ to the C\$ would make the A\$2.7m investment equivalent to 18,838,575 Luiiri shares. The Company has also advanced Luiiri A\$300,000 under the terms of a Convertible Note for which the number of shares in Luiiri on conversion is fixed at 2,189,250.

*(f) Price risk*

The consolidated entity is exposed to equity securities price risk. This arises from an investment held by the consolidated entity and classified on the balance sheet at fair value through profit and loss. The equity investment is publicly traded.

To manage price risk arising from investments in equity securities the Company diversifies its portfolio as determined by the Board.

Given the Company only had one investment in listed securities at year end, an ASX listed company, a comparison to movements in the value of this security relative to the movement in any ASX index is not considered relevant and has not been included in a sensitivity analysis.

**LACHLAN STAR LIMITED**  
**ANNUAL REPORT 30 JUNE 2009**  
**DIRECTORS' DECLARATION**

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- (1) In the opinion of the directors of Lachlan Star Limited:
- (a) the financial statements and notes set out on pages 17 to 44 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and
    - (ii) complying with Accounting Standards (and other mandatory professional reporting requirements), the *Corporations Regulations 2001*; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.



**DT Franzmann**  
**Executive Director**

Perth, 4th August 2009

## Independent auditor's report to the members of Lachlan Star Limited

### Report on the financial report

We have audited the accompanying financial report of Lachlan Star Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Lachlan Star Limited and the Lachlan Star Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report. Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Independent auditor's report to the members of  
Lachlan Star Limited (continued)**

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of Lachlan Star Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 12 to 15 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the Remuneration Report of Lachlan Star Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



Pierre Dreyer  
Partner

Perth  
4 August 2009

## **Introduction**

Lachlan Star has in place corporate governance practices that are formally embodied in corporate governance policies and codes adopted by the Board (“the Policies”). The aim of the Policies is to ensure that the Company is effectively directed and managed, that risks are identified, monitored and assessed and that appropriate disclosures are made.

In preparing the Policies, the directors considered the ASX Corporate Governance Council’s “Corporate Governance Principles and Recommendations” (“ASX Principles”). The Board has adopted these ASX Principles, subject to the departures noted below.

The directors incorporated the ASX Principles into the Policies to the extent that they were appropriate, taking into account the Company’s size, the structure of the Board, its resources and its proposed activities. The Board has adopted the following Policies.

### Statement and Charters

- Corporate Governance Statement
- Board Charter
- Audit Committee Charter

### Policies and Procedures

- Code of Conduct
- Trading in Company Securities
- Shareholder Communication Strategy
- Continuous Disclosure Policy
- Safety Policy
- Environmental Policy

As the Company and its activities grow, the Board may implement additional corporate governance structures and committees. The Company’s corporate governance Policies are available on the Company’s website at [www.lachlanstar.com.au](http://www.lachlanstar.com.au).

## **Skills, experience, expertise and term of office of each director**

A profile of each director containing the applicable information is set out in the directors’ report.

## **Statement concerning availability of independent professional advice**

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

## **Number of Audit Committee meetings and names of attendees**

The number of Audit Committee meetings and names of attendees is set out in the directors’ report.

## **Names and qualifications of Audit Committee members**

The names and qualifications of Audit Committee members are set out in the directors’ report.

**Explanations for departures from best practice recommendations**

From 1 July 2008 to 30 June 2009 (the "Reporting Period") the Company complied with each of the eight Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below:

<b>Principle Reference</b>	<b>Recommendation Reference</b>	<b>Notification of Departure</b>	<b>Explanation for Departure</b>
2	2.1	<p>The Board did not comprise a majority of independent directors.</p> <p>The Board currently consists of two independent and two non-independent directors.</p>	<p>The Board considers that the Company is not currently of a size or complexity to require a third independent director. If the Company's activities increase in size, scope and/or nature the appointment of a third independent director will be considered by the Board.</p>
2	2.2	<p>The Chairman is not an independent director.</p>	<p>The Board considers that the Company is not currently of a size or complexity to require an independent Chairman. If the Company's activities increase in size, scope and/or nature the appointment of an independent Chairman will be considered by the Board.</p>
2	2.4	<p>A separate Nomination Committee has not been formed.</p>	<p>The Board considers that the Company is not currently of a size to justify the formation of a Nomination Committee. The Board as a whole undertakes the process of reviewing the skills base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.</p>
4	4.2	<p>The Audit Committee only comprises the Company's two independent non-executive directors.</p> <p>Recommendation 4.2 states that the Audit Committee should contain at least three members.</p>	<p>The Board considers that the Company is not currently of a size or complexity to require a third member of the Audit Committee. If the Company's activities increase in size, scope and/or nature the appointment of a third Audit Committee member will be considered by the Board.</p>

**Explanations for departures from best practice recommendations (continued)**

<b>Principle Reference</b>	<b>Recommendation Reference</b>	<b>Notification of Departure</b>	<b>Explanation for Departure</b>
8	8.1	A separate Remuneration Committee has not been formed.	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. 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.

**Performance evaluation of the Board, its committees and senior executives**

The Board reviews and evaluates the performance of the Board and its committees, which involves consideration of all the Board's key areas of responsibility.

A performance evaluation of senior executives was undertaken during the year, in the case of the Chief Executive by the Board and in all other cases by the Chief Executive Officer and the Chairman.

**Material business risks**

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

**Company's remuneration policies**

The Company's remuneration policies are set out in the Remuneration Report on pages 12 to 15.

The Company has separate remuneration policies for executive and non-executive directors. Non-executive directors receive a fixed fee and, when appropriate, share options. Executive directors receive a salary or fee and, when appropriate, performance based remuneration and share options. The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

**Identification of independent directors**

The Company's two independent directors are considered to be Mr Tom Duckworth and Mr Hamish Bohannan.

Neither of these directors was considered to have a material relationship with the Company or another group member during the Reporting Period as professional advisor, consultant, supplier, customer, or through any other contractual relationship, nor did they have any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company. The Board considers "material" in this context to be where any director related business relationship represents the lesser of at least 5% of the Company's or the director-related business's revenue.

**Equity based remuneration schemes**

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.

**LACHLAN STAR LIMITED**  
**ANNUAL REPORT 30 JUNE 2009**  
**ADDITIONAL SHAREHOLDER INFORMATION**

Additional information required by the ASX Limited ("ASX") Listing Rules and not disclosed elsewhere in this report is set out below.

**a) Shareholdings as at 31 July 2009**

*Substantial shareholders*

The following shareholders have lodged substantial shareholder notices with ASX:

Name of Shareholder	Number of shares	% held
Wildeville Enterprises Pty Ltd	99,434,464	9.23%
Straits Resources Limited	97,000,000	8.98%

*Voting Rights*

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

*Twenty Largest Shareholders*

		Number of shares	% held
1.	Wildeville Enterprises Pty Ltd <McMullen Family A/C>	99,429,560	9.21
2.	Straits Exploration (Australia) Pty Ltd	97,000,000	8.98
3.	Zero Nominees Pty Ltd	73,914,482	8.61
4.	Citraen Pty Ltd <Franzmann Family A/C>	52,039,171	4.82
5.	Macquarie Bank Limited Metals And Energy Capital Division	26,518,653	2.46
6.	Ashwath Mehra	24,518,653	2.27
7.	Mr Hamish Bohannon + Ms Julie Bohannon <Putsborough Super Fund A/C>	20,840,855	1.93
8.	Oakhurst Enterprises Pty Ltd	20,000,000	1.85
9.	Fiske Nominees (EdgeW0001 A/C)	15,000,000	1.39
10.	Helmet Nominees Pty Ltd <Tim Weir Family Fund A/C>	13,971,111	1.29
11.	Emerald Corporation Pty Ltd <F R Blakiston No2 A/C>	12,750,000	1.18
12.	Mrs Lucinda Natalie-Anne Anderson	12,359,326	1.14
13.	Mr Thomas Ernest Duckworth + Mrs Jennifer Audrey Duckworth <Superannuation A/C>	12,259,326	1.14
14.	RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	11,968,000	1.11
15.	Mr Roberto Crisafio	11,000,000	1.02
16.	Fiske Nominees (Baile 012 A/C)	11,000,000	1.02
17.	Helmet Nominees Pty Ltd	10,825,000	1.00
18.	Hazardous Investments Pty Ltd	10,398,366	0.96
19.	HSBC Custody Nominees (Australia) Limited	10,263,835	0.95
20.	Mr David Christian Steinepreis	10,109,583	0.94
	Total	556,165,921	51.50%

**LACHLAN STAR LIMITED**  
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**ADDITIONAL SHAREHOLDER INFORMATION**

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**a) Shareholdings as at 31 July 2009 (continued)**

*Distribution of equity security holders*

Size of Holding			Number of shareholders	Number of fully paid shares
1	to	1,000	491	153,609
1,001	to	5,000	118	240,500
5,001	to	10,000	19	147,293
10,001	to	100,000	534	29,139,325
100,001	and over		659	1,050,186,644
			<b>1,821</b>	<b>1,079,867,371</b>

The number of shareholders holding less than a marketable parcel of ordinary shares is 760.

**b) Unlisted option holdings as at 31 July 2009**

	Unlisted \$0.025 options expiring 20 April 2010	Unlisted \$0.035 options expiring 20 April 2011
Number on issue	2,500,000	2,500,000
Number of holders	1	1
Those holding more than 20% of the class:		
Mr Kees Dekker	2,500,000	2,500,000

**c) On-market buyback**

There is no current on-market buyback.

**d) Interest in mining and exploration permits**

Exploration / Mining Lease	Location	% interest
ML 5831	Princhester, Queensland	100%
ML 5832	Princhester, Queensland	100%
EL 5574	Bushranger, New South Wales	100%