LACHLAN STAR LIMITED

ABN 88 000 759 535

INTERIM FINANCIAL REPORT
31 DECEMBER 2013

CORPORATE DIRECTORY

SG Perry (Non-Executive Chairman)
MJ McMullen (Non-Executive Director)
DT Franzmann (Non-Executive Director)
P Drobeck (Non-Executive Director)

Company Secretary

RA Anderson

Auditors

PricewaterhouseCoopers
Brookfield Place, 125 St Georges Terrace
Perth WA 6840

Bankers

Westpac Banking Corporation
109 St Georges Terrace
Perth WA 6000

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Share Registry

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Securities Exchange Listing

Securities of Lachlan Star Limited are listed on Australian Securities Exchange Limited and the Toronto Stock Exchange.

ASX Code: LSA - ordinary shares
TSX Code: LSA - ordinary shares

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DIRECTORS' REPORT

The directors present their report consisting of Lachlan Star Limited ("Lachlan" or "Company") and the entities it controlled at the end of or during the half-year ended 31 December 2013 together with the consolidated financial report for the half-year ended 31 December 2013, and the independent review report thereon.

Directors

The directors of the Company in office at any time during or since the end of the half-year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Michael McMullen
Declan Franzmann
Scott Perry
Peter Drobeck
Peter Babin (resigned 29 November 2013)

Review of operations

Lachlan is a gold production and copper exploration company with a 100% beneficial interest in an operating gold mine in Chile and a copper exploration project in Australia. Projects within the gold sector provide the Company with an exposure to the gold price, which increased from US$1,192 to US$1,204.50 per ounce over the half-year.

The Company is a public company governed in Australia by the *Corporations Act 2001*, with a listing on both the Australian Securities Exchange (the "ASX") and the Toronto Stock Exchange (the "TSX").

The consolidated entity's net profit after tax for the half-year ended 31 December 2013 was $264,000 (2012: $6,382,000 loss) after recognising:

- a pre-tax profit of $1,822,000 (2012: $8,378,000 loss) from operations at the CMD Gold Mine in Chile after charging depreciation and amortisation of $6,970,000 (2012: $5,142,000). The profit from operations at the CMD Gold Mine in Chile includes the $1,090,000 reversal of a leachpad inventory provision (2012: $1,033,000 provision charged), $6,054,000 of waste costs direct expensed (2012: $15,832,000), and a foreign exchange gain of $132,000 (2012: loss of $1,225,000)
- a non-cash income tax expense of $126,000 (2012: $3,193,000 benefit) arising from the utilisation of a deferred tax asset

CMD

On 24 December 2010 the Company completed the acquisition of the Compania Minera Dayton ("CMD") Gold Mine ("CMD Gold Mine") in Chile and joined the ranks of gold producers. The CMD Gold Mine is located approximately 350km north of Santiago and at an elevation of 1,000 metres. Access to the project is excellent via a sealed road. The mine was developed in 1995 and has produced over 990,000 ounces of gold plus minor copper and silver since opening. It is located immediately adjacent to Teck Resources Limited's large Andacollo copper-gold mine.

Table 1 contains the Key Performance Indicators (KPI's) at CMD Gold Mine for the December 2013 and December 2012 half-years.

Table 1 – KPI's

Item	Unit	6 months ended 31-Dec-13	6 months ended 31-Dec-12	Variance
Ore Mined	dmt	2,750,170	2,436,778	13%
Waste Mined	dmt	4,793,434	8,747,017	-45%
Total Mined	dmt	7,543,604	11,183,795	-33%
Waste:Ore Ratio	t:t	1.74	3.59	-52%
Ore grade Mined	Au g/t	0.58	0.47	23%
Gold Mined	Au oz	51,146	36,514	40%
Ore stacked	dmt	2,807,061	2,220,434	26%
Stacked Grade	Au g/t	0.55	0.48	15%
Gold Stacked	Au oz	49,677	34,075	46%
Average Stacking Rate	dmt/d	15,256	12,068	26%
Silver Produced	Ag oz	36,963	9,379	294%
Gold Produced	Au oz	35,616	24,096	48%
Mining Cost/t moved	US$/t	$2.53	$2.21	14%
Mining Cost/t ore	US$/t	$6.94	$10.18	-32%
Process Cost/t ore stacked	US$/t	$6.93	$8.00	-13%
G+A Cost/t ore	US$/t	$1.22	$1.77	-31%
Total Cost/t ore	US$/t	$15.09	$19.95	-24%
Average Sales Price	USD/oz	$1,299	$1,691	-23%
Cash Cost	USD/oz	$814	$1,109	-27%
Non Cash Inventory Adjustment	USD/oz	$64	($127)	-150%
C1 Cash Cost	USD/oz	$878	$984*	-11%

*Restated from $982, refer Note 13.

Table 2 below reconciles unaudited CMD Gross Operating Profit to consolidated Profit / (Loss) Before Income Tax. CMD Gross Operating Profit equals revenues and dore in process less cost of sales (including waste expensed and amortised), interest and other site expenses and excluding foreign exchange movements, depreciation, exploration and process inventory adjustments.

Table 2 – Reconciliation of unaudited CMD Gross Operating Profit / (Loss) to consolidated Profit / (Loss) Before Income Tax

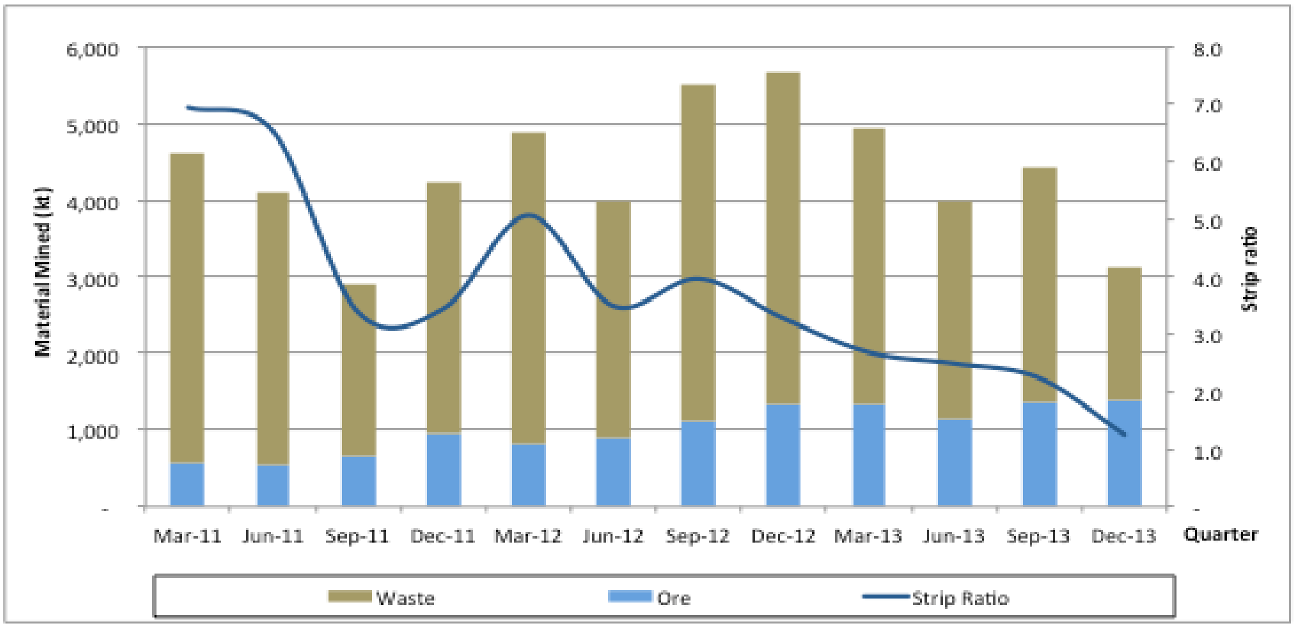
		6 months ended 31 December 2013	(Restated) 6 months ended 31 December 2012
CMD Gross Operating Profit / (Loss) (unaudited)	US$000	6,207	(6,149)
A$ / US exchange rate for the period		0.920	1.039
CMD Gross Operating Profit / (Loss) (unaudited)	A$000	6,744	(5,916)
Process inventory and ROM pad adjustment	A$000	(1,196)	2,146
Depreciation and amortisation	A$000	(3,897)	(3,458)
Foreign exchange gain / (loss)	A$000	132	(1,225)
Revaluation of deferred consideration	A$000	193	82
Net finance (expense) / income	A$000	(305)	114
New venture expenditure written off	A$000	(4)	(139)
Other head office related costs	A$000	(1,277)	(1,179)
Consolidated Profit / (Loss) Before Income Tax (unaudited)	A$000	390	(9,575)

Mining

Total ore mined for the half-year was 2.75 million tonnes for 51,146 contained Au ounces, with a waste to ore ratio of 1.74. Ore was principally sourced from the Tres Perlas and Chisperos pits with 15% of ore purchased from third parties.

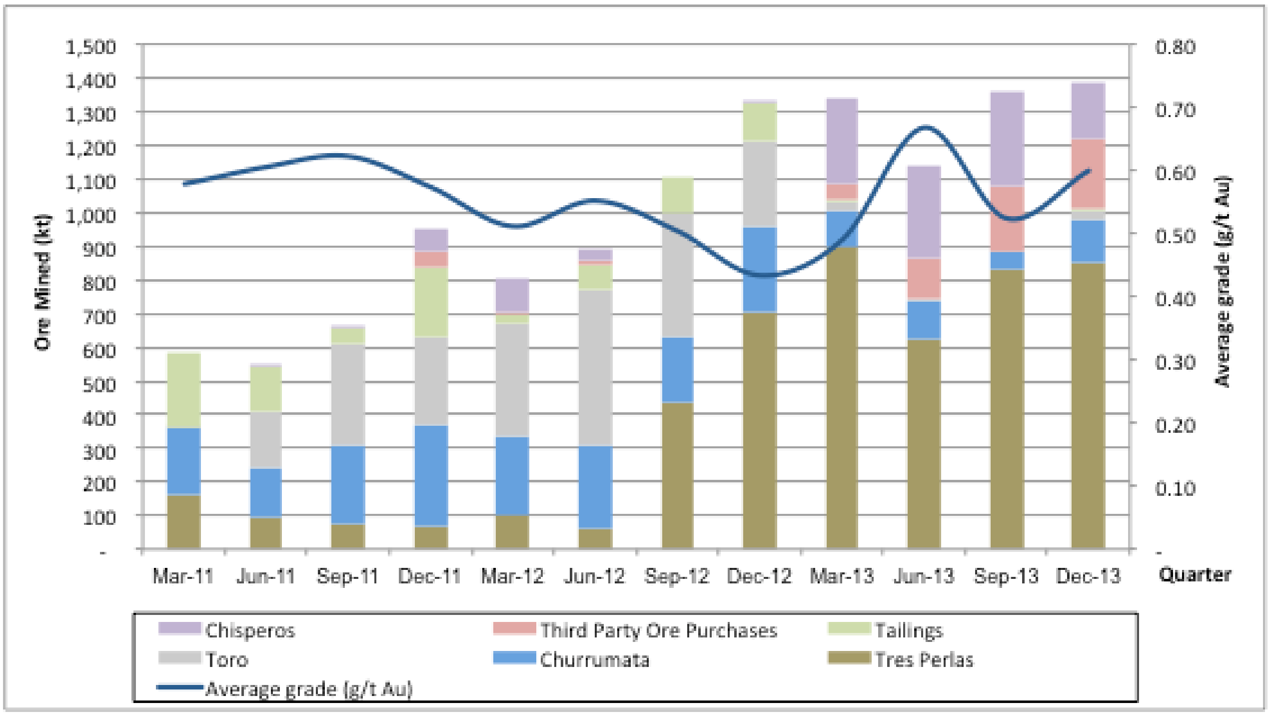
Figure 1 shows the mining rate and strip ratio by quarter since the Company acquired the project.

Figure 1 – Material Mined and Waste to Ore Ratio by Quarter



The waste to ore ratio decreased again during this period to 1.74 to 1 and is a new low under the Company's ownership. Figure 1 shows a steady and continuing decrease in the strip ratio as operations are focused more on the Tres Perlas open pit, which is expected to have a life of mine waste to ore ratio of about 1:1. This has allowed to Company to increase the tonnes of ore mined with the same equipment, contributing to the decreasing cash costs of production.

Figure 2 – Ore Mined by Pit and Quarter



Ounces mined during the December 2013 half-year increased 40% over the prior corresponding period. As mining of the Tres Perlas pit continues to the north and in the deeper parts of the pit, the grade continues to increase as expected, which in turn has had a positive impact on ounces mined.

Average mined grades improved considerably from 0.47 g/t to 0.58 g/t Au, an increase of 24% from the prior corresponding period. Grades from the Chisperos pit were slightly lower than budget in the month of December, which was compensated by the increased contribution of the thirty party ore purchases –one of the main contributors to the increase in mined grade.

The Company continues to develop its relationships with small miners in the area and has continued its ore purchasing program. This program provides a net positive effect to employment and economic sustainability within the community, and allows the Company to prolong the ultimate life of the operation. The Company has also realised value in mixing on-site old tailings with new ore, resulting in decreased mining costs.

Processing

Ore tonnage stacked was up 26% over the prior corresponding period to a new record under the Company's ownership. Gold ounces stacked were also up 46% to another record under the company's ownership. The increased ounces stacked were the result of higher plant throughput as increased availabilities were achieved.

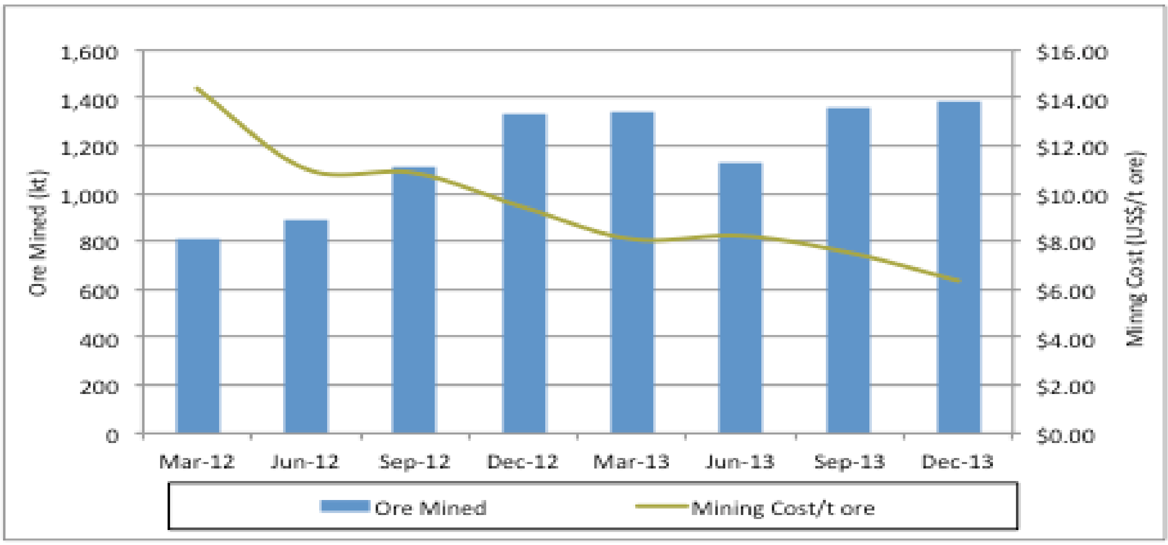
Gold recovery has increased over the period to be in excess of 77%, up from 73% historically. This has been achieved through the addition of a pre-cyanidation circuit, improved ADR efficiencies and a more favourable ore blend.

Mining Costs

Unit mining costs increased to US$2.53 per tonne moved (from US$2.21 per tonne the previous corresponding period), due to the impact of higher tariffs paid for ore purchases associated with their higher grades, however the mining cost per tonne of ore was reduced by 32% to US$6.94 as a result of the reduced waste to ore ratio. The unit mining rate includes the cost of buying third party ore that has no waste to ore ratio associated with it.

Figure 3 illustrates the quarterly history of mining costs per ore tonne over the last 8 quarters.

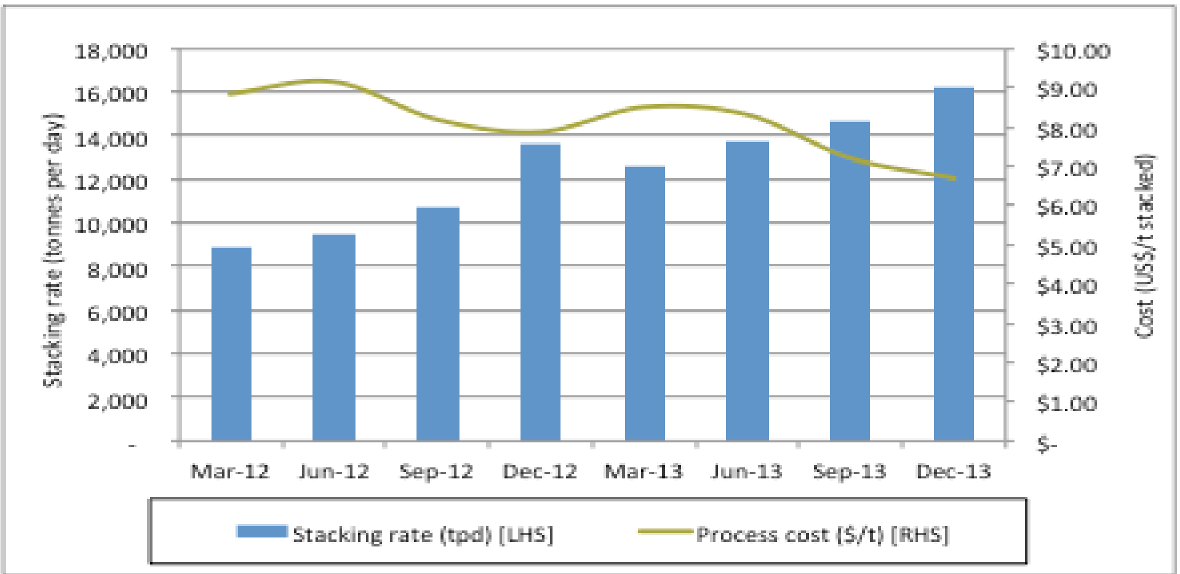
Figure 3 – Ore mined and mining cost per tonne of ore



Ore Processing

Process costs decreased to US$6.93 per tonne which was a 13% decrease on the prior corresponding period (Refer Figure 4). Reduced cyanide consumption, increased throughput and reduced maintenance costs were the main drivers for the lower process costs.

Figure 4– Process cost per tonne stacked



General and Administration (G&A)

G&A costs reduced by 31% from the prior corresponding period to US$1.22 per tonne of ore due to cost efficiencies and the higher tonnage stacked.

CMD Exploration

There were no exploration activities at the CMD Gold Mine during the half-year.

Bushranger Copper Project (100%, Newmont Earning 51%)

No material work completed by Newmont during the quarter. Under a Deed of Novation between Newmont, Ord Investments Pty Ltd and Anglo American Exploration (Australia) Pty Ltd ("Anglo") dated 10 January 2014 Newmont's interest has been assigned to Anglo.

Purchase of gold put options

During the period the Company purchased gold put options in respect of 3,000 gold ounces per month from January to June 2014 with a strike price of US$1,200 per ounce.

Share Placement

During the period the Company entered into binding subscription agreements with North America accredited investors to subscribe for C$8 million at an issue price of C$0.20 a share from the issuance of 40,000,000 ordinary shares. The private placement was non-brokered and split into two Tranches.

Tranche 1 comprised 14,985,598 ordinary shares that were issued within the Company's existing capacity under the ASX Listing Rules and raised gross proceeds of approximately C$3.0 million. Finder's fees totalling 3% cash and 432,870 warrants were payable on Tranche 1.Tranche 2 comprised 25,014,402 ordinary shares that were issued subsequent to shareholder approval obtained at a shareholder meeting held on 4 November 2013 and raised gross proceeds of approximately C$5 million. Finder's fees totalling 3% cash and 722,561 warrants were payable on Tranche 2.

In addition, the Company completed a placement of 7,500,000 shares raising gross proceeds of C$1.5 million at C$0.20 per share with finder's fee totalling 5% cash and 375,000 warrants.

Debt Facility

The Company agreed to amend the terms of its credit facility with Sprott Resource Lending Partnership such that it prepaid C$0.5 million from the proceeds of the Tranche 1 placement against the outstanding facility balance of C$5 million. This payment was made on 9 October 2013 and the credit facility balance has been reduced to C$4.5 million.

Option Expiry and Option / Share Issuance

During the quarter a total of 1,208,338 options expired or were cancelled.

Subsequent to shareholder approval received on 29 November 2013 the Company issued an aggregate of 950,000 unlisted options ("Employee Options") and 600,000 unlisted options ("Director Options") to subscribe for fully paid Ordinary Shares exercisable at A$0.25 per share on or before 29 November 2015, vesting immediately, and an aggregate of 725,000 fully paid Ordinary Shares ("Employee Shares") to certain employees of or consultants to the Company at no cost and as part of their remuneration arrangements. The Employee Options expire 30 days after the allottee ceases to be an employee of the Company. The A$0.25 option exercise price represented a premium of approximately 50% above the closing price on the ASX for the Company's shares at the time of award.

Directors and Management

On 29 November 2013 Lachlan announced the resignation of Mr Peter Babin as a Non-Executive Director.

On 4 December 2013 Lachlan announced the retirement of Mr Mick McMullen as Executive Chairman effective 6 January 2014 to pursue other interests and the appointment of Mr Scott Perry as Non-Executive Chairman, with the intention that Mr McMullen will remain as a non-executive director until April 2014 when he will step down from the Board. A search is currently underway to find a suitable additional Non-Executive director for the Company.

Rounding of amounts

The Company is a company of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded-off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's Independence Declaration

The lead auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 11 and forms part of the directors' report for the half-year ended 31 December 2013.

Signed in accordance with a resolution of the directors.

SG Perry
Non-Executive Chairman
Perth, 14 February 2014

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Auditor's Independence Declaration

As lead auditor for the review of Lachlan Star Limited for the half-year ended 31 December 2013, 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
14 February 2014

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	6 months ended	
	31-Dec-13 $000	Restated 31-Dec-12 $000
Revenue from continuing operations		
Revenue	50,093	37,872
Finance income	6	114
	50,099	37,986
Expenses		
Cost of sales	(47,613)	(44,915)
Other expenses from ordinary activities		
Corporate compliance and management	(894)	(894)
Fair value adjustment to derivatives	34	-
Share based payments expense	(317)	(13)
Occupancy costs	(42)	(23)
Foreign exchange gain / (loss)	132	(1,225)
New venture expenditure written off	(4)	(139)
Other expenses	(58)	(231)
Finance expense	(1,140)	(203)
Fair value gain on deferred consideration	193	82
Profit / (loss) before income tax	390	(9,575)
Income tax (expense) / benefit	(126)	3,193
Profit / (loss) for the period	264	(6,382)
Other comprehensive income for the period net of income tax		
Items that may be reclassified to profit or loss		
Exchange difference on translation of foreign operations	1,097	(963)
Total comprehensive income for the period	1,361	(7,345)
Basic profit / (loss) per share (cents per share)	0.1	(7.2)
Diluted profit / (loss) per share (cents per share)	0.1	(7.2)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the consolidated interim financial report.

For the restated consolidated statements of profit or loss and other comprehensive income for the six months ending 31 December 2012 refer to Note 3 (iii) and Note 13 (iii).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2013 $000	Restated 30 June 2013 $000	Restated 30 June 2012 $000
Current assets				
Cash and cash equivalents		4,623	2,811	17,412
Trade and other receivables		4,394	3,883	3,630
Derivatives		919	-	-
Inventories		16,546	13,782	8,341
Total current assets		26,482	20,476	29,383
Non-current assets				
Trade and other receivables		267	491	435
Inventories		2,593	6,428	5,891
Exploration and evaluation		2,775	2,775	2,771
Mine development properties		24,305	21,681	30,464
Property, plant and equipment	7	26,063	25,351	13,474
Goodwill		-	-	189
Deferred tax asset		2,936	2,976	9,117
Total non-current assets		58,939	59,702	62,341
Total assets		85,421	80,178	91,724
Current liabilities				
Trade and other payables		21,348	24,786	20,191
Borrowings		11,912	13,068	5,343
Total current liabilities		33,260	37,854	25,534
Non-current liabilities				
Borrowings		12,632	13,767	1,384
Provisions		5,983	5,943	6,087
Total non-current liabilities		18,615	19,710	7,471
Total liabilities		51,875	57,564	33,005
Net assets		33,546	22,614	58,719
Equity				
Contributed equity	9	224,410	215,076	204,436
Reserves		8,548	7,214	117
Accumulated losses		(199,412)	(199,676)	(145,834)
Total equity		33,546	22,614	58,719

The consolidated statement of financial position should be read in conjunction with the notes to the consolidated interim financial report.

For the 30 June 2012 restated consolidated statement of financial position refer to Note 3 (iii) and Note 13 (i).

For the 30 June 2013 restated consolidated statement of financial position refer to Note 3 (iii) and Note 13 (ii).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed equity $000	Accumulated losses $000	Share based payments reserve $000	Foreign exchange reserve $000	Total $000
Balance at 1 July 2012 (Restated)	204,436	(145,834)	425	(308)	58,719
Other comprehensive income	-	-	-	(963)	(963)
Loss for the period	-	(6,382)	-	-	(6,382)
Total comprehensive loss for the period	-	(6,382)	-	(963)	(7,345)
Transactions with owners in their capacity as owners:					
Shares issued on exercise of options	6,289	-	-	-	6,289
Share issue costs	(23)	-	-	-	(23)
Share based payments	309	-	(296)	-	13
Balance at 31 December 2012 (Restated)	211,011	(152,216)	129	(1,271)	57,653
Balance at 1 July 2013 (Restated)	215,076	(199,676)	129	7,085	22,614
Other comprehensive income	-	-	-	1,097	1,097
Profit for the period	-	264	-	-	264
Total comprehensive profit for the period	-	264	-	1,097	1,361
Transactions with owners in their capacity as owners:					
Shares issued for cash	9,684	-	-	-	9,684
Share issue costs	(430)	-	-	-	(430)
Share based payments	80	-	237	-	317
Balance at 31 December 2013	224,410	(199,412)	366	8,182	33,546

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated interim financial report.

For the restated consolidated statement of changes in equity refer to Note 3 (iii) and Note 13 (v).

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
		Restated
	31-Dec-13	**31-Dec-12**
	$000	**$000**
Cash flows from operating activities		
Receipts from customers and GST recovered	49,132	36,792
Payments to suppliers and employees	(43,650)	(45,152)
Interest received	6	193
Interest paid	(1,140)	(185)
Net cash inflows / (outflows) from operating activities	4,348	(8,352)
Cash flows from investing activities		
Payments for exploration and evaluation	-	(2)
Payments for mine development	(7,047)	(3,758)
Payments for acquisition of property, plant and equipment	(2,083)	(8,323)
Net cash flows used in investing activities	(9,130)	(12,083)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	9,684	-
Proceeds from exercise of share options	-	6,289
Repayment of borrowings	(3,502)	(3,176)
Receipt of borrowings	779	7,423
Payment of share issue costs	(430)	(23)
Net cash inflows from financing activities	6,531	10,513
Net increase / (decrease) in cash and cash equivalents	1,749	(9,922)
Effect of exchange rate fluctuations on cash held	63	(1)
Cash and cash equivalents at the beginning of the period	2,811	17,412
Cash and cash equivalents at the end of the period	4,623	7,489

The consolidated statement of cashflows should be read in conjunction with the notes to the consolidated interim financial report.

For the restated consolidated statements of cash flows for the six months ending 31 December 2012 refer to Notes 3 (iii) and Note 13 (iv).

1. Reporting entity

Lachlan Star Limited ("Lachlan" or "Company") is a company domiciled in Australia.

The consolidated interim financial report of the Company as at and for the six months ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the "consolidated entity' or "group").

2. Basis of preparation of financial report

Statement of compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134: "*Interim Financial Reporting*".

The consolidated interim financial report does not include all of the information required in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report as at and for the year ended 30 June 2013 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Going concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. As at 31 December 2013 the consolidated entity had cash reserves of $4,623,000 and a net current asset deficiency of $6,778,000, having recorded a net profit after tax for the six months ended 31 December 2013 of $264,000 and net cash inflows from operating activities for the six months ended 31 December 2013 of $4,348,000. Notwithstanding the above, the financial report has been prepared on a going concern basis, which the directors consider to be appropriate, based on:

(i) the expectation that the operating subsidiary will be able to maintain its creditor holding periods in Chile;

(ii) on 13 February 2013 the Company drew down a C$5 million Facility with Sprott of which CDN$0.5 million was repaid on 9 October 2013. The terms of the Facility, which was due for repayment on 13 February 2014, have been amended such that the remaining Facility of C$4.5 million will be partly repaid over the next 12 months through the payment of 12 monthly principal repayments of C$187,500, the repayment of CDN$1 million by 30 September, 2014, and the payment of an extension fee; and

(iii) the expectation that the Company, if required, would be able to raise additional funds through debt, asset sales, or equity.

The directors believe that the group will be successful in implementing initiatives (i) and (iii) as required and, accordingly, have prepared the financial statements on a going concern basis. Notwithstanding this belief, as there is a risk that the group may not be successful in implementing its initiatives or the implementation of alternative options which may be available to the group, this constitutes a material uncertainty which may cast a significant doubt about the group's ability to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. No adjustments have been made relating to the recoverability or classification of recorded assets and liabilities that might be necessary should the group not continue as a going concern.

2. Basis of preparation of 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are:

(i) Provisions

The consolidated entity has recognised a provision for environmental restoration. This provision has been measured based on management's estimates of the probable amount of resources that will be required to settle the obligation and the timing of settlement. Such estimates are subjective and there may be a future need to revise the book value of the provision as a result of changes in estimates.

(ii) Exploration and evaluation expenditure

Expenditure which does not form part of the cash generating units assessed for impairment has been carried forward on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the period in which it is incurred. Exploration expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the period in which the decision is made.

(iii) Functional currency

Companies in the consolidated entity have to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that management has to analyse several factors, including which currency mainly influences sales prices of product sold by the entity, which currency influences the main expenses of providing services, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities.

For subsidiaries Compania Minera Dayton ("CMD") and Dayton Chile Exploraciones Mineras Limitada ("DCEM") the above indicators are mixed and the functional currency is not obvious. Management used its judgement to determine which factors are most important and concluded the US dollar is the functional currency for those companies. For Lachlan Star Limited and its other subsidiaries management have determined that the Australian dollar is the functional currency for those companies given their revenue and expenditure is mostly in Australian dollars.

(iv) Recovery of ounces of gold in leach pad inventories

Management has estimated the recovery of gold in the leach pad at the CMD Gold Mine based on recovery rates experienced after the September 2000 shutdown. Management evaluate this estimate on an ongoing basis for any changes that may result in adjustments to the financial statements.

Since the Company moved to a dynamic leaching system in mid-2011 the leaching time has been materially shortened, and recoveries increased. Historically, recoveries averaged 73% over a 19 month period, resulting in much of the pad inventory being classified as non-current. The change to the dynamic leaching system has increased recoveries to their current level of circa 77%, but it has also materially compressed leaching times, with 100% of recoveries now achieved within a period of 9 months. Given there has been a 2 year period of large scale implementation of this process method, the Company has amended its pad inventory calculation method to reflect the faster recovery profile.

2. Basis of preparation of financial report (continued)

Use of estimates and judgements (continued)

(iv) Recovery of ounces of gold in leach pad inventories *(continued)*

The December 2013 half-year financial results have been prepared on the basis of a 75% leach pad recovery, with 80% of leach pad inventories treated as a current asset recoverable within one year, thus improving the Company’s working capital position.

(v) Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the consolidated entity's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. The group is required to determine and report ore reserves in Australia under the principles incorporated in the Australasian Code for Reporting of Mineral Resources and Ore Reserves 2012, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.

As the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the group's financial results and financial position in a number of ways, including recognition of deferred tax on mineral rights, deferred mining expenditure and capitalisation of mine development costs, impairment and units of production method of depreciation and amortisation.

(vi) Income taxes

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the group may recognise deferred tax assets relating to carried forward tax losses to the extent it is believed there will be sufficient future taxable profits against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of a subsidiary, which is not part of the tax consolidated group, to be able to satisfactorily substantiate its tax losses at the time they are recouped. It is believed the subsidiary tax losses can be substantiated.

(vii) Impairment

AASB 136 requires a company to make a formal estimate of recoverable amount of an asset if an indicator of impairment is present. A number of primary indicators of impairment in respect of the Company’s CMD Gold Mine assets were considered at 31 December 2013 and it was concluded that mining assets did not need be tested for impairment at that date as no indicators of impairment were present.

3. Accounting policies

In the period ended 31 December 2013 the group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013. As a result of this review the directors have determined that, other than set out below, there is no change necessary to group accounting policies.

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2013 and the corresponding interim reporting period other than:

(i) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* are effective 1 July 2013 on a prospective basis. AASB 13 provides a single framework for measuring fair value based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The adoption of AASB 13 did not require any adjustment to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments at 1 July 2013.

(ii) AASB 10 *Consolidated Financial Statements,* AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements,* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards - Transition guidance and other Amendments* are effective 1 July 2013. AASB 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect its returns. The Company has determined that the adoption of AASB 10 has not resulted in any change in the consolidation status of any of its subsidiaries. AASB 12 sets out the required disclosures for entities reporting under AASB 10, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the consolidated entity will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the consolidated entity's investments.

(iii) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from IFRIC 20* are effective 1 July 2013. IFRIC 20 (applied in Australia as Interpretation 20) sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. It states that these costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body, the costs relating to the improved access to that component can be measured reliably and it is probable that future economic benefits associated with the stripping activity (improved access to the ore body) will flow to the entity. The costs will be amortised over the life of the identified component of the ore body. This is different to the consolidated entity's previous accounting policy which was to capitalise stripping costs based on a combined pit waste-to-ore stripping ratio and amortise the costs over the life of the mine. IFRIC 20 has been applied prospectively to the Company’s production stripping costs incurred on or after 1 July 2012. Capitalised deferred stripping costs that are not related to an identifiable component of an orebody at 30 June 2012 have been written off against opening retained earnings.

The financial effect of these accounting policy changes on the previously presented financial statements as at 1 July 2012, 31 December 2012, and 30 June 2013 are set out in Note 13 to these financial statements. For the six months ended 31 December 2012 the adoption of this interpretation has reduced the unaudited CMD Gold Mine gross operating loss by $250,000 and increased cash costs by US$2 per ounce.

For the six months ended December 31, 2013 the adoption of this interpretation has increased expenditure on mine development properties by US$1,551,000 and increased the CMD net profit before tax by US$1,258,000.

3. Accounting policies (*continued)*

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

4. Contingent assets and liabilities

There have been no changes of a material nature in contingent liabilities or contingent assets since the last annual reporting date.

5. Subsequent events

No matter or circumstance has arisen since 31 December 2013 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

6. Related Party Disclosures

The consolidated entity recharged $20,384 and was charged $10,041 on an arm's length basis during the December 2013 quarter to Nevada Iron Limited, a company of which Mr Michael McMullen is Chairman, for office rent, administration staff, and car parking under an office sublease.

Other than this, the consolidated entity did not have any transactions with related parties during the quarter other than remuneration to directors and their related parties. Lachlan Star Limited is the ultimate parent entity.

7. Property Plant And Equipment

	Fixture and Fittings $000	Vehicles $000	Land and buildings $000	Mine Plant $000	Total $000
Cost:					
1 July 2013	588	51	86	46,831	47,556
Effect of movements in exchange rates	20	4	3	1,297	1,324
Additions	-	-	-	2,083	2,083
31 December 2013	608	55	89	50,211	50,963
Accumulated depreciation:					
1 July 2013	154	51	-	22,000	22,205
Depreciation charge for period	32	-	-	2,070	2,102
Effect of movements in exchange rates	8	4	-	581	593
31 December 2013	194	55	-	24,651	24,900
Carrying amount at beginning of period (Restated)	434	-	86	24,831	25,351
Carrying amount at end of period	414	-	89	25,560	26,063
Cost:					
1 July 2012	463	40	35	17,269	17,807
Effect of movements in exchange rates	61	11	9	4,967	5,048
Additions	64	-	42	24,595	24,701
30 June 2013	588	51	86	46,831	47,556
Accumulated depreciation:					
1 July 2012	105	40	-	4,188	4,333
Depreciation charge for period	30	-	-	5,569	5,599
Impairment loss	-	-	-	11,423	11,423
Effect of movements in exchange rates	19	11	-	820	850
30 June 2013	154	51	-	22,000	22,205
Carrying amount at beginning of period	358	-	35	13,081	13,474
Carrying amount at end of period (Restated)	434	-	86	24,831	25,351

8. Capital Commitments

There were no capital commitments at period end.

9. Contributed Equity

	Number	$000
Ordinary shares		
1 July 2013	99,107,273	215,076
Issue of shares for cash	47,500,000	9,684
Share based payments	725,000	80
Costs of issue of shares	-	(430)
31 December 2013	147,332,273	224,410
1 July 2012	86,380,017	204,436
Issue of shares for cash	7,265,000	3,919
Costs of issue of shares	-	(72)
Exercise of share options	5,240,576	6,289
Share based payments	221,680	504
30 June 2013	99,107,273	215,076

The following unissued ordinary shares of the Company were under option at period end.

Expiry date	Exercise price	Number 01/07/13	Issued	Expired /cancelled	Number 31/12/13
20/12/13	$1.20	166,669	-	(166,669)	-
20/12/13	$1.50	166,669	-	(166,669)	-
26/08/13	$1.20	5,970,900	-	(5,970,900)	-
25/11/13	$1.20	650,000	-	(650,000)	-
25/11/13	$1.50	150,000	-	(150,000)	-
25/11/14	$1.50	50,000	-	-	50,000
03/04/14	CDN$1.60	329,250	-	-	329,250
28/11/14	$1.50	75,000	-	(75,000)	-
22/05/15	$2.10	100,000	-	-	100,000
22/05/15	$2.50	100,000	-	-	100,000
02/10/15	CDN$0.30	-	432,870	-	432,870
06/11/15	CDN$0.30	-	1,097,561	-	1,097,561
29/11/15	$0.25	-	1,550,000	-	1,550,000
		7,758,488	3,080,431	(7,179,238)	3,659,681

10. Segment information

(a) Description of segments

The consolidated entity reports one segment, being gold mining, exploration and evaluation, and corporate to the chief operating decision maker, being the board of Lachlan Star Limited, in assessing performance and determining the allocation of resources. In determining operating segments, the consolidated entity has had regard to the information and reports the chief operating decision maker uses to make strategic decisions regarding resources.

(*b) Segment information provided to the board of directors*

The Board of Directors assesses the performance of the segment based on financial performance indicators. Financial information for the segment is contained within the other notes to these financial statements. The consolidated entity derives 100% of its revenue from the sale of metals to one customer in one geographic region, Chile. The geographic location of non-current assets, other than deferred tax, is set out in the table below:

	31 December 2013 $000	30 June 2013 $000
Chile	53,224	53,932
Australia	2,779	2,794
	56,003	56,726

11. Changes in estimates

(i) Site restoration

Provision for the cost of site restoration is recognised at the time that an environmental disturbance occurs or a constructive obligation is determined. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances as at the reporting date. Estimated costs included in the determination of the provision reflect the risks and probabilities of alternative estimates of cash flows required to settle the obligation. The expected rehabilitation costs are estimated based on the cost of external contractors performing the work or the cost of performing the work internally depending on management's intention.

The timing of the actual rehabilitation expenditure is dependent upon a number of factors including the currently approved life of the CMD Gold Mine and changes in local environmental regulations. Expenditures may occur before and after closure and can continue for an extended period of time depending on rehabilitation requirements. The site restoration provision is measured at the expected value of future cash flows, discounted to their present value. The unwinding of the discount is included in finance costs and results in an increase in the amount of the provision.

The provision is updated each quarter for the effect of a change in the discount rate and exchange rate, when applicable, and the change in estimate is added or deducted from the related asset and depreciated prospectively over the asset's useful life. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, those of the consolidated entity's environmental policies that give rise to a constructive obligation.

	6 months 31 Dec 2013 $000	**12 months 30 June 2013 $000**
Non-current		
Opening	5,035	5,007
Effect of movements in exchange rates	155	496
Accretion	-	37
Change in estimate	-	(682)
Change in discount rate	-	177
Closing	5,190	5,035

11. Changes in estimates (continued)

(ii) Deferred consideration

In November 2010 the Company reached agreement with the five shareholders of Oro Chile LLC ("the Vendors") to acquire 100% of DMC Newco Pty Ltd ("DMC Newco"), a company that in turn owned 100% of two Chilean companies, Compañía Minera Dayton ("CMD") and Dayton Chile Exploraciones Mineras Limitada ("DCEM"). CMD and DCEM collectively own a 100% interest in the Compañía Minera Dayton Gold Mine located in Andacollo, approximately 350km north of Santiago in Chile ("CMD Gold Mine"). The transaction settled on 24 December 2010. The consideration for the purchase included deferred consideration payments payable in accordance with a Deferred Consideration Agreement relating to the achievement of specified gold production, which may become payable. The payment terms are as follows:

a) 2.5% of the value of the gold produced from the existing open pit inventory contained within the pit designs and other specific deposits with mineralisation that may be economically exploited using open pit methods (the "Mineral Inventory" collectively) between 1 January 2011 and the Payment End Date, being the later of (i) 31 December 2014, or (ii) the end of the thirtieth full month following the end of the month in which the Company (or its successor in interest) has completed the mining of all of the estimated reserves contained, as of 24 December 2010, within the pits the subject of the Deferred Consideration Agreement provided that if such date is after 31 December 2014 due to any action or circumstance that was not willingly and knowingly caused by the Company, the Payment End Date shall be 31 December 2014; and

b) 25% of the value of the gold produced from the Mineral Inventory between 1 January 2011 and the Payment End Date over and above 119,000 ounces

The movement in deferred consideration, classified under Borrowings in the Statement of Financial Position, is shown below:

	6 months 31 Dec 2013 $000	**12 months 30 June 2013 $000**
Opening	306	1,387
Fair value gain	(193)	(670)
Repayment of borrowings	-	(724)
Accretion	4	189
Foreign exchange	(7)	44
Other	-	80
Closing	110	306
Current	110	262
Non-current	-	44
	110	306

12. FINANCIAL RISK MANAGEMENT

Fair values

The carrying amounts consolidated financial assets and financial liabilities shown in the statement of financial position approximate their fair values. Disclosure of fair value measurements by level of fair value measurement hierarchy is as follows:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's financial assets and liabilities measured and recognised at fair value. There were no financial assets measured and recognised at fair value at 31 December 2012.

31 December 2013	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Financial assets				
Derivatives	-	919	-	919
Financial liabilities				
Borrowings	-	-	110	110

31 December 2012	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Financial liabilities				
Borrowings	-	-	1,057	1,057

Contingent consideration payable for the CMD Gold Mine has a fair value determined using discounted cash flow analysis and is included in level 3 borrowings. The following table presents the change in this instrument:

December 31, 2013	**Contingent consideration $000**	**Total $000**
Opening balance 1 July 2013	306	306
Fair value gain	(193)	(193)
Accretion	4	4
Foreign exchange	(7)	(7)
Closing balance	110	110

December 31, 2012	**Contingent consideration $000**	**Total $000**
Opening balance 1 July 2012	1,387	1,387
Fair value gain	(82)	(82)
Repayment of borrowings	(404)	(404)
Other	156	156
Closing balance	1,057	1,057

13. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board published IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* on 19 October 2011*,* applicable in Australia as Interpretation 20*.* The interpretation, which is applicable to the Company for the financial period commencing 1July 2013, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The main requirements of the interpretation are as follows:

- Waste removal costs (stripping costs) incurred in the production phase of a surface mining are accounted for in accordance with IAS 2 *Inventories* to the extent they relate to current period production.

- Production stripping costs are recognized as a non-current asset ("stripping activity asset") if all the following criteria are met (i) it is probable that future economic benefits will flow to the entity (ii) the entity can identify the component of the ore body to which access has been improved (iii) the costs incurred can be measured reliably. The stripping activity asset is amortised over the useful life of the component of the ore body to which access has been improved.

- When the costs of a stripping activity asset versus current period inventory are not separately identifiable, costs are allocated based on a production method.

- Application of the interpretation is on a prospective basis, with transitional adjustments being recognized in opening retained earnings.

The interpretation must be applied retrospectively and the group has to write off existing stripping cost asset balances to retained earnings on the date of transition, unless they relate to an identifiable component of the ore body. Management has determined that $3,990,000 of stripping costs capitalized at 1 July 2012, being the statement of financial position as at the beginning of the immediately preceding comparative period, cannot be attributed to an identifiable component of an ore body.

The impact of this change in accounting policy on the financial statements as at the beginning of the immediately preceding comparative period, for the prior year end, and for the comparative period for the 6 months ending 31 December 2012 is as follows:

13. CHANGES IN ACCOUNTING POLICIES (continued)

(i) Consolidated Statement of Financial Position

	Audited 30 June 12 $000	Adjustment for change in accounting policy $000	Restated 30 June 12 $000
Current assets			
Cash and cash equivalents	17,412	-	17,412
Trade and other receivables	3,630	-	3,630
Inventories	8,441	(100)	8,341
Total current assets	29,483	(100)	29,383
Non-current assets			
Trade and other receivables	435	-	435
Inventories	5,983	(92)	5,891
Mine development properties	34,452	(3,988)	30,464
Property, plant and equipment	13,474	-	13,474
Exploration and evaluation	2,771	-	2,771
Goodwill	189	-	189
Deferred tax asset	8,459	658	9,117
Total non-current assets	65,763	(3,422)	62,341
Total assets	95,246	(3,522)	91,724
Current liabilities			
Trade and other payables	20,191	-	20,191
Borrowings	5,343	-	5,343
Total current liabilities	25,534	-	25,534
Non-current liabilities			
Borrowings	1,384	-	1,384
Provisions	6,087	-	6,087
Total non-current liabilities	7,471	-	7,471
Total liabilities	33,005	-	33,005
Net assets	62,241	(3,522)	58,719
Equity			
Contributed equity	204,436	-	204,436
Reserves	117	-	117
Accumulated losses	(142,312)	(3,522)	(145,834)
Total equity	62,241	(3,522)	58,719

13. CHANGES IN ACCOUNTING POLICIES (continued)

(ii) Consolidated Statement of Financial Position

	Audited 30 June 13 $000	Adjustment for change in accounting policy $000	Restated 30 June 13 $000
Current assets			
Cash and cash equivalents	2,811	-	2,811
Trade and other receivables	3,883	-	3,883
Inventories	13,782	-	13,782
Total current assets	20,476	-	20,476
Non-current assets			
Trade and other receivables	491	-	491
Inventories	6,428	-	6,428
Mine development properties	24,865	(3,184)	21,681
Property, plant and equipment	22,167	3,184	25,351
Exploration and evaluation	2,775	-	2,775
Deferred tax asset	2,976	-	2,976
Total non-current assets	59,702	-	59,702
Total assets	80,178	-	80,178
Current liabilities			
Trade and other payables	24,786	-	24,786
Borrowings	13,068	-	13,068
Total current liabilities	37,854	-	37,854
Non-current liabilities			
Borrowings	13,767	-	13,767
Provisions	5,943	-	5,943
Total non-current liabilities	19,710	-	19,710
Total liabilities	57,564	-	57,564
Net assets	22,614	-	22,614
Equity			
Contributed equity	215,076	-	215,076
Reserves	7,941	(727)	7,214
Accumulated losses	(200,403)	727	(199,676)
Total equity	22,614	-	22,614

13. CHANGES IN ACCOUNTING POLICIES (continued)

(iii) Consolidated Statement of Profit or Loss and Other Comprehensive Income

	6 months ended		
	Original 31 Dec 12 $000	**Adjustment for change in accounting policy $000**	**Restated 31 Dec 12 $000**
Revenue from continuing operations			
Revenue	37,872	-	37,872
Finance income	114	-	114
	37,986	-	37,986
Expenses			
Cost of sales	(45,358)	443	(44,915)
Other expenses from ordinary activities			
Corporate compliance and management	(894)	-	(894)
Share based payments expense	(13)	-	(13)
Occupancy costs	(23)	-	(23)
Foreign exchange (loss) / gain	(1,225)	-	(1,225)
New venture expenditure written off	(139)	-	(139)
Other expenses	(231)	-	(231)
Finance expense	(203)	-	(203)
Fair value (loss) on deferred consideration	82	-	82
(Loss) / profit before income tax	(10,018)	443	(9,575)
Income tax benefit	3,193	-	3,193
(Loss) / profit for the period	(6,825)	443	(6,382)
Other comprehensive income for the period net of income tax			
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations	(1,027)	64	(963)
Total comprehensive income for the period	(7,852)	507	(7,345)

13. CHANGES IN ACCOUNTING POLICIES (continued)

(iv) Consolidated Statement of Cash Flows

	6 months ended		
	Original 31 Dec 12 $000	Adjustment for change in accounting policy $000	Restated 31 Dec 12 $000
Cash flows from operating activities			
Receipts from customers and GST recovered	36,792	-	36,792
Payments to suppliers and employees	(46,126)	974	(45,152)
Interest received	193	-	193
Interest paid	(185)	-	(185)
Net cash (outflows) / inflows from operating activities	(9,326)	974	(8,352)
Cash flows from investing activities			
Payments for exploration and evaluation	(2)	-	(2)
Payments for mine development	(2,784)	(974)	(3,758)
Payments for acquisition of property, plant and equipment	(8,323)	-	(8,323)
Net cash flows used in investing activities	(11,109)	(974)	(12,083)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	-	-	-
Proceeds from exercise of share options	6,289	-	6,289
Repayment of borrowings	(3,176)	-	(3,176)
Receipt of borrowings	7,423	-	7,423
Payment of share issue costs	(23)	-	(23)
Net cash inflows from financing activities	10,513	-	10,513
Net (decrease) / increase in cash and cash equivalents	(9,922)	-	(9,922)
Effect of exchange rate fluctuations on cash held	(1)	-	(1)
Cash and cash equivalents at the beginning of the period	17,412	-	17,412
Cash and cash equivalents at the end of the period	7,489	-	7,489

13. CHANGES IN ACCOUNTING POLICIES (continued)

(v) Consolidated Statement of Changes in Equity

	Contributed equity $000	Accumulated losses $000	Share based payments reserve $000	Foreign exchange reserve $000	Total $000
Balance at 1 July 2012 (Audited)	204,436	(142,312)	425	(308)	62,241
Change in accounting policy IFRIC 20	-	(3,522)	-	-	(3,522)
Balance at 1 July 2012 (Restated)	204,436	(145,834)	425	(308)	58,719
Balance at a 31 December 2012 (Original)	211,011	(149,137)	129	(1,335)	60,668
Change in accounting policy IFRIC 20	-	(3,079)	-	64	(3,015)
Balance at 31 December 2012 (Restated)	211,011	(152,216)	129	(1,271)	57,653
Balance at 1 July 2013 (Audited)	215,076	(200,403)	129	7,812	22,614
Change in accounting policy IFRIC 20	-	727	-	(727)	-
Balance at 1 July 2013 (Restated)	215,076	(199,676)	129	7,085	22,614

DIRECTORS' DECLARATION

In the opinion of the directors of Lachlan Star Limited (the "Company"):

(a) the financial statements and notes as set out on pages 16 to 31 are in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2013 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements; 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.

This declaration is made in accordance with a resolution of the directors.

SG Perry
Non-Executive Chairman

Perth
14 February 2014

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lachlan Star Limited, which comprises the statement of financial position as at 31 December 2013, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Lachlan Star Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, and International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity, in* order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lachlan Star Limited, ASRE 2410 and ISRE 2410 require that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
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Independent auditor's review report to the members of Lachlan Star Limited (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lachlan Star Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the half-year financial report, which indicates that the consolidated entity has a net current asset deficiency of $6,778,000 as at 31 December 2013, and that the consolidated entity needs to maintain creditor holding periods and raise additional funds, if required. These conditions, along with other matters set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

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PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
14 February 2014