LACHLAN STAR LIMITED

ABN 88 000 759 535

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and nine months ended
31 March 2012

The accompanying unaudited consolidated interim financial statements for the period ended 31 March 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		9 months ended	
	31-Mar-12 $000	**31-Mar-11 $000**	**31-Mar-12 $000**	**31-Mar-11 $000**
Revenue from continuing operations				
Revenue	19,332	11,549	56,317	12,733
Finance income	120	77	350	143
Foreign exchange (loss) / gain	(657)	-	191	-
Financial assets fair valued through profit and loss	-	9	-	9
Fair value (loss) / gain on deferred consideration	(19)	-	154	-
Profit on sale of shares in associates	-	3,708	-	3,942
	18,776	15,343	57,012	16,827
Expenses				
Cost of sales	(19,303)	(14,454)	(53,989)	(15,818)
Other expenses from ordinary activities				
Corporate compliance and management	(429)	(204)	(1,803)	(519)
Share based payments expense	-	(37)	(2)	(37)
Occupancy costs	(32)	(26)	(85)	(71)
New venture expenditure written off	(72)	(110)	(200)	(649)
Other expenses	(6)	(231)	(23)	(348)
Finance expense	(11)	(205)	(406)	(220)
Share of net loss of associate accounted for using the equity method	-	-	-	(594)
(Loss) / profit before income tax	(1,077)	76	504	(1,429)
Income tax (expense) / benefit	(33)	306	3,616	306
(Loss) / profit for the period	(1,110)	382	4,120	(1,123)
Other comprehensive income for the period net of income tax				
Exchange difference on translation of foreign operations	(924)	(237)	623	(237)
Total comprehensive (loss) / profit for the period	(2,034)	145	4,743	(1,360)
Basic earnings per share (cents per share)	(1.5)	0.7	6.3	(3.6)
Diluted earnings per share (cents per share)	(1.5)	0.7	5.1	(3.6)

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

	31 March 2012 $000	30 June 2011 $000
Current assets		
Cash and cash equivalents	12,715	4,515
Trade and other receivables	4,034	3,379
Inventories	7,774	8,675
Total current assets	24,523	16,569
Non-current assets		
Trade and other receivables	191	350
Inventories	5,368	6,876
Exploration and evaluation	2,769	2,734
Mine development properties	29,996	20,752
Property, plant and equipment	12,096	9,459
Goodwill	189	189
Deferred tax asset	7,952	4,203
Total non-current assets	58,561	44,563
Total assets	83,084	61,132
Current liabilities		
Trade and other payables	21,177	14,680
Borrowings	5,366	7,476
Total current liabilities	26,543	22,156
Non-current liabilities		
Borrowings	1,807	3,111
Provisions	5,954	5,691
Total non-current liabilities	7,761	8,802
Total liabilities	34,304	30,958
Net assets	48,780	30,174
Equity		
Contributed equity	188,910	174,796
Reserves	(942)	(1,314)
Accumulated losses	(139,188)	(143,308)
Total equity	48,780	30,174

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 2010	146,145	(138,989)	649	-	7,805
Other comprehensive income	-	-	-	(237)	(237)
Loss for the 9 months	-	(1,123)	-	-	(1,123)
Total comprehensive loss for the 9 months	-	(1,123)	-	(237)	(1,360)
Share of movement in share based payment reserve of associate	-	-	(60)	-	(60)
Transactions with owners in their capacity as owners:					
Shares issued for cash	11,341	-	-	-	11,341
Shares issued to vendors on acquisition of the CMD Gold Mine	15,000	-	-	-	15,000
Share issue costs	(377)	-	-	-	(377)
Proceeds on issue of share options	10	-	-	-	10
Share based payments	(9)	-	46	-	37
Balance at 31 March 2011	172,110	(140,112)	635	(237)	32,396
Balance at 1 July 2011	174,796	(143,308)	602	(1,916)	30,174
Other comprehensive income	-	-	-	623	623
Profit for the 9 months	-	4,120	-	-	4,120
Total comprehensive income for the 9 months	-	4,120	-	623	4,743
Transactions with owners in their capacity as owners:					
Shares issued for cash	15,088	-	-	-	15,088
Share issue costs	(1,227)	-	-	-	(1,227)
Share based payments	253	-	(251)	-	2
Balance at 31 March 2012	188,910	(139,188)	351	(1,293)	48,780

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		9 months ended	
	31-Mar-12 $000	**31-Mar-11 $000**	**31-Mar-12 $000**	**31-Mar-11 $000**
Cash flows from operating activities				
Receipts from customers and GST recovered	21,511	9,867	57,038	11,824
Payments to suppliers and employees	(13,941)	(9,914)	(45,307)	(12,233)
Interest received	102	118	301	186
Interest paid	(73)	(190)	(394)	(205)
Transaction costs on acquisition of subsidiary	-	(369)	-	(369)
Net cash inflows / (outflows) from operating activities	7,599	(488)	11,638	(797)
Cash flows from investing activities				
Payments for exploration and evaluation	-	(1)	(35)	(30)
Payments for mine development	(6,119)	(2,881)	(11,332)	(2,881)
Payments for acquisition of property, plant and equipment	(1,264)	(495)	(2,663)	(496)
Net proceeds from sale of investment in associate	-	4,324	-	4,598
Payments for acquisition of subsidiary, net of cash acquired	-	-	-	(8,684)
Net cash flows (used in) / from investing activities	(7,383)	947	(14,030)	(7,493)
Cash flows from financing activities				
Proceeds from issue of ordinary shares	-	(224)	15,088	11,341
Proceeds from issue of share options	-	-	-	10
Repayment of borrowings	(2,186)	(996)	(6,290)	(1,176)
Receipt of borrowings	276	-	3,008	-
Payment of share issue costs	(53)	(365)	(1,227)	(377)
Net cash flows (used in) / from financing activities	(1,963)	(1,585)	10,579	9,798
Net (decrease) / increase in cash and cash equivalents	(1,747)	(1,126)	8,187	1,508
Effect of exchange rate fluctuations on cash held	(12)	(14)	13	(14)
Cash and cash equivalents at the beginning of the period	14,474	6,490	4,515	3,856
Cash and cash equivalents at the end of the period	12,715	5,350	12,715	5,350

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 March 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 March 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 2011, the interim financial report for the half-year ended 31 December 2011 and any public announcements made by the Company during the period ended 31 March 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 March 2012, the consolidated entity had cash reserves of $12,715,000 and a net current asset deficiency of $2,020,000. The consolidated entity had net cash inflows from operations for the nine months of $11,638,000.

The financial report has been prepared on a going concern basis, which the directors consider to be appropriate, based on:

- on March 12, 2012 Lachlan announced an offer of shares (the "**Offering**") such that the Company will issue, and the underwriters will purchase, on a bought deal private placement basis, 10,975,000 special warrants (the "**Special Warrants**") at a price of CDN$1.60 per Special Warrant, for gross proceeds of CDN$17,560,000 (the "**Offering**"). Each Special Warrant entitles the holder to acquire, upon exercise and for no additional consideration, one Ordinary Share of the Company. As partial consideration for their services in connection with the Offering, the agents were granted options to acquire an aggregate of 329,250 Ordinary Shares at a strike price of CDN$1.60 and an expiry date of 3 April 2014.

  The Offering closed and the net proceeds were received on April 3, 2012 subsequent to the receipt of all necessary approvals, including the approval of the TSX. The Company obtained a receipt for a final prospectus on April 27, 2012. The Special Warrants converted into Ordinary Shares and the agent options were issued on 4 May 2012.

  The Company intends to use the net proceeds from the Offering for the continued development of the Company's CMD Gold Mine and for general working capital purposes.

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 judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

(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 monetary 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) Impairment

The recoverability of the carrying amount of property, plant and equipment and mine development properties has been reviewed by the consolidated entity. In conducting the review, the recoverable amount has been assessed by reference to the higher of 'fair value less costs to sell' and 'value in use'. In determining value in use, future cash flows are based on estimates of:

- quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels and sales;
- timing of future production;
- future exchange rates and commodity prices; and
- future cash costs of production and capital expenditure.

Recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as forecast commodity prices. Variations to the expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which could in turn impact future financial results.

(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 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 the Company, Lachlan Star Limited, and its other subsidiaries management have determined that the Australian dollar is the functional currency for those companies given that their revenues and expenditures will mostly be in Australian dollars.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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

(v) 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.

(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 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 tax consolidated group, being able to satisfactorily substantiate its tax losses at the time they are recouped. It is believed the subsidiary tax losses can be substantiated.

(vii) 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 determination of ore reserves, recognition of deferred tax on mineral rights and exploration recognised in acquisitions, deferred mining expenditure and capitalisation of mine development costs, and units of production method of depreciation and amortisation.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(ii) Adoption of new and revised Accounting Standards

In the period ended 31 March 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 2011. 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 2011 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 has not determined when it will adopt this interpretation.

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.

The increased Tres Perlas mineral resource base underpins the Company’s decision to move to owner mining for the fleet to be used at this pit. After negotiations with several fleet suppliers, a conditional purchase order has been placed with Komatsu Chile to secure a 100t truck fleet and associated equipment with an approximate capital cost of US$22 million. Delivery is expected towards the end of calendar 2012.

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

3. RELATED PARTY DISCLOSURES

The consolidated entity acquired the CMD Gold Mine on 24 December 2010 (refer Note 11). One of the vendors is a substantial shareholder of Lachlan Star and another, Peter Babin, is a director of the Company.

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.

4. SUBSEQUENT EVENTS

(i) On 4 April 2012 the Company announced that it had completed an Offering of Special Warrants raising gross proceeds of CDN$17,560,000 through the issuance of 10,975,000 Special Warrants, priced at CDN$1.60 per Special Warrant.

As partial consideration for their services in connection with the Offering, the agents were granted options to acquire an aggregate of 329,250 ordinary shares at a strike price of CDN$1.60 and an expiry date of 3 April 2014. The Offering closed and the net proceeds were received on April 3, 2012 subsequent to the receipt of all necessary approvals, including the approval of the TSX. The Company obtained a receipt for a final prospectus on April 27, 2012. The Special Warrants converted into Ordinary Shares and the agent options were issued on 4 May 2012.

(ii) Subsequent to the end of the quarter, the Company has carried out a detailed review of the best method to optimise mining costs and to further support the expansion of the CMD Gold Mine and determined that:

- the optimal way forward is to convert a portion of the mining operations to owner mining
- the mining contractors on site be rationalised from three to one contractor which will deliver an immediate saving on mining unit rates

The new mining strategy is expected to deliver cash cost savings of US$100-US$150 per ounce.

Owner Mining

The increased Tres Perlas mineral resource base underpins the Company's decision to move to owner mining for the fleet to be used at this pit. After negotiations with several fleet suppliers, a conditional purchase order has been placed with Komatsu Chile to secure a 100t truck fleet and associated equipment. Delivery is expected towards the end of calendar 2012.

Based on the review of maintenance, fuel and operator costs, the expected operating cost for owner mining is in the range of US$1.70 to US$1.80/t moved. This compares to the March quarterly mining costs of US$2.39/t moved by contractors with small fleet.

The Company already conducts some of the drill and blast and ore rehandle operations at the CMD Gold Mine and this move is an extension of the same strategy. It is planned to increase management capacity prior to delivery of the mine fleet to ensure maximum positive impact from the commencement of owner mining.

Mining Contractors

The mining contractors on site have been rationalised from three to one contractor, which will deliver an immediate saving on mining unit rates. The two contractors who have finished were on short term contracts that incorporated relatively high unit rates as a result of the short term duration of these contracts. These contractors had their previous contracts extended whilst the third contractor became established and reduced any changeover risk to total movement rates. The remaining contractor has approximately 18 months to run on its contract and will continue to be utilised in the smaller pits where their smaller truck fleet is more suited.

4. SUBSEQUENT EVENTS (continued)

(iii) The Company has recruited Mr Ubirata (Bira) De Oliveira to the role of Chief Operating Officer (COO). Reporting to the Managing Director, Mr De Oliveira will be responsible for Lachlan Star's operations and business development in Latin America. Mr De Oliveira is a professional engineer with formal qualifications in Mining Engineering, Minerals Processing, and Project Management. He is currently completing a PhD in Management - Leadership and Organisational Change in the USA. These formal qualifications are backed by more than 35 years operational experience in Latin America and West Africa in base metals and gold mines.

Most recently Mr De Oliveira was Chief Operating Officer for CuCo Resources Limited, a private Canadian company with copper and cobalt operations in the Democratic Republic of Congo. His mine operations pedigree also includes:

- General Manager of First Quantum Minerals Ltd, Frontier Operations in the DRC;
- General Manager of First Quantum Minerals Ltd, Guelb Moghrein Operations in Mauritania; and
- Operations Manager at AngloGold Ashanti's Sadiola Hill Gold Mine in Mali.

Before moving to Africa in 2005, Mr De Oliveira fulfilled a variety of consulting, mine management and technical engineering roles in the gold and industrial minerals sectors of Venezuela, Uruguay, and Brazil. He is fluent in Spanish, Portuguese, English and French.

Mr De Oliveira's skill set will enhance Lachlan Star's Corporate Management Team and strengthen our presence in Latin America. His management and technical background will augment the CMD Gold Mine management team as we shape the operation into a lower cost gold producer through expansion of the mine and implementation of owner mining.

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

5. DEFERRED TAX

The deferred tax asset increased by $3.75 million in the nine month period, comprising an income tax credit of $3.62 million and a $0.13 million increase as a result of the A$ / US$ exchange rate falling from 1:1.0597 at June 30, 2011 to 1:1.0387 at March 31, 2012.

The tax credit for the nine months of $3.62 million primarily consists of net $3.17 million related to the recognition of a deferred tax asset in respect of income tax losses and temporary differences of a subsidiary, Compañía Minera Dayton ("CMD"). During the nine months the Company adopted a revised internal NPV model containing a higher tonnage of mineralised material which, together with a revision to prior year tax returns, supported recognition of an additional deferred tax asset.

6. TRADE AND OTHER RECEIVABLES

US$2,112,000 was owed from Johnson Matthey at quarter end from the sale of gold which was all received in April 2012.

7. MINE DEVELOPMENT PROPERTIES

The Group's exploration and evaluation expenditure for the March Quarter comprised $2.53 million of exploration at the CMD Gold Mine which is classified as "mine development properties" in the consolidated statement of financial position and "payments for mine development" in the Statement of Cash Flows".

8. PROPERTY PLANT AND EQUIPMENT

	Fixture and fittings $000	Land and Buildings $000	Vehicles $000	Mine plant $000	Total $000
Cost:					
1 July 2011	180	-	39	11,364	11,583
Effect of movements in exchange rates	3	-	1	153	157
Reclassified from receivables	-	-	-	1,487	1,487
Additions	131	35	-	2,533	2,699
31 March 2012	314	35	40	15,537	15,926
Accumulated depreciation:					
1 July 2011	64	-	39	2,021	2,124
Depreciation charge for the period	9	2	-	1,651	1,662
Effect of movements in exchange rates	2	-	1	41	44
31 March 2012	75	2	40	3,713	3,830
Carrying amount beginning of period	116	-	-	9,343	9,459
Carrying amount end of period	239	33	-	11,824	12,096
Cost:					
1 July 2010	48	-	-	-	48
Acquired in business combination	123	-	39	11,422	11,584
Effect of movements in exchange rates	-	-	-	(705)	(705)
Additions	9	-	-	647	656
30 June 2011	180	-	39	11,364	11,583
Accumulated depreciation:					
1 July 2010	6	-	-	-	6
Depreciation charge for period	58	-	39	2,146	2,243
Effect of movements in exchange rates	-	-	-	(125)	(125)
30 June 2011	64	-	39	2,021	2,124
Carrying amount beginning of period	42	-	-	-	42
Carrying amount end of period	116	-	-	9,343	9,459

In March 2009 CMD signed an agreement with a mining contractor, Martimec, principally relating to the extraction of ore and waste material and delivery of the material to waste dumps in the case of waste and the crushing plant in the case of ore. Under this contract CMD agreed to purchase certain mining equipment (principally haul trucks and excavators) in its own capacity and provide this equipment to the aforementioned contractor for the contractor's use in performing its obligations to the consolidated entity under the contract. In return for making this equipment available to the mining contractor, CMD received a reduced rate per cubic metre of material moved by the contractor. The contract provided that on its conclusion at the end of a 31 month period the contractor has an option to purchase all of the equipment at a nominal price. CMD determined that the arrangement with its mining contractor in substance contained a lease and that such lease transferred the risks and rewards of ownership to the mining contractor and hence at 30 June 2011 this leasing arrangement was classified as a finance lease.

On 28 June 2011 CMD terminated the Martimec contract due to several contract breaches by Martimec. The directors are confident that CMD holds legal title to the equipment which was provided to Martimec for their use under the contract and that the eventual proceeds from the sale of this equipment or benefits which will be gained from its use in CMD's operations will at least match the carrying value at 31 March 2012. As a consequence the carrying value of the Martimec equipment of $1,487,000 has been transferred from trade and other receivables to property, plant and equipment during the nine-month period.

9. CONTRIBUTED EQUITY

	2012 Number	2012 $000	2011 Number	2011 $000
Ordinary shares				
1 July	56,967,517	174,796	1,079,867,371	146,145
Issue of ordinary shares for cash	18,400,000	15,088	1,134,133,686	11,341
Issue of shares on acquisition of subsidiary	-	-	1,000,000,000	15,000
Cost of issue of ordinary shares	-	(1,227)	-	(377)
Issue of share options	-	-	-	10
Share based payments	-	253	-	(8)
31 March pre share consolidation	75,367,517	188,910	3,214,001,057	172,110
31 March post share consolidation	75,367,517	188,910	53,566,684	172,110

On 29 August 2011 the Company announced that it had completed a private placement (the "**Offering**") of special warrants ("**Special Warrants**").

The Offering raised gross proceeds of $15,088,000 through the issuance of 18,400,000 Special Warrants, priced at $0.82 per Special Warrant. The Offering was completed by a syndicate of Agents led by Dundee Securities Ltd., and including Salman Partners Inc., pursuant to the terms of an agency agreement (the "**Agency Agreement**") dated 26 August 2011.

Each Special Warrant was exercised for no additional consideration into one unit (a "**Unit**"), each Unit consisting of one ordinary share (an "**Ordinary Share**") and one-half an Ordinary Share purchase warrant (each full warrant being a "**Warrant**") and each Warrant entitling the holder to purchase one Ordinary Share (each, a "**Warrant Share**") upon payment of $1.20 for a period of 24 months following closing of the Offering. As partial consideration for their services in connection with the Offering, the Agents were granted 1,104,000 special broker warrants ("**Special Broker Warrants**") which were exercised for no additional consideration into compensation options ("**Compensation Options**"), each Compensation Option entitling the holder to purchase a unit (a "**Compensation Unit**") upon payment of $1.20 for a period of 24 months following closing of the Offering, each Compensation Unit being comprised of one Ordinary Share (each, a "**Compensation Share**") and one-half of one Warrant.

The Special Warrants were issued pursuant to and governed by a Special Warrant Indenture between the Company and Equity Financial Trust Company, as Special Warrant Agent. The Warrants are issued pursuant to and governed by a Warrant Indenture between the Company and Equity Financial Trust Company, as Warrant Agent.

The proceeds of the Offering were released from escrow on receipt of shareholder approval at a general meeting of the Company held on 26 September 2011. Lachlan Star is using the net proceeds from the Offering for the continued development of the consolidated entity's CMD Gold Mine and for general working capital purposes.

The Special Warrants were automatically exercised into Units and the Special Broker Warrants were automatically exercised into Compensation Options upon Lachlan receiving a receipt from the British Columbia Securities Commission, as principal regulator, on its behalf and on behalf of other applicable Canadian securities commissions or securities regulatory authorities, for a final prospectus qualifying the distribution of the Units and the Compensation Options in November 2011.

The Company commenced trading on the Toronto Stock Exchange on 19 October 2011.

9. CONTRIBUTED EQUITY (continued)

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

Expiry Date	Exercise price	Number 1/07/2011	Issued	Expired	Number 31/3/2012
18/11/2011	$1,20	375,002		(375,002)	-
18/11/2012	$1.50	375,002	-	-	375,002
31/12/2012	$1.20	166,667	-	-	166,667
20/12/2013	$1.20	166,669	-	-	166,669
20/12/2013	$1.50	166,669	-	-	166,669
20/05/2013	$1.20	3,563,447	33,643	-	3,597,090
26/08/2013	$1.20	-	10,856,000	-	10,856,000
25/11/2013	$1.20	-	650,000	-	650,000
25/11/2013	$1.50	-	150,000	-	150,000
25/11/2014	$1.50	-	50,000	-	50,000
		4,813,456	11,739,643	(375,002)	16,178,097

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 has assessed the performance of the gold mining segment based on selected operational performance indicators.

	3 months to 31 March 2012		3 months to 31 March 2011	
	Unit		Unit	
Ore Mined	dmt	812,921	dmt	583,737
Waste Mined	dmt	4,085,469	dmt	4,040,659
Total Mined	dmt	4,898,390	dmt	4,624,396
Waste:Ore Ratio	t:t	5.0	t:t	6.9
Ore grade	Au g/t	0.51	Au g/t	0.6
Gold Mined	Au oz	13,396	Au oz	10,779
Ore stacked	dmt	803,094	dmt	581,220
Stacked Grade	Au g/t	0.51	Au g/t	0.6
Gold Stacked	Au oz	13,274	Au oz	10,779
Average stacking rate	dmt/d	8,825	dmt/d	6,458
Gold Produced	Au oz	11,906	Au oz	8,348
Mining Cost/t moved	US$/t	$2.39	US$/t	$1.70
Mining Cost/t ore	US$/t	$11.99	US$/t	$14.09
Process Cost/t ore stacked	US$/t	$8.86	US$/t	$7.34
G+A Cost/t ore	US$/t	$1.76	US$/t	$1.95
Total Cost/t ore	US$/t	$22.61	US$/t	$23.38
Average sales price	US$/oz	$1,682	US$/oz	$1,392

10. SEGMENT INFORMATION (continued)

The consolidated entity derives 100% of its revenue from the sale of metals to one customer and operates in one geographic region, Chile. The geographic location of non-current assets, other than deferred tax, is set out in the table below:

	31 March 2012 $000	30 June 2011 $000
Chile	48,555	37,592
Australia	2,802	2,768
	51,357	40,360

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.

Non-current	9 months 31 March 2012 $000	12 months 30 June 2011 $000
Opening	4,876	-
Acquired in business acquisition	-	5,084
Effect of movements in exchange rates	98	(276)
Accretion	31	24
Change in discount rate	(36)	44
Closing	4,969	4,876

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 owns 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:

	9 months 31 March 2012 $000	12 months 30 June 2011 $000
Opening	2,864	-
As part consideration for business acquisition	-	3,653
Effect of movements in exchange rates	(158)	-
Accretion	170	79
Paid	(998)	(457)
Fair value gain	(154)	(411)
Closing	1,724	2,864
Current	652	1,628
Non-current	1,072	1,236
	1,724	2,864