

LACHLAN STAR LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ABN 88 000 759 535

INTERIM FINANCIAL REPORT
31 DECEMBER 2015

CORPORATE DIRECTORY

DT Franzmann (Non-Executive Director)
AJ Cipriano (Non-Executive Director)

Company Secretary

RA Anderson

Auditors

PricewaterhouseCoopers
Brookfield Place, 125 St Georges Terrace
Perth WA 6840

Bankers

Macquarie Bank Limited
235 St Georges Terrace
Perth WA 6000

Registered Office

c/o KPMG
235 St Georges Terrace
Perth WA 6000
Telephone: +61 89263 7171
Facsimile: +61 89263 7129

Share Registries

Computershare Investor Services Pty Limited Level 2 45 St Georges Terrace Perth WA 6000	
Investor Enquiries: (within Australia)	1300 850 505
Investor Enquiries: (outside Australia)	+61 3 9415 4000
Facsimile:	+61 3 9473 2500

Securities Exchange Listing

Securities of Lachlan Star Limited are listed on ASX Limited, currently suspended from trading

ASX 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 2015 together with the consolidated financial report for the half-year ended 31 December 2015, 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.

Declan Franzmann
Anthony Cipriano
Peter Drobeck (deceased 1 November 2017)

Corporate

On 12 February 2015 the directors resolved to appoint Administrators and on 13 February 2015 Matthew David Woods and Hayden Leigh White of KPMG were appointed joint and several Administrators of the Company pursuant to section 436A of the Corporations Act 2001 (Cth) ("the Act").

Independent Auditor's Review Report

The independent auditor's review report contains a disclaimer of conclusion on the prior period corresponding figures, and a material uncertainty paragraph regarding continuation as a going concern.

Review of operations

On 7 August 2015 creditors of the Company had resolved that the Company should execute a Deed of Company Arrangement ("DOCA") in accordance with the terms of a DOCA Proposal which had been received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX Limited ("ASX") will agree to the shares in the Company being reinstated to official quotation.

On 18 May 2016 the ASX provided in principle approval for the Company's securities to be reinstated to official quotation subject to the satisfaction of a number of conditions precedent (the "ASX Conditions Precedent") which are considered standard conditions for recapitalisations of this nature. The ASX has allowed until 13 February 2018 in order for the Company to comply with the ASX Conditions Precedent. The Deed Administrators and the DOCA Proponent, Ascent Capital Holdings Pty Ltd ("Ascent"), are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent.

The consolidated entity's net loss after tax for the half-year ended 31 December 2015 was \$228,787 (2014: \$35,790,234 loss) after recognising:

- corporate compliance and management costs of \$118,223 (2014: \$795,441)
- a pre-tax loss of \$Nil (2014: \$4,236,209 loss) from operations at the CMD Gold Mine in Chile before an impairment loss of \$Nil (2014: \$33,928,296 loss) and before \$Nil (2014: \$3,779,489 gain) on the sale of mining properties.

Subsequent Events

The second meeting of creditors was held on Friday 7 August 2015. Creditors of the Company resolved that the Company should execute a DOCA in accordance with the terms of a DOCA Proposal which had been received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX Limited ("ASX") with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX will agree to the shares in the Company being reinstated to official quotation.

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The above represents a key milestone in the recapitalisation of the Company pursuant to the DOCA. The DOCA proponent, Ascent, and the Deed Administrators are now progressing towards the satisfaction of the ASX Conditions Precedent, including, but not limited to, the preparation for a meeting of shareholders to seek approval of the Company's recapitalisation proposal.

The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company); and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

ASIC have re-extended the due date for lodgement of the Company's outstanding financial statements together with any full year or interim financial account lodgements subsequently falling due within the extension period, from 30 June 2016 to the earlier of 30 November 2017, with a further extension requested to 31 December 2017, or such time as the Company lodges a disclosure document with ASIC in connection with the issue of securities as contemplated by the Deed of Company Arrangement. ASIC have also extended the period within which the Company must hold its AGM to 31 January 2018.

Other than these no other matter or circumstance has arisen since 31 December 2015 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.

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 6 and forms part of the directors' report for the half-year ended 31 December 2015.

Signed in accordance with a resolution of the directors.



Director
Perth, 19 December 2017



Auditor's Independence Declaration

As lead auditor for the review of Lachlan Star Limited for the half-year ended 31 December 2015, 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
19 December 2017

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	6 months ended	
	31 December 2015 \$	31 December 2014 \$
Revenue from continuing operations		
Revenue	-	37,832,877
Finance income	4	342
	<hr/>	<hr/>
	4	37,833,219
Gain on sale of mining properties	-	3,779,489
Foreign exchange gain	-	1,534,470
Expenses		
Cost of sales	-	(43,090,451)
Impairment loss	-	(33,928,296)
<i>Other expenses from ordinary activities</i>		
Corporate compliance and management	(118,223)	(795,441)
Administrator's fees and expenses	(96,744)	-
Fair value gain on liabilities carried at fair value	-	(561,416)
Share based payments expense	-	(30,717)
Other expenses	(13,756)	(41,722)
Finance expense	(68)	(489,369)
	<hr/>	<hr/>
(Loss) before income tax	(228,787)	(35,790,234)
Income tax expense	-	-
	<hr/>	<hr/>
(Loss) for the period	(228,787)	(35,790,234)
Other comprehensive income for the period net of income tax		
<i>Items that may be reclassified to profit or loss</i>		
Exchange difference on translation of foreign operations	-	2,280,339
	<hr/>	<hr/>
Total comprehensive (loss) for the period	(228,787)	(33,509,895)
	<hr/>	<hr/>
Basic (loss) per share (cents per share)	(0.1)	(23.1)
Diluted (loss) per share (cents per share)	(0.1)	(23.1)

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2015 \$	30 June 2015 \$
Current assets			
Cash and cash equivalents		85,062	63,776
Trade and other receivables		42,893	55,479
Total current assets		<u>127,955</u>	<u>119,255</u>
Total assets		<u>127,955</u>	<u>119,255</u>
Current liabilities			
Trade and other payables		1,203,202	965,715
Total current liabilities		<u>1,203,202</u>	<u>965,715</u>
Total liabilities		<u>1,203,202</u>	<u>965,715</u>
Net (liabilities)		<u>(1,075,247)</u>	<u>(846,460)</u>
Equity			
Contributed equity	6	226,058,062	225,881,084
Reserves		-	176,978
Accumulated losses		(227,133,309)	(226,904,522)
Total equity		<u>(1,075,247)</u>	<u>(846,460)</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed equity \$	Accumulated losses \$	Share based payments reserve \$	Foreign exchange reserve \$	Total \$
Balance at 1 July 2014	224,521,579	(216,160,799)	210,399	6,361,587	14,932,766
Other comprehensive income	-	-	-	2,280,339	2,280,339
Loss for the period	-	(35,790,234)	-	-	(35,790,234)
Total comprehensive loss for the period	-	(35,790,234)	-	2,280,339	(33,509,895)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued for cash	1,308,104	-	-	-	1,308,104
Share issue costs	(18,337)	-	-	-	(18,337)
Share based payments	42,359	-	(11,392)	-	30,967
Balance at 31 December 2014	225,853,705	(251,951,033)	199,007	8,641,926	(17,256,395)
Balance at 1 July 2015	225,881,084	(226,904,522)	176,978	-	(846,460)
Loss for the period	-	(228,787)	-	-	(228,787)
Total comprehensive loss for the period	-	(228,787)	-	-	(228,787)
<i>Transactions with owners in their capacity as owners:</i>					
Share based payments	176,978	-	(176,978)	-	-
Balance at 31 December 2015	226,058,062	(227,133,309)	-	-	(1,075,247)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
	31 December 2015 \$	31 December 2014 \$
Cash flows from operating activities		
Receipts from customers and GST recovered	4,080	39,640,159
Payments to suppliers and employees	(32,794)	(38,297,639)
Interest paid	-	(489,269)
Net cash inflows (used in) / from operating activities	<u>(28,714)</u>	<u>853,251</u>
Cash flows from investing activities		
Sale of mining properties	-	3,779,489
Payments for mine development	-	(3,324,891)
Payments for acquisition of property, plant and equipment	-	(186,188)
Net cash flows generated (used in) investing activities	<u>-</u>	<u>268,410</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	1,308,104
Funding from DOCA proponent	50,000	-
Repayment of borrowings	-	(4,012,178)
Payment of share issue costs	-	(18,337)
Net cash inflows / (outflows) from financing activities	<u>50,000</u>	<u>(2,722,411)</u>
Net increase / (decrease) in cash and cash equivalents	21,286	(1,600,750)
Effect of exchange rate fluctuations on cash held	-	98,482
Cash and cash equivalents at the beginning of the period	63,776	1,931,560
Cash and cash equivalents at the end of the period	<u>85,062</u>	<u>429,292</u>

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

LACHLAN STAR LIMITED
31 DECEMBER 2015 INTERIM FINANCIAL REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2015 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "group").

2. Basis of preparation

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 2015 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*.

The functional and presentation currency of the Company is Australian dollars. The financial report was authorised for issue by the Deed Administrator on 19 December 2017. Lachlan Star Limited is a company limited by shares, incorporated and domiciled in Australia.

Going concern

The consolidated entity reported a net loss after taxation of \$228,787 for the period and had a net current asset deficiency of \$1,075,247 at balance date. The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe it is appropriate to prepare these accounts on a going concern basis because under the DOCA effectuated on 31 August 2015 the Company will extinguish all liabilities associated with the previous administration of the Company subject to the Conditions Precedents being satisfied and is in the process of undertaking a capital raising of a minimum of A\$1,828,953. However, the company is also in a net liability position as at 31 December 2015 and its ability to continue as a going concern is dependant on being able to raise additional funds to recapitalise the company.

Administration and Deed of Company Arrangement

On 18 May 2016 the ASX provided in principle approval for the Company's securities to be reinstated to official quotation subject to the satisfaction of a number of conditions precedent (the "ASX Conditions Precedent") which are considered standard conditions for recapitalisations of this nature. The ASX has allowed until 13 February 2018 in order for the Company to comply with the ASX Conditions Precedent.

2. Basis of preparation of financial report (continued)

Going concern (continued)

The above represents a key milestone in the recapitalisation of the Company pursuant to the DOCA. The DOCA proponent, Ascent, and the Deed Administrators are now progressing towards the satisfaction of the ASX Conditions Precedent, including, but not limited to, the preparation for a meeting of shareholders to seek approval of the Company's recapitalisation proposal.

The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company); and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

ASIC have re-extended the due date for lodgement of the Company's outstanding financial statements together with any full year or interim financial account lodgements subsequently falling due within the extension period, from 30 June 2016 to the earlier of 30 November 2017, with a further extension requested to 31 December 2017, or such time as the Company lodges a disclosure document with ASIC in connection with the issue of securities as contemplated by the Deed of Company Arrangement. ASIC have also extended the period within which the Company must hold its AGM to 31 January 2018.

Recapitalisation of the company

The DOCA outlines a number of conditions precedent when once achieved, the Deed Administrators will form either a Creditors' Trust or a Creditors and Members' Trust and become its Trustees.

The DOCA contemplates the following:

- Ascent acting as Proponent for a capital raising for the Company which will provide for a cash injection into the Trust of \$675,000;
- The issue and allotment of 20,000,000 ordinary shares at a deemed issue price of 0.5 cents per share for the benefit of Creditors' claims into the Trust;
- The resolution or otherwise assignment of the Related Party Debt and Claims into the Trust;
- The Princhester and Bushranger assets to be retained by the Company to enable the Company to be reinstated on the ASX; and
- A consolidation of the issued capital of the Company on a 5:1 basis.

Preparation of the financial report on a going concern basis

As a result of the matters outlined above, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

2. Significant accounting policies

(a) Basis of preparation (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) 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 Lachlan Star Limited and its 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.

3. Accounting policies

In the period ended 31 December 2015 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 2015. As a result of this review the directors have determined that 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 2015 and the corresponding interim reporting period.

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. Related party disclosures

During the period the Company had the following related party transactions (i) a retainer payable to the Company Secretary of \$600 per week is accruing from 28 March 2015, payable subject to funding obtained by the Deed Administrator.

Lachlan Star Limited is the ultimate parent entity.

LACHLAN STAR LIMITED
31 DECEMBER 2015 INTERIM FINANCIAL REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Contributed equity

	Number	\$000
<i>Ordinary shares</i>		
1 July 2015	165,393,259	225,881,084
Share based payments	-	176,978
31 December 2015	165,393,259	226,058,062
1 July 2014	147,632,273	224,521,579
Issue of shares for cash	16,403,486	1,308,104
Share based payments	1,357,500	42,359
Costs of issue of shares	-	(18,337)
31 December 2014	165,393,259	225,853,705

The following unissued ordinary shares of the Company are under warrant / option at period end:

Expiry date	Exercise price	Number 01/07/15	Issued	Expired / cancelled	Number 31/12/15
2/10/15	CDN\$0.30	432,870	-	(432,870)	-
7/11/15	CDN\$0.30	1,097,561	-	(1,097,561)	-
29/11/15	\$0.25	1,050,000	-	(1,050,000)	-
27/11/16	\$0.25	150,000	-	-	150,000
27/11/16	\$0.125	1,900,000	-	-	1,900,000
		4,630,431	-	-	2,050,000

7. 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 Directors' Report and other notes to these financial statements.

8. Capital commitments

There were no capital commitments at period end.

9. Subsequent events

The second meeting of creditors was held on Friday 7 August 2015. Creditors of the Company resolved that the Company should execute a DOCA in accordance with the terms of a DOCA Proposal which had been received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX Limited ("ASX") with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX will agree to the shares in the Company being reinstated to official quotation.

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Other than these no other matter or circumstance has arisen since 31 December 2015 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.

LACHLAN STAR LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Financial Risk Management

Fair values

The carrying amounts of consolidated financial assets and financial liabilities shown in the statement of financial position approximate their fair values. AASB 13 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level in the following fair value measurement hierarchy:

- (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).

There were no financial assets or liabilities measured and recognised at fair value at 31 December 2015 or 30 June 2015.

31 December 2015	Contingent consideration	Gold loan	Total
	\$	\$	\$
1 July 2015	-	-	-
31 December 2015	-	-	-

30 June 2015	Contingent consideration	Gold loan	Total
	\$	\$	\$
Opening balance	46,222	3,985,782	4,032,004
Fair value (gain) / loss	(10,000)	166,725	156,725
Repayment of borrowings	(24,447)	(1,176,089)	(1,200,536)
Foreign exchange	-	803,702	803,702
Consideration received for disposal of subsidiary	(11,775)	(3,780,120)	(3,791,895)
Closing balance	-	-	-

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 7 to 16 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 2015 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) subject to Note 2 to the financial statements 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.



Director

Perth, 19 December 2017



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 (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 the 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 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*, 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 half-year 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 2015 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 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Because of the matter described in the *Basis for disclaimer of conclusion on the prior period corresponding figures* paragraph, however, we were not able to obtain sufficient appropriate review evidence to provide a basis for a review conclusion on the prior period corresponding figures included on the financial report in relation to the half-year ended 31 December 2014.

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
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au



Basis for disclaimer of conclusion on the prior period corresponding figures

On 17 April 2015, in settlement of a secured debt, the company transferred to its creditor, its interest in DMC Newco Pty Ltd (DMC) which was the beneficial owner of the CMD Gold Mine. Over 90% of the consolidated entity's total comprehensive loss of \$33,509,895 for the half-year from 1 July 2014 to 31 December 2014, and over 90% of its total assets of \$31,695,000 at 31 December 2014, relate to DMC. We were not granted access to management and the auditors of DMC, including DMC's auditors' audit documentation. As a result, we were unable to determine whether any adjustments were necessary in respect of DMC's assets, liabilities, income and expenses for the half-year from 1 July 2014 to 31 December 2014 and its elements making up the statement of changes in equity and consolidated statement of cash flows. Consequently, the financial statements for the half-year ended 31 December 2014 contained a disclaimer conclusion. The corresponding amounts included in this financial report are therefore unaudited.

Conclusion

Based on our review, which is not an audit, except for the possible effects of the matters described in the *Basis for disclaimer of conclusion on the prior period corresponding figures* paragraph, 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:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
2. 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 conclusion, we draw attention to Note 2 in the half-year financial report, which indicates that the consolidated entity incurred a net loss after tax of \$228,787 during the half-year ended 31 December 2015, and as of that date, had a net current asset deficiency of \$1,075,247. As a result, the consolidated entity is dependent on successfully raising additional funding. These conditions, along with other matters set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on 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 half-year financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
19 December 2017