LACHLAN STAR LIMITED

Quarterly Report for the Period Ending 30 June 2013

HIGHLIGHTS

CMD GOLD MINE (100%, CHILE)

- 506 % increase in Gross Operating Profit for the CMD Gold Mine to US$2.15 million for the Quarter;
- Gold production increased 48% quarter on quarter to 16,160 ounces of gold in the June quarter, a record under the Company's ownership;
- Gold stacked increased 16% quarter on quarter to 20,788 ounces in the June quarter, a record under the Company's ownership;
- Stacked grade increased by 6% quarter on quarter to 0.52 g/t Au;
- Mined ore grade increased by 19% quarter on quarter to 0.58 g/t Au;
- Waste to ore ratio reduced by 8% quarter on quarter to 2.49:1, the lowest under the Company's ownership
- Average stacking rate in the month of June increased to over 15,671 tpd with 470,141 tonnes of ore stacked, a record under the Company's ownership
- Owner mining fleet unit rates reduced to US$1.87 per tonne mined in the month of June, a record low since commencement of owner mining
- Total costs reduced to $14.93 per tonne of ore stacked for the month of June, a record low under the Company's ownership;
- Market capitalisation of the Company in gold now at 17,000 ounces, with 2.06 million ounces of Indicated mineral resources and a further 1.35 million ounces of Inferred mineral resources.

CORPORATE

- A$3,919,114 private placement completed at a price of C$0.57 a share and 7,265,000 shares issued
- Executive Chairman and Chief Financial Officer agree to reduce fees by 30% from 1 August while gold price is below US$1,500 per ounce

CMD GOLD MINE (100% CHILE)

Production, Unit Costs and Sales

Production from the CMD Gold Mine is summarised in Table 1 below. Unless otherwise noted, all currency disclosures are in US dollars and all weights and measures are in metric units.

Table 1 – CMD Gold Mine Operating Summary

Item	Unit	3 months ended 30-Jun-13	3 months ended 31-Mar-13	% Change Variance
Ore Mined	Dmt	1,139,766	1,338,000	-15%
Waste Mined	Dmt	2,840,087	3,601,724	-21%
Total Mined	Dmt	3,979,853	4,939,724	-19%
Waste:Ore Ratio	t:t	2.49	2.7	-8%
Ore grade Mined	Au g/t	0.58	0.49	19%
Gold Mined	Au oz	21,364	21,220	1%
Ore stacked	Dmt	1,250,766	1,146,000	9%
Stacked Grade	Au g/t	0.52	0.49	6%
Gold Stacked	Au oz	20,788	17,940	16%
Average stacking rate	dmt/d	13,897	12,876	8%
Gold Produced	Au oz	16,160	10,892	48%
Mining Cost/t moved	US$/t	$2.33	$2.20	6%
Mining Cost/t ore	US$/t	$8.13	$8.10	0%
Process Cost/t ore stacked	US$/t	$8.31	$8.51	-2%
G+A Cost/t ore	US$/t	$1.52	$1.74	-12%
Total Cost/t ore	US$/t	$17.97	$18.35	-2%
Average Sales Price	USD/oz	$1,377	$1,635	-16%
Cash Cost	USD/oz	$910	$1,337	-32%
Non Cash Process Inventory Adjustment	USD/oz	$228	-$98	-332%
C1 Cash Cost	USD/oz	$1,137	$1,239	-8%
CMD Gold Mine Gross Operating Profit / (Loss) (Unaudited)*	**US$million**	$2.15	**-$0.53**	506%

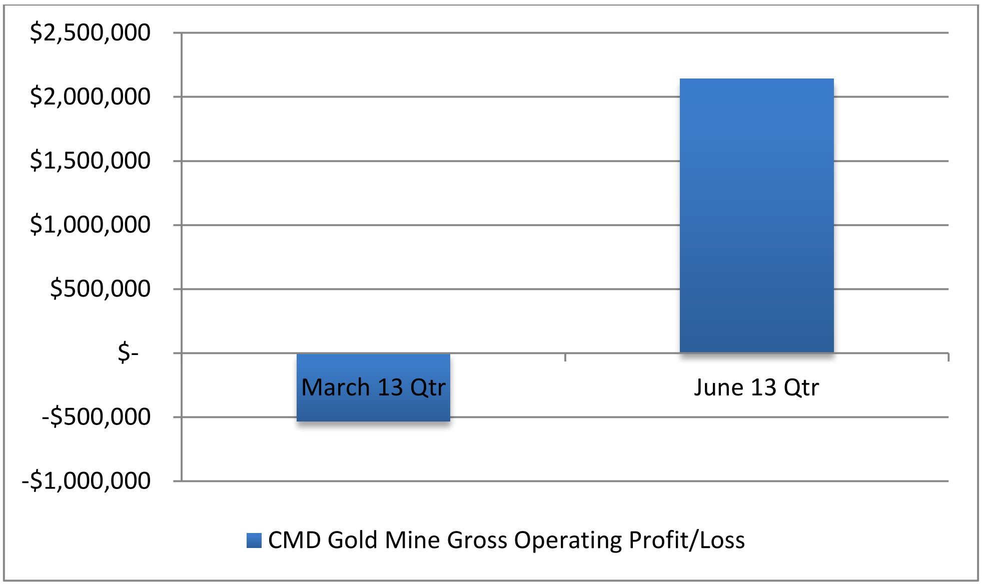
*revenues and dore in process plus ore stockpiles less cost of sales (including waste expensed and amortised), interest and other site expenses and excluding foreign exchange movements, depreciation, exploration and process inventory adjustments

Gold production for the June quarter was 16,160 ounces, a 48% increase on the previous quarter. In addition, 11,559 ounces of silver was produced. All production was sold at spot prices, with an average sale price of US$1,377 per gold ounce.

Gold ounces stacked for the June quarter were up 16% on the previous quarter to a new record under the Company's ownership.

The CMD Gold Mine Gross Operating Profit (as defined above) was US$2.15 million for the quarter. This result was a 506% improvement on the previous quarter and was primarily driven by the 48% increase in ounces poured and the continuing cost reductions (refer Figure 1). This result was achieved despite the fall in the gold price and is the best result for the Company since the March 2012 Quarter, when the gold price was US$300 per ounce higher than the average price for the June 2013 quarter.

Figure 1 – CMD Gold Mine Gross Operating Profit/Loss March and June 2013 Quarters



C1 cash costs, which exclude waste costs expensed or amortised and royalties, decreased to US$1,137 per ounce of gold produced (a decrease of 8% quarter on quarter).

The inventory adjustment of US$228 per ounce for the June quarter comprises $87 per ounce for the drawdown in ounces from the leachpad, $127 per ounce for the reduced average cost of ounces on the leachpad, and $14 per ounce for stockpile movements.

Table 2 below shows the cash costs for each quarter over the past year, and the impact of the inventory valuation adjustment (all numbers in US$ per ounce).

Table 2 – Cash Cost (US$ per ounce) and inventory adjustments

Item	Quarter ending 30 June 2013	Quarter ending 31 March 2013	Quarter ending 31 Dec 2012	Quarter ending 30 Sept 2012	Quarter ending 30 June 2012
Cash costs with inventory adjustment ($/oz)	1,137	1,239	1,026	921	977
Cash costs without inventory adjustment ($/oz)	910	1,337	1,062	1,166	1,144
Inventory adjustment effect ($/oz)	228	(98)	(35)	(246)	(167)

Total costs per tonne of ore stacked decreased 2% quarter on quarter to US$17.97 per tonne, reflecting a significant (8%) decrease in the waste to ore ratio. The total costs per tonne (including waste stripping) are the lowest under the Company's ownership.

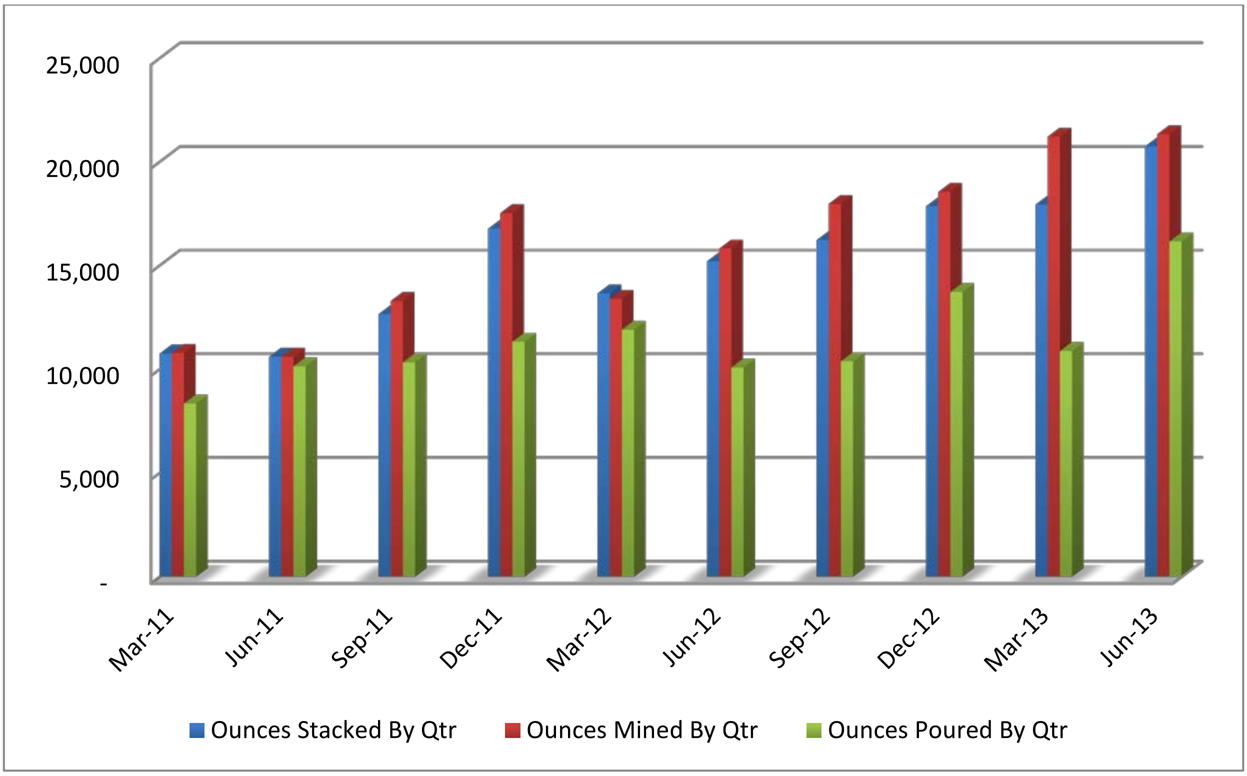
Of note are the total costs per tonne of ore stacked in the month of June at US$14.93, which is a record low under the Company's ownership. This result was achieved through a material reduction in the processing costs to US$6.53 per tonne due to the higher tonnage stacked.

Figure 2 illustrates the ounces mined, stacked and produced by quarter since the Company bought the CMD Gold Mine at the end of 2010. As can be seen in Figure 2, gold mined and stacked has increased rapidly over the past 6 months

Gold pours increased materially quarter on quarter to a new record under the Company's ownership. The reasons for this are:

- Gold pours in the March quarter had been negatively impacted by slower recoveries which has now been rectified
- Increased pumping efficiencies and reliability has meant that solution flows to the ADR have increased quarter on quarter

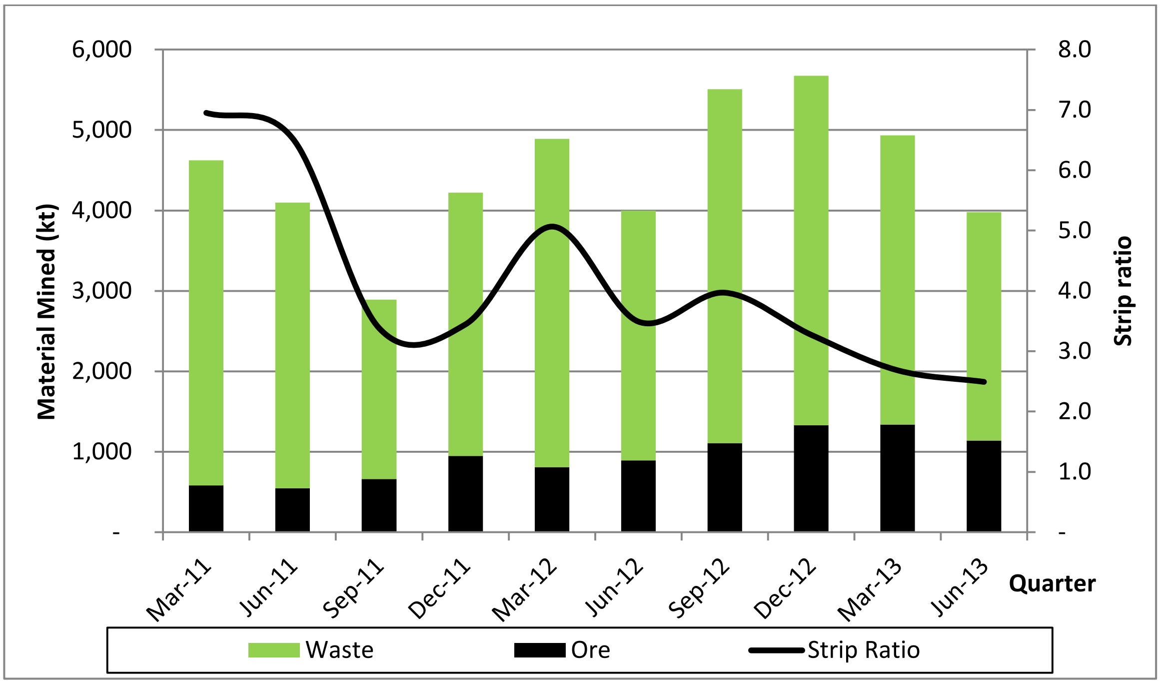
Figure 2 – Quarterly Ounces Mined, Stacked and Gold Produced



Mining

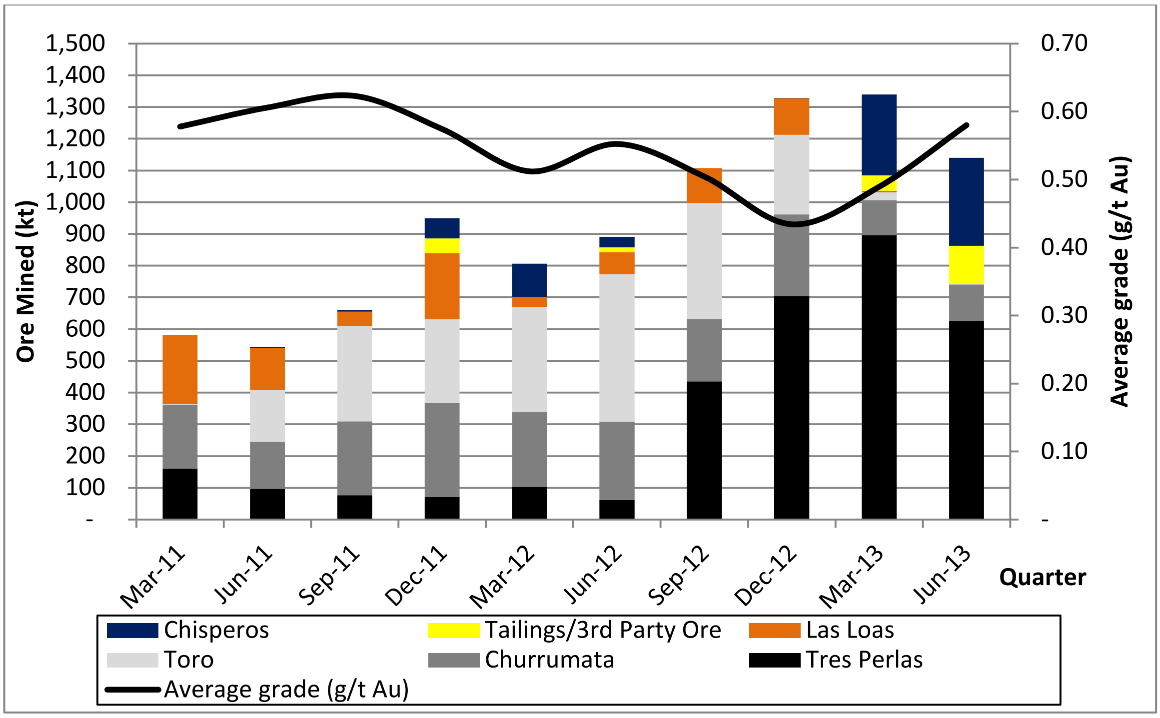
Total ore mined for the quarter was 1.14 million tonnes for 21,364 contained Au ounces, with the waste to ore ratio for the quarter decreasing to 2.49 to 1 (from 2.7 to 1 in the previous quarter). Ore was principally sourced from the Tres Perlas, Churrumata and Chisperos pits. Figure 3 shows the mining rate and waste to ore ratio by quarter since the Company acquired the project.

Figure 3 – Material Mined and Waste to Ore Ratio by Quarter



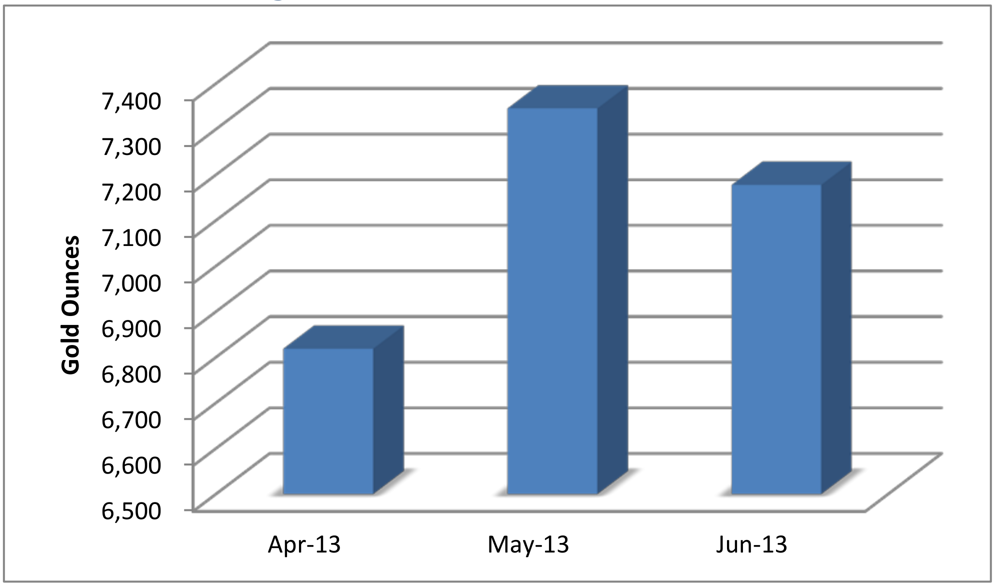
Mining was focussed on the Tres Perlas pit using the Company's owner mining fleet, with total quarterly ore production from Tres Perlas decreasing to 55% of the total ore mined, due to an increase in mining in Chisperos and also the tailings addition to process, as illustrated in Figure 4. The Life of Mine waste to ore ratio for the Tres Perlas pit is expected to be around 1:1.

Figure 4 – Ore Mined by Pit and Quarter



As seen in Figure 5, the ounces mined during the June Quarter reduced in April given the large stockpile that had been built up in front of the crusher at the end of March. Mining was suspended in the Tres Perlas pit for 10 days in April to reduce costs and rehandle of ore from stockpiles, which reduced the ounces mined during that month. The owner mining fleet continues to perform well and mining has been able to produce ample ore for plant feed, despite the increase in plant throughput.

Figure 5 – June Quarter Ounces Mined



Average mined grades increased from 0.49 g/t to 0.58 g/t Au, an increase of 19% quarter on quarter that was a direct result of the mining of the Chisperos pit.

The Company has also developed several relationships with small miners in the area and is purchasing ore from outside CMD's mining lease. This provides a profitable alternate source of ore. The scheme aids employment around Andacollo and delivers an improved environmental outcome from the processing of these ores in a fully permitted gold treatment facility. The ore is typically soft and has relatively fast leach kinetics that has assisted the improvement in gold production seen over the quarter.

Table 3 details the ore and waste movement in the June quarter by pit.

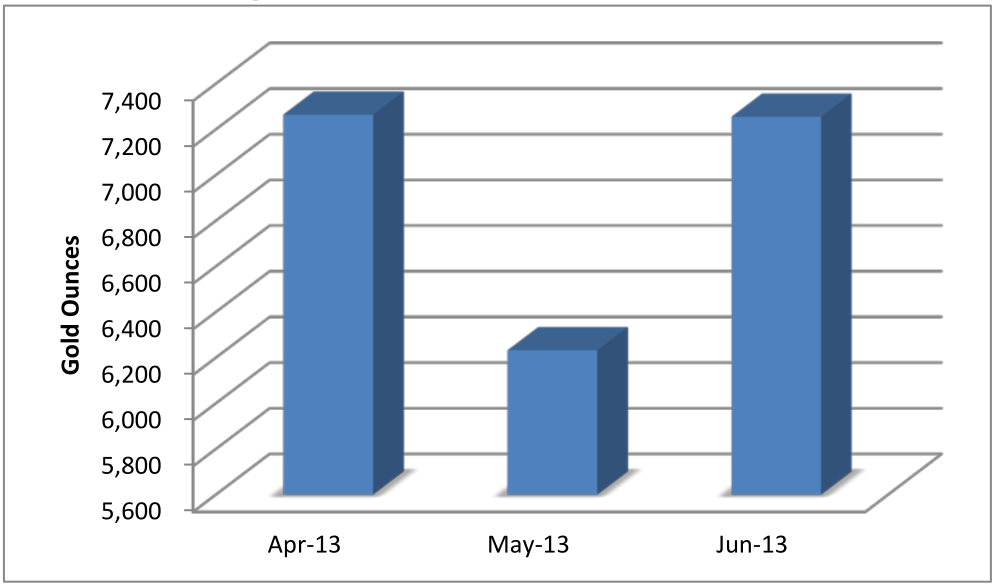
Table 3 – Quarterly mine production by pit

Item	Unit	Churrumata	Tres Perlas	Chisperos	Toro	Las Loas	Other sources	Total
Ore Mined	Kt	116	625	277	3	0	119	1,140
Au Grade	g/t	0.47	0.41	0.97	0.34	0.00	0.70	0.58
Contained Au	Oz	1,755	8,174	8,610	35	0	2,680	21,364
Waste Mined	Kt	384	1,743	638	75	0	0	2,840
Total Mined	Kt	500	2,368	915	78	0	119	3,980
Strip Ratio	W:O	3.3	2.8	2.3	23.6	0.0	0.0	2.49

Processing

Ore tonnage stacked was up 9% quarter on quarter with a record 470,141 tonnes stacked in the month of June. Gold ounces stacked was a record under the company's ownership, despite a three day shut down in May due to a rainfall event as seen in Figure 6.

Figure 6 – March Quarter Ounces Stacked



Plant availability increased as the impact of the increased spares inventory was seen in equipment reliability. The average daily crushing rate of 15,671 tpd in the month of June is indicative of the production rates that are achievable in the plant when availabilities are at budgeted levels.

The increase in the sizing of the tertiary crushed product from 9mm to 11mm appears to have increased throughput with no material reduction in recovery or leaching time. There has been a reduction in maintenance costs in the tertiary crushers as a result of this change as well.

Cyanide consumption decreased over the quarter, as the cyanide addition rates were fine-tuned, from 0.81 kg/t in April to 0.60 kg/t in June that equates to a saving on the process costs of approximately US$0.60 per tonne.

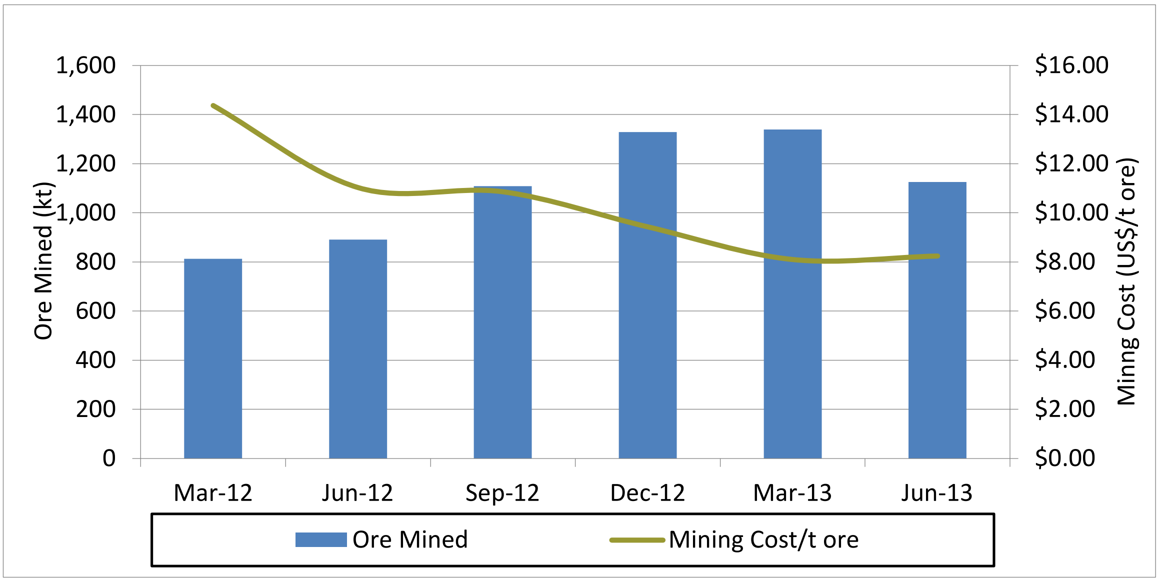
PROJECT COSTS

Mining

Unit mining costs increased slightly to US$2.33/ per tonne moved (from US$2.20 per tonne the previous quarter) and the mining cost per tonne of ore was flat at US$8.13. Of note is that the unit mining rate includes the cost of buying third party ore that has no waste to ore ratio associated with it.

Figure 7 illustrates the quarterly history of mining costs per ore tonne over the last 18 months.

Figure 7 – Ore mined and mining cost per tonne of ore

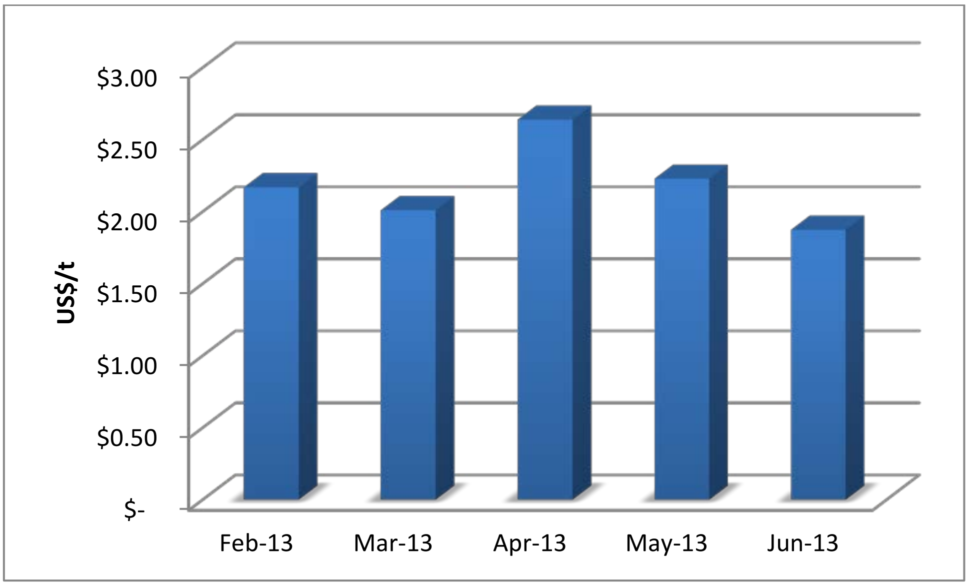


The owner mining fleet continues to deliver savings and the unit rate for the owner mining fleet in the month of June was reduced to US$1.87 per tonne moved, the lowest since the fleet commenced work as seen in Figure 8. This was achieved despite a 3 day shut down in June of the fleet due to high stockpile levels and is a strong result for the Company.

Changes to the blasting patterns and bench height have decreased mining costs, and increased supervision and training has increased productivity, further driving mining costs down. Fuel consumption per tonne mined is down 19% on budget, which is also contributing to the reduced mining costs.

The steady state guidance for the owner mining fleet costs is US$1.70 to US$1.80 per tonne moved and the Company continues to aim for that guidance range.

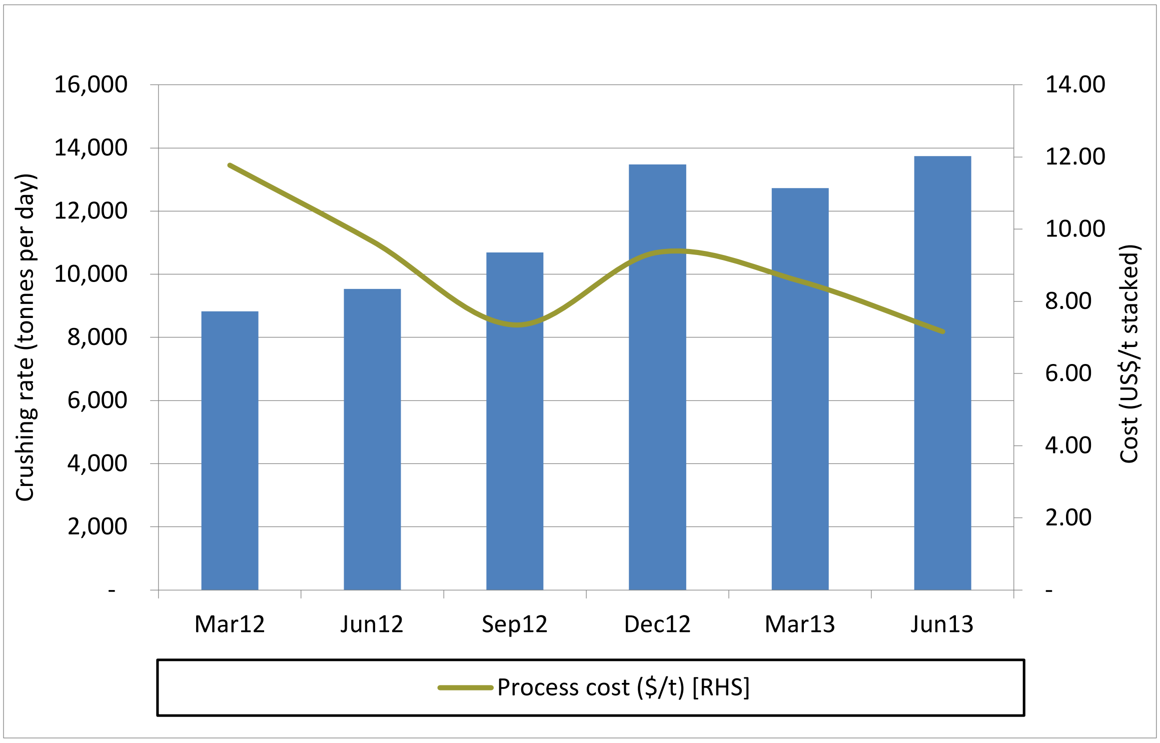
Figure 8 – Owner Mining Fleet Costs



Ore Processing

Process costs decreased to US$8.31 per tonne stacked which was a 2% decrease quarter on quarter (Refer Figure 9). The reduced cyanide consumption and increased throughput were the main drivers for the lower process costs.

Figure 9– Process cost per tonne stacked



General and Administration (G&A)

G&A decreased by 12% quarter on quarter to US$1.52 per tonne of ore as a result of the higher tonnage stacked.

Exploration

No exploration was carried out during the quarter at the CMD Gold Mine.

Cost Review

The cost review process continued throughout the quarter, with significant cost savings identified across the operations. The increase of the bench heights in the Tres Perlas pit and a general improvement of blasting practices led to a marked reduction in blasting costs. This, combined with the continued efficiencies of the owner mining fleet, saw the owner mining unit rates fall to their lowest level yet.

Of particular note was the fall in the processing unit costs to US$6.53 per tonne for the month of June, which was a good result for the Company and resulted from the increased tonnages stacked, reduced cyanide consumption, lower maintenance costs and improved cost control across the site. This result was achieved despite power costs being at the highest point in the annual cost cycle and underscores the efficiencies that have been brought into the operation over the past 6 months.

A site wide review of costs is underway with major contracts being renegotiated and functions currently being performed by external contractors internalised with material cost savings as seen by the owner mining fleet costs.

A reduction in staff numbers was also completed during the quarter with approximately 40 positions made redundant.

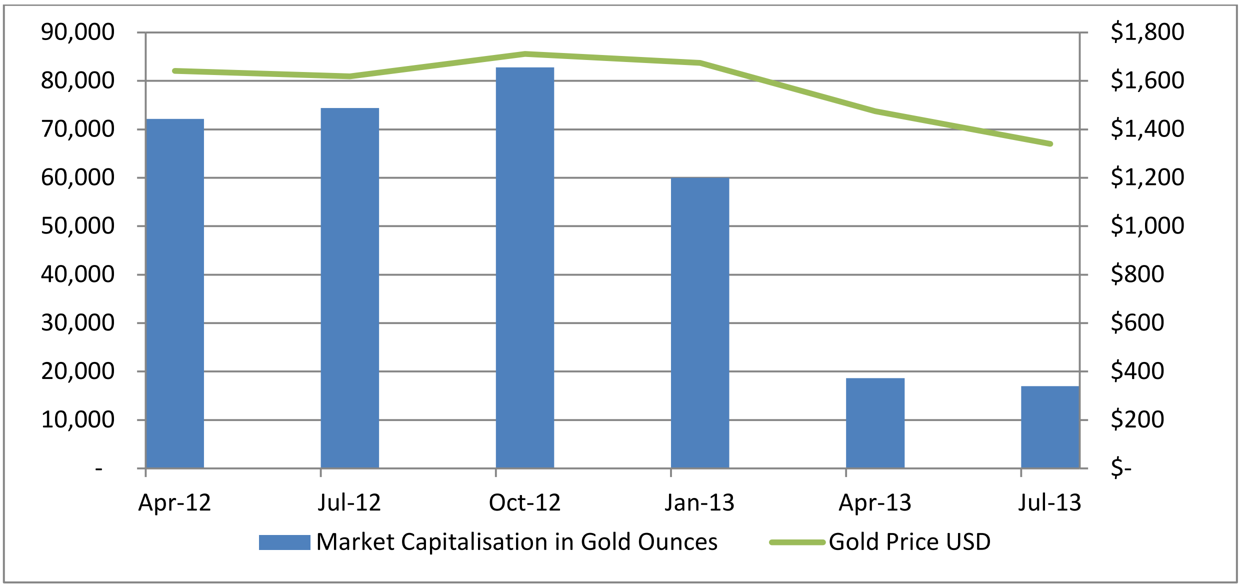
At the corporate level, management have agreed to a 30% fee reduction. The contracts for the Executive Chairman and Chief Financial Officer expire on 31 July 2013 and have been agreed to be renewed for a term of 1 year from 1 August 2013 with a notice period of 30 days for both parties. The new fees are A$252,000 per annum for the Executive Chairman and A$154,000 per annum for the Chief Financial Officer. The Company has agreed that if the gold price exceeds US$1500 per ounce but is below US$1600 per ounce, the fee reduction will be 15%, and if the gold price exceeds US$1600 per ounce, the fees will return to their full level.

Non executive directors have agreed (subject to regulatory and shareholder approval) to reduce their cash fees to zero for the next year, and to take their fees in options.

CMD Gold Mine Operations Summary

Despite the improved operating and Gross Operating profit performance of the CMD Gold Mine the Company's share price has fallen from A$1.50 to approximately A$0.25 over the last 18 months. The gold price has fallen from US$1,641 per ounce to US$1,340 per ounce over the same period and as Figure 10 illustrates, the market capitalisation of the Company expressed in gold ounces has fallen from 72,000 ounces a year ago to 17,000 ounces today.

Figure 10 – Market Capitalisation in Gold Ounces and Gold Price



(100%, Newmont earning 51%)

No material work completed by Newmont during the quarter.

CORPORATE

Placement

During the quarter the Company entered into binding subscription agreements with North America and European accredited investors to subscribe for C$12.93 million at an issue price of C$0.57 a share from the issuance of 22,683,468 ordinary shares.

A total of 7,265,000 shares were issued for proceeds of A$3,919,114 under the subscription agreements, with one subscriber accounting for the rest of the placement (15,418,468 shares for C$8,788,527) failing to deposit the funds with the Company despite being given two extensions to complete. The Company remains in dialogue with that party and has not released it from its binding obligations under the subscription agreement.

Debt Facility

Post completion of the quarter, the Company renegotiated one of its existing debt facilities with a Chilean bank. This resulted in the provision of an additional US$800,000 in financing available from August 2013, with a repayment term of 12 months and a competitive cost of funds of 4.91%.

Asset Impairment

Given the fall in the gold price during the June quarter, and considering the Company's current market capitalization, impairment testing is being carried out on the carrying value of the CMD Gold Mine assets. It is likely that a significant non-cash impairment charge in the order of A$25-A$35 million will be made against the carrying value of the CMD Gold Mine in the Company's 30 June 2013 annual financial statements. This management estimate is as yet unaudited and assumes future revenue based on financial institution gold price forecasts. Given the current volatility in the gold price a final decision is still to be made on the revenue assumptions to be used in the impairment testing.

In addition, it is likely that a significant part of the Company's deferred tax asset will be written off in the June 2013 annual financial statements given the fall in the gold price during the June quarter and the degree of uncertainty whether future taxable amounts will be available to utilise temporary differences and tax losses.

COMMENTS

Mick McMullen, Executive Chairman, commented on the quarterly report "The Company's operating team continues to deliver quarter on quarter improvement in most metrics since the inception of Lachlan Star's involvement with the project. The turnaround in the CMD Gold Mine Gross Operating profit number is particularly pleasing in light of the fact that it was achieved when the gold price fell almost US$300 per ounce over the previous quarter.

We continue to work on reducing costs across the Company and the board and senior management have led this by agreeing to material reductions in their remuneration, with senior management linking their remuneration directly to the gold price.

The valuation of the Company has fallen to the equivalent of 17,000 ounces of gold compared to 72,000 ounces of gold a year ago. The Company has 2.06 million ounces of Indicated mineral resources and a further 1.35 million ounces of Inferred mineral resources and an operating mine in one of the best mining jurisdictions (Chile)."

For and on behalf of the Board

Mick McMullen
Chairman

For further information please visit www.lachlanstar.com.au or contact

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Table 4 – CMD Gold Mine Indicated and Inferred Mineral Resource[1]

CMD Gold Mine Mineral Resources (September 2012)						
	Indicated			Inferred		
Deposit	Tonnes (Mt)	Grade (Au)	Ounces (kozs)	Tonnes (Mt)	Grade (Au)	Ounces (kozs)
Las Loas (April 2011)	2.9	0.8	73	1.5	0.8	38
Toro (Feb 2012)	17.5	0.6	348	11.6	0.4	135
Tres Perlas (Sept 2012)	130.1	0.4	1,602	99.4	0.4	1,138
Chisperos (April 2011)	1.0	1.1	36	1.4	1.0	43
Total	**151.5**	**0.4**	**2,058**	**113.9**	**0.4**	**1,354**

1. *Reported above 0.15 g/t Au for all except Las Loas and Chisperos deposits which are reported above 0.30 g/t Au*
2. *Table contains rounding and may not sum precisely*

Competent Persons Statement

The information in the news release that relates to the Mineral Resources of Tres Perlas, Chisperos, Las Loas, El Sauce, Churrumata and Toro/Socorro is based on information compiled by David Slater, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy. Mr. Slater is employed full time by Coffey Mining Pty Ltd. The information in the news release that relates to exploration results is based on information approved by Declan Franzmann, who is a Chartered Professional Fellow of The Australasian Institute of Mining and Metallurgy. Mr. Franzmann is employed by Citraen Pty Ltd and is an officer of the Company. Each of Mr. Slater and Mr. Franzmann has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves" and to qualify as a "Qualified Person" under NI 43-101. Each of Mr. Slater and Mr. Franzmann consents to the inclusion in the news release of the matters based on his information in the form and context in which it appears.

Caution Regarding Forward Looking Information:

This report contains forward-looking information, which is based on assumptions and judgments of management regarding future events and results. Such forward-looking information includes but is not limited to information with respect to future exploration and drilling, procurement of financing and procurement of necessary regulatory approvals.

Forward-looking information involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, the actual market price of gold, the actual results of current exploration, the actual results of future exploration, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the Company's publicly filed documents. The Company believes that the assumptions and expectations reflected in the forward-looking information are reasonable. Assumptions have been made regarding, among other things, the Company's ability to carry on its exploration and development activities, the timely receipt of required approvals, the price of gold, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers should not place undue reliance on forward-looking information. Lachlan Star does not undertake to update any forward-looking information, except in accordance with applicable securities laws.