LACHLAN STAR LIMITED

ABN 88 000 759 535

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and six months ended
31 December 2012

The accompanying unaudited consolidated interim financial statements for the three and six months ended 31 December 2012 have been prepared by management. Readers are cautioned that these financial statements contain forward-looking information as described in the associated Management Discussion & Analysis. All amounts are stated in Australian dollars, except as otherwise stated.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended		6 months ended	
	31-Dec-12	**31-Dec-11**	**31-Dec-12**	**31-Dec-11**
	$000	**$000**	**$000**	**$000**
Revenue from continuing operations				
Revenue	21,623	18,737	37,872	36,985
Finance income	46	179	114	230
	21,689	19,131	37,986	37,215
Expenses				
Cost of sales	(26,416)	(17,562)	(45,358)	(34,686)
Other expenses from ordinary activities				
Corporate compliance and management	(477)	(719)	(894)	(1,374)
Share based payments expense	(13)	(2)	(13)	(2)
Occupancy costs	(16)	(27)	(23)	(53)
Foreign exchange gain / (loss)	138	(76)	(1,225)	848
New venture expenditure written off	(64)	(68)	(139)	(128)
Other expenses	(128)	(4)	(231)	(17)
Finance expense	(120)	(25)	(203)	(395)
Fair value gain on deferred consideration	299	291	82	173
(Loss) / profit before income tax	(5,128)	724	(10,018)	1,581
Income tax benefit	580	1,217	3,193	3,649
(Loss) / profit for the period	(4,548)	1,941	(6,825)	5,230
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	29	(1,636)	(1,027)	1,547
Total comprehensive income for the period	(4,519)	305	(7,852)	6,777
Basic (loss) / earnings per share (cents per share)	(5.1)	3.1	(7.7)	8.8
Diluted (loss) / earnings per share (cents per share)	(5.1)	3.1	(7.7)	8.8

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2012 $000	Audited 30 June 2012 $000
Current assets			
Cash and cash equivalents		7,489	17,412
Trade and other receivables	4	6,351	3,630
Inventories	5	11,580	8,441
Total current assets		25,420	29,483
Non-current assets			
Trade and other receivables		409	435
Inventories		6,568	5,983
Exploration and evaluation		2,773	2,771
Mine development properties		33,522	34,452
Property, plant and equipment	6	19,766	13,474
Goodwill		189	189
Deferred tax asset	7	11,442	8,459
Total non-current assets		74,669	65,763
Total assets		100,089	95,246
Current liabilities			
Trade and other payables		22,943	20,191
Borrowings		6,191	5,343
Total current liabilities		29,134	25,534
Non-current liabilities			
Borrowings		4,471	1,384
Provisions		5,816	6,087
Total non-current liabilities		10,287	7,471
Total liabilities		39,421	33,005
Net assets		60,668	62,241
Equity			
Contributed equity	9	211,011	204,436
Reserves		(1,206)	117
Accumulated losses		(149,137)	(142,312)
Total equity		60,668	62,241

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 $000	Accumulated losses $000	Share based payments reserve $000	Foreign exchange reserve $000	Total $000
Balance at 1 July 2011	174,796	(143,308)	602	(1,916)	30,174
Other comprehensive income	-	-	-	1,547	1,547
Profit for the half-year	-	5,230	-	-	5,230
Total comprehensive income for the half -year	-	5,230	-	1,547	6,777
Transactions with owners in their capacity as owners:					
Shares issued for cash	15,088	-	-	-	15,088
Share issue costs	(1,225)	-	-	-	(1,225)
Share based payments	253	-	(251)	-	2
Balance at 31 December 2011	188,912	(138,078)	351	(369)	50,816
Balance at 1 July 2012	204,436	(142,312)	425	(308)	62,241
Other comprehensive income	-	-	-	(1,027)	(1,027)
Loss for the half-year	-	(6,825)	-	-	(6,825)
Total comprehensive loss for the period	-	(6,825)	-	(1,027)	(7,852)
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	211,011	(149,137)	129	(1,335)	60,668

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

	3 months ended		6 months ended	
	31-Dec-12 $000	31-Dec-11 $000	31-Dec-12 $000	31-Dec-11 $000
Cash flows from operating activities				
Receipts from customers and GST recovered	21,076	18,340	36,792	35,527
Payments to suppliers and employees	(23,421)	(16,526)	(46,126)	(31,366)
Interest received	70	155	193	199
Interest paid	(89)	(243)	(185)	(321)
Net cash (outflows) / inflows from operating activities	(2,414)	1,726	(9,326)	4,039
Cash flows from investing activities				
Payments for exploration and evaluation	-	(1)	(2)	(35)
Payments for mine development	(365)	(2,966)	(2,784)	(5,213)
Payments for acquisition of property, plant and equipment	(7,659)	(809)	(8,323)	(1,399)
Net cash flows used in investing activities	(8,024)	(3,776)	(11,109)	(6,647)
Cash flows from financing activities				
Proceeds from issue of ordinary shares	-	-	-	15,088
Proceeds from exercise of share options	6,289	-	6,289	-
Repayment of borrowings	(1,750)	(2,191)	(3,176)	(4,104)
Receipt of borrowings	5,052	2,617	7,423	2,732
Payment of share issue costs	-	-	(23)	(1,174)
Net cash flows from financing activities	9,591	426	10,513	12,542
Net (decrease) / increase in cash and cash equivalents	(847)	(1,624)	(9,922)	9,934
Effect of exchange rate fluctuations on cash held	-	(25)	(1)	25
Cash and cash equivalents at the beginning of the period	8,336	16,123	17,412	4,515
Cash and cash equivalents at the end of the period	7,489	14,474	7,489	14,474

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

1. SUMMARY OF ACCOUNTING POLICIES

(i) Basis of preparation of financial report and statement of compliance

Lachlan Star Limited ("Lachlan" or the "Company") is a public company incorporated and domiciled in Australia and listed on the Australian Securities Exchange ("ASX") and the Toronto Stock Exchange ("TSX"). During the period ended 31 December 2012 Lachlan conducted operations in Australia and Chile.

These consolidated interim financial statements of the Company and its controlled entities ("group" or "consolidated entity") for the period ended 31 December 2012 are general purpose financial statements prepared in accordance with applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

These consolidated interim financial statements do not include full disclosures of the type normally included 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 group as in the full financial report. It is recommended that these interim consolidated financial statements be read in conjunction with the annual financial report for the year ended 30 June 2012, and any public announcements made by the Company during the period ended 31 December 2012 in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules. The accounting policies adopted are consistent with those of the previous financial year.

These consolidated interim financial statements have been prepared on an historical cost basis, except for available-for-sale financial assets and derivative financial instruments which have been measured at fair value.

All amounts are presented in Australian dollars unless stated otherwise.

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 2012, the consolidated entity had cash reserves of $7,489,000 and a net current asset deficiency of $3,714,000, having recorded a net loss after tax for the 6 month period of $6,825,000. The consolidated entity had net cash outflows from operations for the three months to December 2012 of $2,414,000.

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 entered into a C$10 million secured debt facility ("Facility") with Sprott Resource Lending Partnership ("Sprott"). The Facility has a 12-month term and is drawable in two C$5 million Tranches. The term of the loan can be extended for a further 12 months under certain circumstances and the payment of an extension fee (iii) the expectation that the Company, if required, would be able to raise additional funds through debt or equity raisings.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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 financial report. Amounts in the financial report have been rounded-off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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 judgments, 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) 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 judgment 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, expenditure and financing is mostly in Australian dollars.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(iii) 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. To date no such changes have been identified giving rise to a revision in the estimate.

(iv) 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 has recognised 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 Australian 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.

(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 December 2004, 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, and units of production method of depreciation and amortisation.

(vi) 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.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(ii) Adoption of new and revised Accounting Standards

In the period ended 31 December 2012 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 2012. 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 2012 and the corresponding interim reporting period.

The International Accounting Standards Board published IFRIC *20 Stripping Costs in the Production Phase of a Surface Mine* on 19 October 2011*.* The interpretation, which has an effective date for annual periods beginning on or after 1 January 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 Company is currently reviewing how this interpretation may impact its record keeping and accounting policies in future periods, and expects to adopt this interpretation from 1 July 2013.

2. CONTINGENT ASSETS AND LIABILITIES

In June 2011, the group terminated the contract of one of its mining contractors in Chile, “Maestranza Martinez Torres y Cia. Ltda” ("Martimec”) for non-performance under the terms of their mining contract. The Company has been made aware that Martimec intends to seek the appointment of an arbitrator under Chilean law who would be called to rule on the early termination of the contract. The Company remains confident that the contract was terminated in accordance with its terms. The Company intends to defend itself vigorously if this arbitration is brought, including considering bringing a counterclaim against Martimec.

A subsidiary had issued a bank guarantee to the value of US$855,000 at Quarter end.

Other than this, there have been no changes of a material nature in contingent liabilities or contingent assets since the last annual reporting date.

3. SUBSEQUENT EVENTS

Financing

On 13 February 2013 the Company entered into a C$10 million secured debt facility ("Facility") with Sprott Resource Lending Partnership ("Sprott"). The Facility has a 12-month term and is drawable in two C$5 million Tranches. The term of the loan can be extended for a further 12 months under certain circumstances and the payment of an extension fee.

Under the terms of the Facility, Tranche 1 is required to be drawn and this is expected to occur within the next week, and Tranche 2 is drawable within a 6 month period after the closing of the Facility subject to certain operating outcomes which the directors are confident in being able to achieve. The Facility bears interest at 11% per annum, payable monthly.

A fee is payable to Sprott in an amount equal to 4% of each draw under the Facility, being $200,000 for each C$5 million draw, payable by the issuance of ordinary shares of the Company to be priced at a 10% discount to the 5 day Volume Weighted Average price of the Company's shares on the TSX prior to the draw down, subject to the receipt of applicable exchange approvals. If applicable exchange approvals are not obtained this fee is payable in cash.

Owner Mining

The Company has continued to work to improve the reliability of the production profile by employing a number of small contracting companies to mitigate third party risk, however significant steps of reducing this risk were achieved during the quarter with the commissioning of the first elements of the owner mining fleet. As of the date of this report, the Company was operating 7 trucks (HD785), 2 loaders (WA900), 1 dozer (D275), 1 wheel dozer (WD500), grader (GD675) at the Tres Perlas Pit, with all recruitment and training of operators and supervisors completed.

The Company has also been carrying out more of the drill and blast function, with the owner operated drill fleet now operating 3 x DM30 IR and 2 x Tamrock/Terex drill rigs that have been bought and/or leased over the past year. The Company is now drilling over half the drill metres for blasting and expects this proportion to gradually increase. The costs for the Company's drilling operations are approximately two thirds that associated with drilling by contractors.

Implementation of the new fleet has gone very smoothly, with the truck fleet already operating at above 100% of the assumed long-term productivity and the loaders at approximately 90% of the assumed long-term productivity. This is well in excess of the productivity assumed for the month of January, and the smooth implementation reflects very positively on the new management team.

The Komatsu truck fleet has started to deliver results, with a significant increase in ore tonnages being mined. Over a three-day period from 23 January, a total of 61,462 tonnes of ore was mined, including a record daily ore tonnage of 24,052 tonnes on 24 January, which eclipsed the previous record set on 7 September 2006 (22,960 tonnes of ore).

The Company expects the owner mining strategy to deliver savings of up to US$100-US$150 per ounce of gold over its current mining costs once implementation has been completed.

Chisperos

As announced on 15 January 2013, the Company has regained full access to the high grade Chisperos pit after a hiatus of nine months due to blasting restrictions. Limited ore is starting to be mined from this pit as the mining had previously been halted just as the pre strip was being completed.

Other than these, no matter or circumstance has arisen since 31 December 2012 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

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables at 31 December 2012 include $2,862,000 (June 2012: $1,720,000) relating to the sale of gold and A$2,610,000 for VAT (June 2012: $1,503,000), all of which has been received subsequent to period end.

5. INVENTORIES

Inventories at 31 December 2012 include $1,307,000 (June 2012: $Nil) relating to dore produced but not sold at period end, and to which title passed to Johnson Matthey on 3rd January 2013.

6. PROPERTY PLANT AND EQUIPMENT

	Fixture and fittings $000	Vehicles $000	Land and buildings $000	Mine plant $000	Total $000
Cost:					
1 July 2012	463	40	35	17,269	17,807
Effect of movements in exchange rates	(7)	-	(1)	(341)	(349)
Additions	40	-	42	8,241	8,323
31 December 2012	496	40	76	25,169	25,781
Accumulated depreciation:					
1 July 2012	105	40	-	4,188	4,333
Depreciation charge for the period	25	-	-	1,702	1,727
Effect of movements in exchange rates	(2)	-		(43)	(45)
31 December 2012	128	40	-	5,847	6,015
Carrying amount beginning of period	358	-	35	13,081	13,474
Carrying amount end of period	368	-	76	19,322	19,766

Cost:					
1 July 2012	180	39	-	11,364	11,583
Reclassified from receivables	-	-	-	1,487	1,487
Effect of movements in exchange rates	9	1	1	456	467
Additions	274	-	34	3,962	4,270
30 June 2012	463	40	35	17,269	17,807
Accumulated depreciation:					
1 July 2012	64	39	-	2,021	2,124
Depreciation charge for period	40	-	-	2,107	2,147
Effect of movements in exchange rates	1	1	-	60	62
30 June 2012	105	40	-	4,188	4,333
Carrying amount beginning of period	116	-	-	9,343	9,459
Carrying amount at end of period	358	-	35	13,081	13,474

7. DEFERRED TAX

The deferred tax asset has increased by $2.98 million since June 2012, comprising an income tax credit of $3.19 million, and a $0.21 million decrease as a result of the A$ / US$ exchange rate increasing from 1:1.0161 at June 30, 2012 to 1:1.0374 at December 31, 2012.

Of the $3.19 million income tax credit, $1.80 million relates to restatement of the opening deferred tax balance as a result of the Chilean first category income tax rate increasing from 17% to 20% during the period.

8. RELATED PARTY DISCLOSURES

The consolidated entity acquired the CMD Gold Mine on 24 December 2010. One of the vendors is a substantial shareholder of Lachlan Star and another, Peter Babin, is a director of the Company.

The consolidated entity recharged $45,206 on an arm's length basis during the half-year 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.

9. CONTRIBUTED EQUITY

	Number	$000
Ordinary shares		
1 July 2012	86,380,017	204,436
Share issue costs	-	(23)
Shares issued on exercise of options	5,240,576	6,289
Share based payments	-	309
31 December 2012	91,620,593	211,011

Ordinary shares	Number	$000
1 July 2011	56,967,517	174,795
Shares issued for cash	18,400,000	15,088
Cost of issue of Special Warrants	-	(1,225)
Share based payments	-	(253)
30 December 2011	75,367,517	188,912

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

Expiry Date	Exercise price	Number 1/07/2012	Issued	Exercised	Expired	Number 31/12/2012
18/11/12	$1.50	375,002	-	-	(375,002)	-
31/12/12	$1.20	166,667	-	(166,667)	-	-
20/12/13	$1.20	166,669	-	-	-	166,669
20/12/13	$1.50	166,669	-	-	-	166,669
20/05/13	$1.20	3,597,090	-	(226,309)	-	3,370,781
26/08/13	$1.20	10,818,500	-	(4,847,600)	-	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
21/11/14	$1.50	-	75,000	-	-	75,000
22/05/15	$2.10	-	100,000	-	-	100,000
25/05/15	$2.50	-	100,000	-	-	100,000
		16,469,847	275,000	(5,250,576)	(375,002)	11,129,269

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 set out below:

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

		3 months ended December 31, 2012	3 months ended December 31, 2011
CMD Gross Operating (Loss) / Profit (unaudited)	US$000	(1,841)	1,120
A$ / US exchange rate for the period		1.038	1.012
CMD Gross Operating (Loss) / Profit (unaudited)	A$000	(1,773)	1,107
Inventory adjustments	A$000	(1,075)	1,130
Depreciation and amortisation	A$000	(2,032)	(1,196)
Foreign exchange gain / (loss)	A$000	138	(76)
Revaluation of deferred consideration	A$000	299	291
Net finance income	A$000	45	179
New venture expenditure written off	A$000	(64)	-
Other head office related costs	A$000	(666)	(711)
Consolidated (Loss) / Profit Before Income Tax (unaudited)	A$000	(5,128)	724

		6 months ended December 31, 2012	6 months ended December 31, 2011
CMD Gross Operating (Loss) / Profit (unaudited)	US$000	(6,413)	6,364
A$ / US exchange rate for the period		1.039	1.045
CMD Gross Operating (Loss) / Profit (unaudited)	A$000	(6,172)	6,088
Inventory adjustments	A$000	1,960	(1,876)
Depreciation and amortisation	A$000	(3,458)	(2,197)
Foreign exchange (loss) / gain	A$000	(1,225)	848
Revaluation of deferred consideration	A$000	82	173
Net finance income	A$000	114	223
New venture expenditure written off	A$000	(139)	-
Other head office related costs	A$000	(1,180)	(1,678)
Consolidated (Loss) / Profit Before Income Tax (unaudited)	A$000	(10,018)	1,581

10. SEGMENT INFORMATION (continued)

Reconciliation of cash cost (US$/oz) per ounce to unaudited Cost of Sales

		3 months ended December 31, 2012	3 months ended December 31, 2011
Cash cost per ounce	US$	1,026	799
Ounces produced		13,722	11,326
Cash costs	US$000	14,105	9,046
A$ / US exchange rate for the period		1.038	1.012
Cash costs	A$000	13,585	8,935
Inventory adjustments	A$000	267	-
Depreciation and amortization	A$000	2,032	1,195
Waste costs expensed and amortised	A$000	9,705	6,749
Royalties	A$000	593	475
Other	A$000	89	(74)
Copper / silver net revenue	A$000	145	282
Cost of sales (unaudited)	A$000	26,416	17,562

		6 months ended December 31, 2012	6 months ended December 31, 2011
Cash cost per ounce	US$	982	892
Ounces produced		24,091	21,656
Cash costs	US$000	23,650	19,324
A$ / US exchange rate for the period		1.039	1.034
Cash costs	A$000	22,769	18,695
Inventory adjustments	A$000	(320)	-
June 2011 pour recognized as cost of sale in September 2011 quarter	A$000	-	741
Depreciation and amortization	A$000	3,458	2,178
Waste costs expensed and amortised	A$000	17,831	11,671
Royalties	A$000	1,176	951
Other	A$000	154	(91)
Copper / silver net revenue	A$000	290	541
Cost of sales (unaudited)	A$000	45,358	34,686

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 2012 $000	30 June 2012 $000
Chile	60,430	54,506
Australia	2,797	2,798
	63,227	57,304

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 December 2012 $000	**12 months 30 June 2012 $000**
Non-current		
Opening	5,007	4,876
Effect of movements in exchange rates	(104)	204
Accretion	-	31
Change in discount rate	-	(104)
Closing	4,903	5,007

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 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 31 December 2014; and

b) 25% of the value of the gold produced from the Mineral Inventory between 1 January 2011 and 31 December 2014 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 December 2012 $000	**12 months 30 June 2012 $000**
Opening	1,387	2,742
Paid	(404)	(1,290)
Fair value (gain)	(82)	(188)
Other	156	123
Closing	1,057	1,387
Current	888	506
Non-current	169	881
	1,057	1,387

12. CAPITAL COMMITMENTS

At period end the Company had a commitment of US$13.81 million to pay for the remainder of the mining fleet, of which $12.24 was satisfied by a mixture of bank and lease finance and the remainder in cash.