LACHLAN STAR LIMITED

ABN 88 000 759 535

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended
30 September 2012

The accompanying unaudited consolidated interim financial statements for the period ended 30 September 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 30-Sept-12 $000	3 months ended 30-Sept-11 $000
Revenue from continuing operations		
Revenue	16,249	18,248
Finance income	68	51
	16,317	18,299
Expenses		
Cost of sales	(18,942)	(17,124)
Other expenses from ordinary activities		
Corporate compliance and management	(417)	(655)
Occupancy costs	(7)	(26)
Foreign exchange (loss) / gain	(1,363)	924
New venture expenditure written off	(75)	(60)
Other expenses	(103)	(13)
Finance expense	(83)	(370)
Fair value (loss) on deferred consideration	(217)	(118)
(Loss) / profit before income tax	(4,890)	857
Income tax benefit	2,613	2,432
(Loss) / profit for the period	(2,277)	3,289
Other comprehensive income for the period net of income tax		
Exchange difference on translation of foreign operations	(1,056)	3,183
Total comprehensive income for the period	(3,333)	6,472
	Cents	Cents
Basic (loss) / profit per share	(2.6)	5.8
Diluted (loss) / profit per share	(2.6)	5.1

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	30 Sept 2012 $000	Audited 30 June 2012 $000
Current assets			
Cash and cash equivalents		8,336	17,412
Trade and other receivables		3,750	3,630
Inventories		11,623	8,441
Total current assets		23,709	29,483
Non-current assets			
Trade and other receivables		426	435
Inventories		7,150	5,983
Exploration and evaluation		2,773	2,771
Mine development properties		34,820	34,452
Property, plant and equipment	6	13,157	13,474
Goodwill		189	189
Deferred tax asset	7	10,853	8,459
Total non-current assets		69,368	65,763
Total assets		93,077	95,246
Current liabilities			
Trade and other payables		20,352	20,191
Borrowings		6,874	5,343
Total current liabilities		27,226	25,534
Non-current liabilities			
Borrowings		887	1,384
Provisions		6,079	6,087
Total non-current liabilities		6,966	7,471
Total liabilities		34,192	33,005
Net assets		58,885	62,241
Equity			
Contributed equity	8	204,413	204,436
Reserves		(939)	117
Accumulated losses		(144,589)	(142,312)
Total equity		58,885	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	174,795	(143,307)	602	(1,916)	30,174
Other comprehensive income	-	-	-	3,183	3,183
Profit for the period	-	3,289	-	-	3,289
Total comprehensive profit for the period	-	3,289	-	3,183	6,472
Transactions with owners in their capacity as owners:					
Special Warrants issued for cash	15,088	-	-	-	15,088
Special Warrants issue costs	(1,174)	-	-	-	(1,174)
Share based payments	(9)	-	9	-	-
Balance at 30 September 2011	188,700	(140,018)	611	1,267	50,560
Balance at 1 July 2012	204,436	(142,312)	425	(308)	62,241
Other comprehensive income	-	-	-	(1,056)	(1,056)
Loss for the period	-	(2,277)	-	-	(2,277)
Total comprehensive loss for the period	-	(2,277)	-	(1,056)	(3,333)
Transactions with owners in their capacity as owners:					
Share issue costs	(23)	-	-	-	(23)
Balance at 30 September 2012	204,413	(144,589)	425	(1,364)	58,885

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 30-Sept-12 $000	3 months ended 30-Sept-11 $000
Cash flows from operating activities		
Receipts from customers and GST recovered	15,716	17,187
Payments to suppliers and employees	(22,705)	(14,840)
Interest received	173	44
Interest paid	(96)	(78)
Net cash (outflows) / inflows from operating activities	(6,912)	2,313
Cash flows from investing activities		
Payments for exploration and evaluation	(2)	(33)
Payments for mine development	(2,419)	(2,247)
Payments for acquisition of property, plant and equipment	(664)	(591)
Net cash flows (used in) investing activities	(3,085)	(2,871)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	15,088
Repayment of borrowings	(384)	(1,913)
Receipt of borrowings	1,329	115
Payment of share issue costs	(23)	(1,174)
Net cash flows from financing activities	922	12,116
Net (decrease) / increase in cash and cash equivalents	(9,075)	11,558
Effect of exchange rate fluctuations on cash held	(1)	50
Cash and cash equivalents at the beginning of the period	17,412	4,515
Cash and cash equivalents at the end of the period	8,336	16,123

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 30 September 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 30 September 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 30 September 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 30 September 2012, the consolidated entity had cash reserves of $8,336,000 and a net current asset deficiency of $3,517,000, having recorded a net loss after tax for the period of $2,277,000. The consolidated entity had net cash outflows from operations for the three months of $6,912,000.

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

- since the end of the reporting period the Company has received $6,289,000 from the exercise of 5,240,576 share warrants and options
- since the end of the reporting period the Company has seen an increase in weekly gold pours
- the expectation that the operating subsidiary will be able to maintain its creditor holding periods in Chile
- 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) 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 fair value less costs to sell, future cash flows are based on estimates of (a) quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction; (b) future production levels and sales; (c) timing of future production; (d) future exchange rates and commodity prices; and (e) future cash costs of production and capital expenditure.

Recoverable amount is most sensitive to 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. At 30 September 2012 the spot gold price was US$1,776 per ounce.

(ii) 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.

(iii) Functional currency

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

For subsidiaries Compania Minera Dayton (“CMD”) and Dayton Chile Exploraciones Mineras Limitada (“DCEM”) the above indicators are mixed and the functional currency is not obvious. Management used its 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)

(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) 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.

(vi) 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.

(vii) 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 30 September 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.

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. 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 $19,575 on an arm's length basis during the period 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.

4. SUBSEQUENT EVENTS

Subsequent to period end, and to the date of this report, 5,240,576 share options and warrants have been exercised resulting in exercise proceeds of A$6,288,891 being received by the Company.

Other than this, no matter or circumstance has arisen since 30 September 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. TRADE AND OTHER RECEIVABLES

US$2,341,000 was owed from Johnson Matthey at quarter end from the sale of gold, of which over 95% was received in October 2012.

6. PROPERTY PLANT AND EQUIPMENT

	Fixture and fittings $000	Land and Buildings $000	Vehicles $000	Mine plant $000	Total $000
Cost:					
1 July 2012	463	35	40	17,269	17,807
Effect of movements in exchange rates	(7)	-	-	(367)	(374)
Additions	2	-	-	662	664
30 September 2012	458	35	40	17,564	18,097
Accumulated depreciation:					
1 July 2012	105	-	40	4,188	4,333
Depreciation charge for the period	10	-	-	646	656
Effect of movements in exchange rates	(1)	-	-	(48)	(49)
30 September 2012	114	-	40	4,786	4,940
Carrying amount beginning of period	358	35	-	13,081	13,474
Carrying amount end of period	344	35	-	12,778	13,157

6. PROPERTY PLANT AND EQUIPMENT (continued)

	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	2	-	1	1,139	1,142
Reclassified from receivables	-	-	-	1,384	1,384
Additions	-	-	-	591	591
30 September 2011	182	-	40	14,478	14,700
Accumulated depreciation:					
1 July 2011	64	-	39	2,021	2,124
Depreciation charge for the period	5	-	-	588	593
Effect of movements in exchange rates	1	-	1	171	173
30 September 2011	70	-	40	2,780	2,890
Carrying amount beginning of period	116	-	-	9,343	9,459
Carrying amount end of period	112	-	-	11,698	11,810

7. DEFERRED TAX

The deferred tax asset increased by $2.39 million in the quarter, comprising an income tax credit of $2.61 million and a $0.22 million decrease as a result of the A$ / US$ exchange rate increasing from 1:1.0161 at June 30, 2012 to 1:1.0381 at September 30, 2012.

The income tax credit of $2.61 million (September 2011 quarter: credit of $2.43 million) consists of:

(i) a $2.53 million credit (September 2011 quarter: credit of $2.17 million) related to the recognition of a deferred tax asset in respect of income tax losses and timing differences of a Chilean subsidiary. Of the $2.53 million, $1.80 million relates to an in increase in the deferred asset arising from an increase in the first category tax rate in Chile from 17% to 20%, and $0.73 million to the Chilean subsidiary's loss for the quarter.

During the September 2011 quarter the Company adopted a revised internal NPV model containing higher mineralised material which supported recognition of an increase in the deferred tax asset in that quarter.

(ii) $0.08 million (September 2011 quarter: credit of $0.26 million) relating to the deferred tax impact of the unwinding of the fair value adjustments taken up on the acquisition of the CMD Gold Mine. These fair value adjustments created a difference between the carrying value of the assets in the Company's financial statements and the assets' tax value, and resulted in the recognition of a deferred tax liability on acquisition. As the fair value uplift is amortised the difference between the carrying value of the assets in Lachlan's financial statements and the assets tax value will reduce and the deferred tax liability will reverse.

8. CONTRIBUTED EQUITY

	Number	$000
Ordinary shares		
1 July 2012	86,380,017	204,436
Share issue costs	-	(23)
30 September 2012	86,380,017	204,413

Ordinary shares	Number	$000
1 July 2011	56,967,517	174,795
Proceeds from issue of Special Warrants	-	15,088
Cost of issue of Special Warrants	-	(1,174)
Share based payments	-	(9)
30 September 2011	86,380,017	188,700

During the September 2011 quarter the Company issued 18.4 million Special Warrants for gross proceeds of $15,088,000. These Special Warrants were converted into Ordinary Shares in the December 2011 quarter.

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

Expiry Date	Exercise price	Number 1/07/2012	Issued	Expired	Number 30/9/2012
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	-	-	3,597,090
26/08/13	$1.20	10,818,500	-	-	10,818,500
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
		16,469,847	-	-	16,469,847

9. 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:

9. SEGMENT INFORMATION (continued)

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

		3 months ended September 30, 2012	3 months ended September 30, 2011
CMD Gross Operating (Loss) / Profit (unaudited)	US$000	(4,572)	5,243
A$ / US exchange rate for the period		1.039	1.053
CMD Gross Operating (Loss) / Profit (unaudited)	A$000	(4,399)	4,981
Process inventory and ROM pad adjustment	A$000	3,036	(3,006)
Depreciation and amortisation	A$000	(1,426)	(1,001)
Foreign exchange (loss) / gain	A$000	(1,363)	924
Revaluation of deferred consideration	A$000	(217)	(118)
Net finance income	A$000	81	44
New venture expenditure written off	A$000	(75)	-
Other head office related costs	A$000	(527)	(967)
Consolidated (Loss) / Profit Before Income Tax (unaudited)	A$000	(4,890)	857

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

		3 months ended September 30, 2012	3 months ended September 30, 2011
Cash cost per ounce	US$	921	995
Ounces poured		10,374	10,330
Cash costs	US$000	9,554	10,278
A$ / US exchange rate for the period		1.039	1.053
Cash costs	A$000	9,186	9,760
Process inventory provision and ROM pad adjustment	A$000	(587)	-
June 2011 pour recognized as cost of sale in September 2011 quarter	A$000	-	741
Depreciation and amortization	A$000	1,425	983
Waste costs expensed and amortised	A$000	8,127	4,922
Royalties	A$000	582	475
Other	A$000	65	(16)
Copper / silver net revenue	A$000	144	259
Cost of sales (unaudited)	A$000	18,942	17,124

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:

	30 Sept 2012 $000	**30 June 2012 $000**
Chile	55,713	54,506
Australia	2,802	2,798
	58,515	57,304

10. 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.

	3 months 30 Sept 2012 $000	**12 months 30 June 2012 $000**
Non-current		
Opening	5,007	4,876
Effect of movements in exchange rates	(107)	204
Accretion	-	31
Change in discount rate	-	(104)
Closing	4,900	5,007

10. 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:

	3 months 30 Sept 2012 $000	**12 months 30 June 2012 $000**
Opening	1,387	2,742
Paid	(240)	(1,290)
Fair value loss / (gain)	217	(188)
Other increases	35	123
Closing	1,399	1,387
Current	840	506
Non-current	559	881
	1,399	1,387

11. CAPITAL COMMITMENTS

The Company has signed a purchase agreement with Komatsu Chile for the purchase of a mining fleet, comprising HD785 (91 tonne) trucks, WA900 loaders and ancillary equipment and the implementation of a maintenance and repair contract. All the equipment is in Chile and the delivery of 7 trucks (HD785), 2 loaders (WA900), 1 dozer (D275), 1 wheel dozer (WD500) and 1 grader (GD675) is scheduled for prior to mid December 2012. Construction of the maintenance facilities is underway and the Maintenance and Repair (MARC) Contract has been signed with Komatsu.

In addition, the Company has purchased a fleet of seven Mercedes Benz trucks and two Komatsu WA600 loaders to be used for the dynamic leach pad rehandle that has predominately been carried out by contractors.

The total capital requirement for the owner mining fleet is US$20.4 million. The Company has received credit committee approved leasing facilities from Komatsu and Chilean banks for a total of US$20.0 million of this amount, with the remaining US$0.4 million to be financed from the Company's cash balances. Of the US$20.0 million in leasing facilities, US$18.7 million is repayable over a 48 month term, and the remaining US$1.3 million over a 12 month term. Interest rates are a combination of fixed and variable depending on the facility.