LACHLAN STAR LIMITED

Quarterly Report for the Period Ending 31 March 2014

HIGHLIGHTS

CORPORATE

- Stable mining performance with total cost of tonnes stacked of US$15.34/tonne of ore and C1 cash cost of US$782 per ounce of gold produced, consistent with performance levels of previous 3 quarters.
- Mr Anthony Cipriano was appointed a non-executive director and Audit Committee Chairman, effective February 17th. Mr Mick McMullen resigned as a director subsequent to the end of the quarter, as previously intimated, on 6 April.

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	March´14 Quarter	December´13 Quarter	Variance (%)
Ore Mined	Dmt	1,324,830	1,388,565	-5%
Waste Mined	Dmt	2,049,765	1,742,760	18%
Total Mined	Dmt	3,374,595	3,131,325	8%
Waste : Ore Ratio	t:t	1.55	1.26	23%
Ore grade Mined	Au g/t	0.58	0.60	-3%
Gold Mined	Au oz	24,834	26,789	-7%
Ore stacked	Dmt	1,337,324	1,472,498	-9%
Stacked Grade	Au g/t	0.55	0.58	-5%
Gold Stacked	Au Oz	23,475	27,322	-14%
Average stacking rate	dmt/d	14,859	16,005	-7%
Silver Produced	Ag Oz	11,752	18,206	-35%
Gold Produced	Au Oz	15,747	18,560	-15%
Mining Cost/t moved	US$/t	2.76	2.82	-2%
Mining Cost/t ore	US$/t	7.03	6.36	11%
Process Cost/t ore stacked	US$/t	7.11	6.69	6%
G+A Cost/t ore	US$/t	1.20	1.22	-2%
Total Cost/t ore	US$/t	15.34	14.27	8%
Average Sales Price	USD/Oz	1,285	1,266	2%
Cash Cost	USD/Oz	910	808	13%
Non Cash Process Inventory & Stockpile Adjustment	USD/Oz	-127	-24	431%
C1 Cash Cost	USD/Oz	782	784	0%
C1 Inclusive Cash Cost	USD/Oz	1,170	1,072	9%
CMD Gold Mine Gross Operating Profit / (Loss) (Unaudited)*	**US$million**	-0.26	2.34	-111%

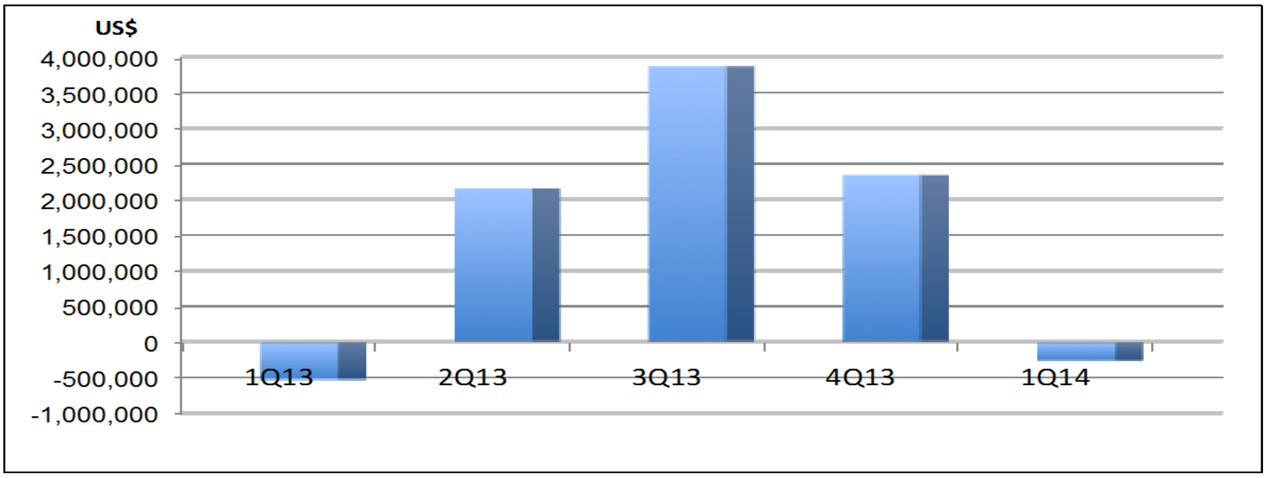
* Revenues and dore in process plus ore stockpiles less cost of sales (including waste expensed and amortised), interest and other site expenses and excluding foreign exchange movements, depreciation, exploration and process inventory adjustments

Gold production for the March quarter was 15,747 ounces, representing a 45% increase over the prior-year corresponding quarter and a 15% decrease on the previous quarter. All production was sold at spot prices, with an average sale price of US$1,285 per gold ounce.

Gold ounces stacked for the March quarter were down 14% on the previous quarter due to open pit mine sequencing resulting in a 5% lower grade profile in addition to a 9% reduction in tonnes stacked. CMD expects increased levels of open pit ore production next quarter, which will result in improved crushing and stacking performance, resulting in higher gold production levels.

The CMD Gold Mine Gross Operating Profit (as defined above) was a loss of US$-0.26 million for the quarter (refer to Table 1 and Figure 1). This result reflects an impairment of US$1.31 million reflecting a partial deferred stripping write-off adjustment at Churrumata pit, based on current pit resources & reserves as stated in latest NI 43-101 LOM plan (Note: Churrumata reserves are planned to be depleted at the end of June 2014).

Figure 1 – CMD Gold Mine US$ Gross Operating Profit/(Loss): March´13, June´13, September´13, December'13 and March´14 Quarters



C1 cash costs, which exclude waste costs expensed or amortised and royalties, remained consistent quarter over quarter at US$782 per ounce of gold produced. This is the lowest C1 cash cost for the CMD Gold Mine since the December 2011 quarter (US$799 per ounce).

The inventory adjustment of US$127 per ounce for the quarter comprises a credit of US$107 per ounce for the additional ounces added to the leach pad and US$20 per ounce for the increased average cost of ounces on the leach pad.

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	March´14 Quarter	December´13 Quarter	September´13 Quarter	June´13 Quarter	March´13 Quarter
C1 Cash costs with inventory adjustment (US$/Oz)	782	784	980	1,137	1,239
Cash costs without inventory adjustment (US$/Oz)	910	808	821	910	1,337
Inventory adjustment effect (US$/Oz)	(127)	(24)	159	227	(98)

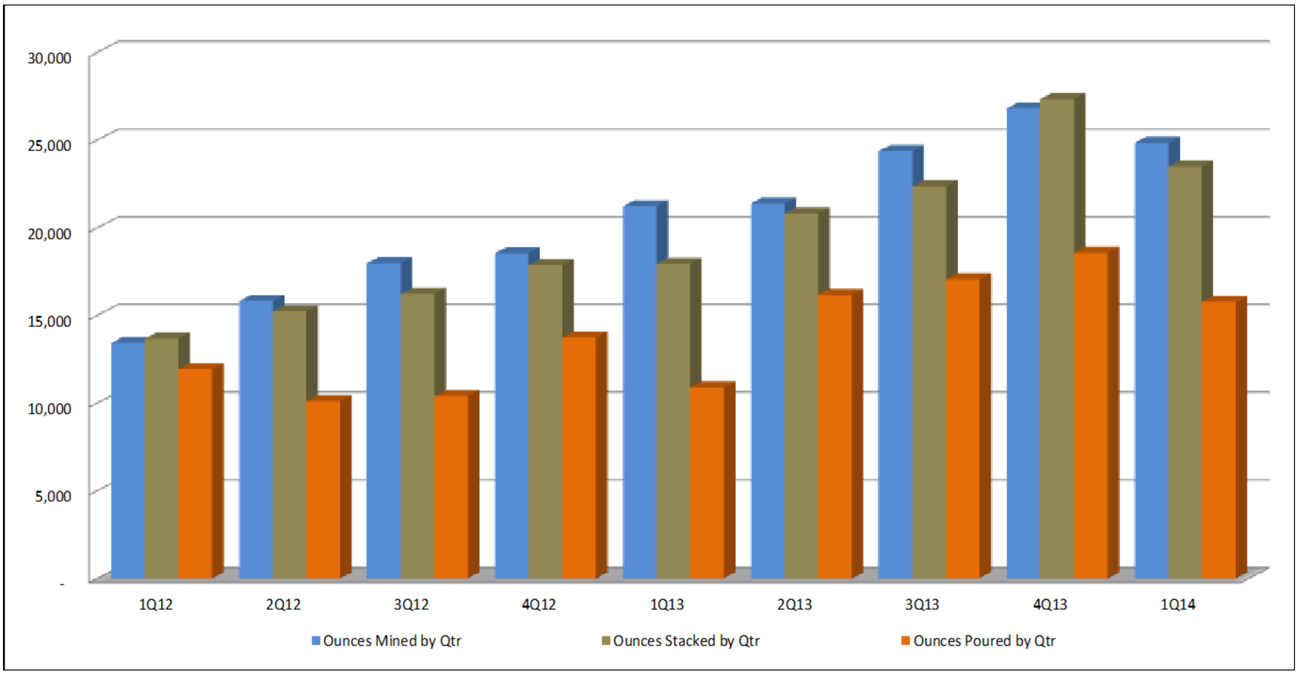
Total costs per tonne of ore stacked increased 8% quarter on quarter to US$15.34 per tonne, still representing some of the lowest unitary cost performance under the company´s ownership. The increase in total costs per tonne was driven by:

- a 23% increase in the waste to ore ratio;
- a 11% increase in mining cost per tonne of ore;
- a 6% increase in process costs per tonne stacked

Figure 2 illustrates the ounces mined, stacked and produced by quarter since the first quarter of 2012. As can be seen in Figure 2, gold mined and stacked has increased rapidly over the past 24 months.

CMD expects increased levels of open pit ore production next quarter, which will result in improved crushing and stacking performance, resulting in higher gold production levels.

Figure 2 – Quarterly Ounces Mined, Stacked and Gold Produced

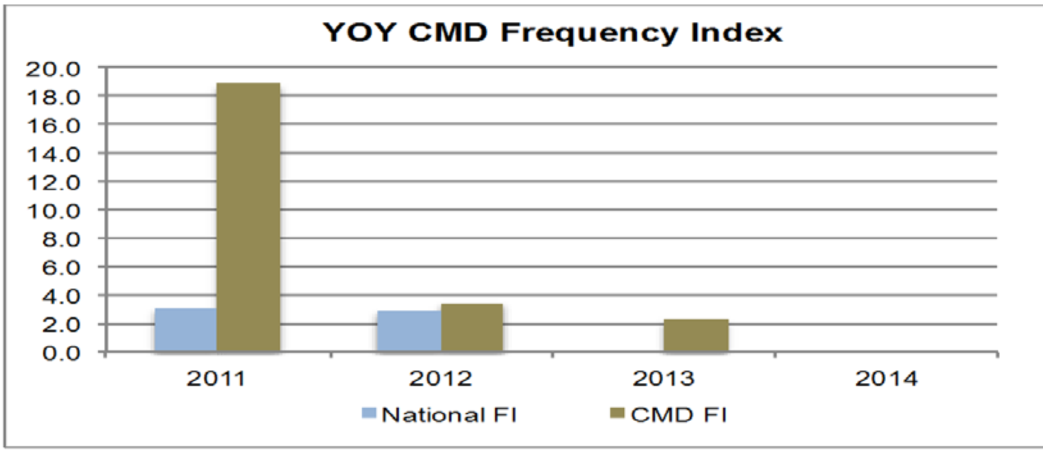


Safety

Safety is a key focus for management at the CMD Gold Mine and the results of this can be seen in Figure 3 below.

In 2011 the CMD Gold Mine injury frequency rate was 18.9 compared to a Chilean national average of 3.1. In 2012 this had been reduced to 3.5 and 2.9 respectively. In 2013 the CMD Gold Mine average was reduced further to 2.3, which is likely to be below the Chilean national average (2013 national FI not released by ACHS agency yet). For the March´14 quarter, the FI was reduced to 0 (zero), which is a strong achievement of the site management team. The FI reflects exclusively CMD records, not including mining contractors.

Figure 3 – CMD Gold Mine Safety Statistics

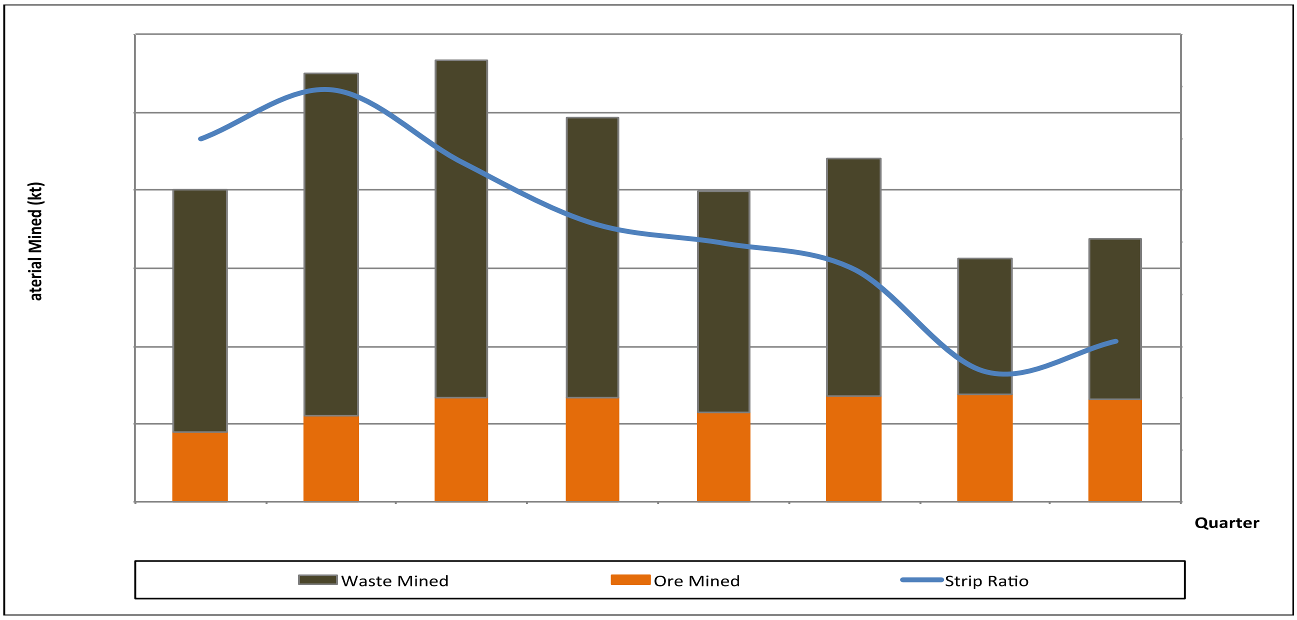


On 18 January CMD regrettably recorded a fatality involving a maintenance contractor who was accidentally crushed beneath a water truck after an emergency night shift repair had been completed. The fatality was fully investigated with the assistance of several government authorities and mining operations were temporarily suspended during the investigation.

Mining

Total ore mined for the quarter was 1.32 million tonnes for 24,784 contained Au ounces, a decrease of 4.6% and 7.5% respectively. The waste to ore ratio increased during the quarter to 1.55 to 1 (from 1.26 to 1 in the previous quarter) though is still the second lowest ratio under the Company's ownership. Ore was principally sourced from the Tres Perlas, Churrumata and Chisperos pits, and thirty party ore purchases. Figure 4 shows the mining rate and waste to ore ratio by quarter for the last 8 quarters.

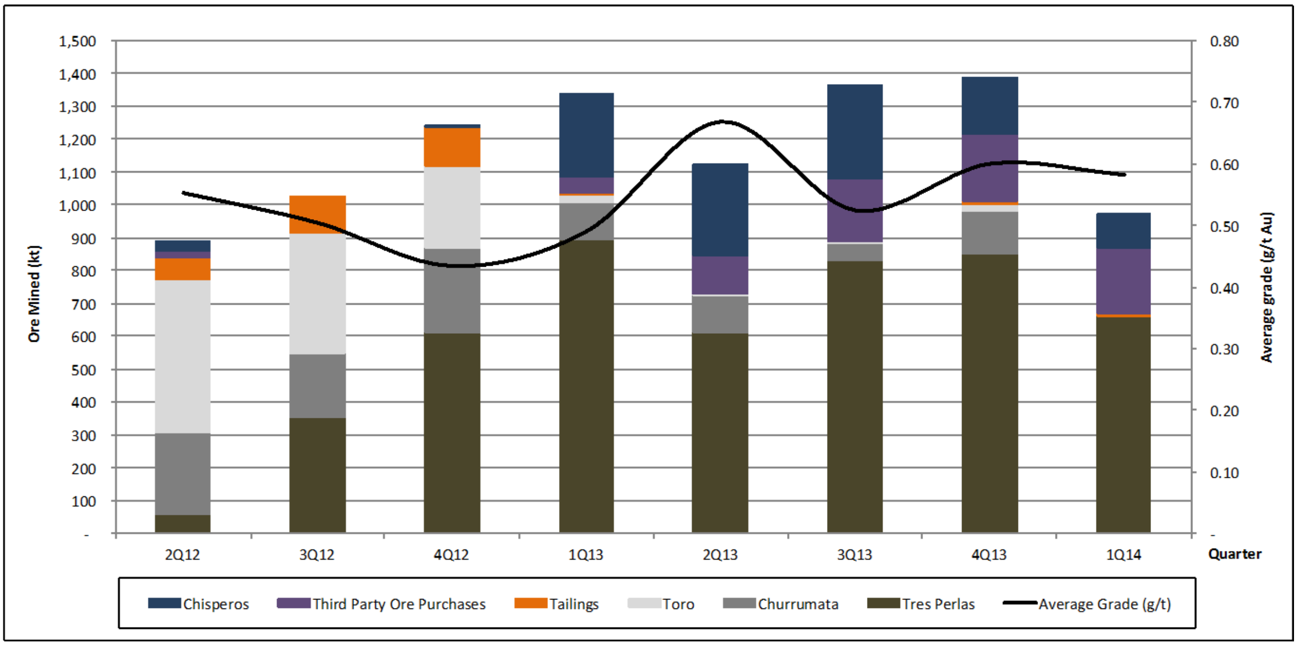
Figure 4 – Material Mined and Waste to Ore Ratio by Quarter



Mining was focussed on the Tres Perlas pit (50% of total ore mined) using the Company's mining fleet, with total quarterly ore production from Tres Perlas decreasing to 41% of the total ounces mined, due to an increase in mining in Churrumata and a decrease in mining in Chisperos, which was completed in March, as illustrated in Figure 5. The Life of Mine waste to ore ratio for the Tres Perlas pit is expected to be around 1:1. The waste to ore ratio at the Chisperos pit averaged 0.57:1 for the quarter, a reflection of the completion of most of the waste mining associated with this pit, which depleted its ore reserves.

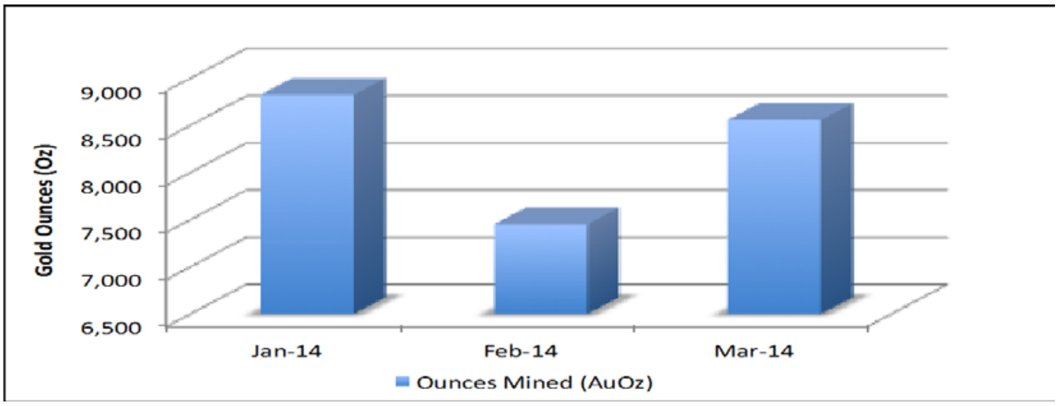
Mining at Tres Perlas has the ability to deliver more tonnage than can currently be processed through the plant, and the pit is shutdown whenever stockpiles exceed 100,000 tonnes of ore in front of the plant. The reason for the lower total ore tonnes mined during the quarter was partially due to lower equipment availability. CMD was operating with only 6 trucks (out of 7) since truck #006 was offsite for a maintenance overhaul and was only returned to the mine operations late in April 2014.

Figure 5 – Ore Mined by Pit and Quarter



As seen in Figure 6, the ounces mined during the March quarter fluctuated quite substantially during the period. As mining of the Tres Perlas pit continues to the north (Phase 7 and 8) and in the deeper parts of the pit (Phase 6), the grade continues to increase as expected, though Chisperos returned lower than expected grades (average 0.62 g/t) in February, which had a negative impact on ounces mined in February.

Figure 6 – March´14 Quarter Ounces Mined



Average mined grades experienced a slight decrease from 0.60 g/t to 0.58 g/t Au, a reduction of 3% quarter on quarter. Grades from the Chisperos pit were significantly lower than budget in the month of February, which was compensated by the increased tonnage and grade of ore purchases.

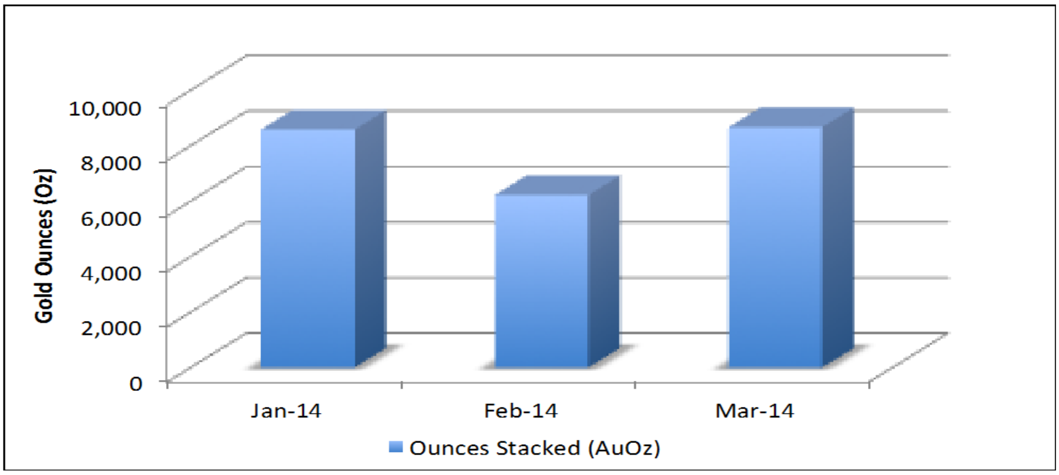
The Company continues to strengthen its relationships with small miners in the area and ore purchasing continues, with 23% of the ounces mined during the quarter being sourced from third parties and the re-processing of historical tailings. This provides a net positive effect to employment and economic sustainability within the region, as well as a source of ore that can prolong the ultimate life of the operation. The Company has also realised value in mixing on-site old tailings with new ore, resulting in decreased mining costs and production outside of the mineral reserve base.

Processing

Ore tonnage stacked was down 9% quarter on quarter due to the reasons explained above.

Consequently, gold ounces stacked were also down 14%, as seen in Figure 7. The reduced ounces stacked were basically the result of lower plant throughput, caused by ore shortage, as availabilities were maintained. CMD expects ounces stacked to increase in the next quarter returning higher gold production levels going forward, which will be achieved through projected improved performance of the crushing and stacking plants.

Figure 7 – March Quarter Ounces Stacked



Metallurgical recovery was optimized last year and has been stable during the past two quarters. This has been achieved through the addition of a pre-cyanidation circuit, improved ADR efficiencies and a more favourable ore blend.

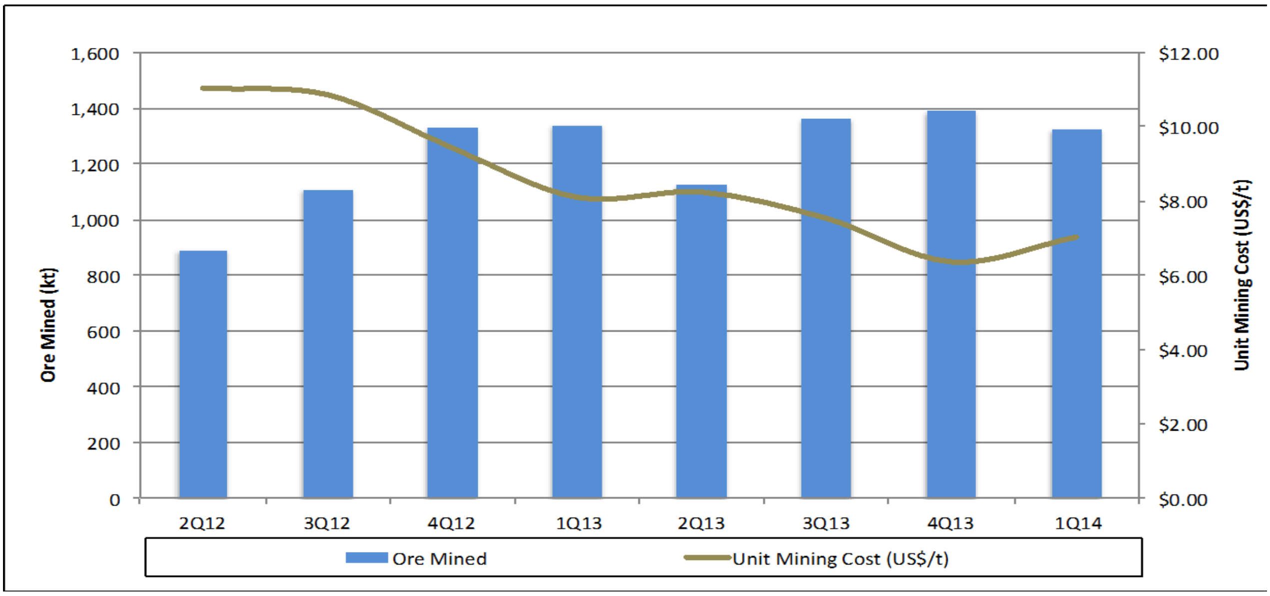
PROJECT COSTS

Mining

Unit mining costs decreased to US$2.76 per tonne moved (from US$2.82 per tonne the previous quarter), due to the impact of higher total tonnes moved offsetting the higher tariffs paid for ore purchases associated with their higher grades, however the mining cost per tonne of ore increased by 11% to US$7.03 as a result of the higher waste to ore ratio. The unit mining rate includes the cost of buying third party ore that has no waste to ore ratio associated with it.

Figure 8 illustrates the quarterly history of mining costs per ore tonne over the last 8 quarters.

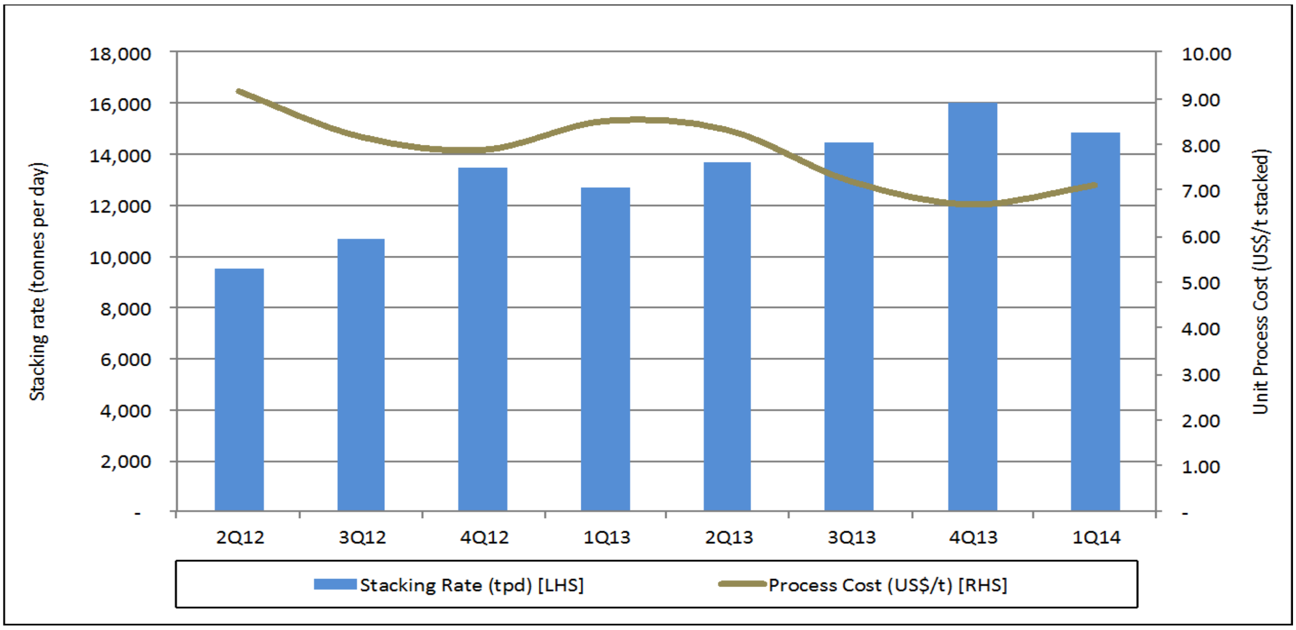
Figure 8 – Ore mined and mining cost per tonne of ore



Ore Processing

Process costs increased to US$7.11 per tonne stacked which was a 6% increase quarter on quarter (Refer Figure 9). Reduced tonnes stacked in the period were the main drivers for the higher process costs as other metrics were in line with plan.

Figure 9– Process cost per tonne stacked



General and Administration (G&A)

G&A costs were reduced by 2% quarter on quarter to US$1.20 per tonne of ore in spite of the lower tonnage stacked.

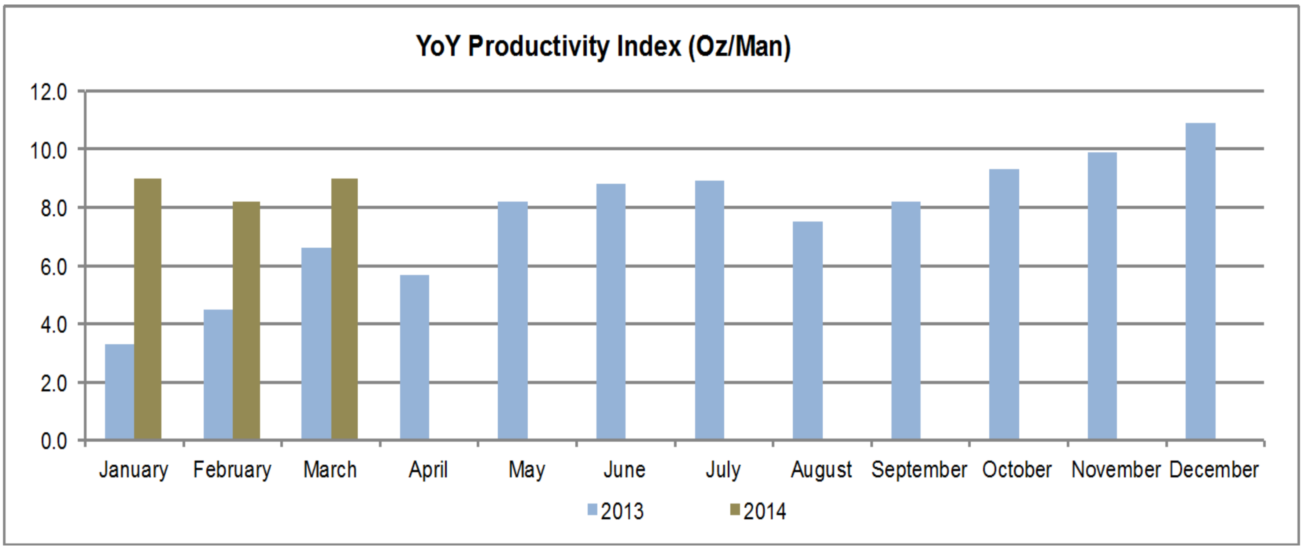
Exploration

A pilot exploration program was carried out during the quarter at the CMD Gold Mine in the area of the Toro vein mineralization, during mid-January to mid-February. The brief program, consisting of 8 inclined drill holes averaging 100 meters length each one, was aimed at testing the mineralization and to add information to the original geological interpretation and ore body modelling based on previous drilling intercepts and grade control assays from blasthole drilling within the open pit mined areas that intercepted the vein system within the "manto" zones. Drilling results ranged from 0.33 g/t to 8.38 g/t in intercepts with 1.0m up to 8.0m. Three new mineralized vein structures were recognized.

Cost Review

The cost review exercise has delivered significant savings over the past two quarters, as evidenced by the fall in the C1 cash costs and the material reductions in unit operating costs. The CMD Gold Mine operations have become more efficient with Figure 10 illustrating the significant achievement of doubling the ounces produced per employee over the past year. It can be noted the improved productivity in the quarter when compared to the corresponding March 2013 quarter.

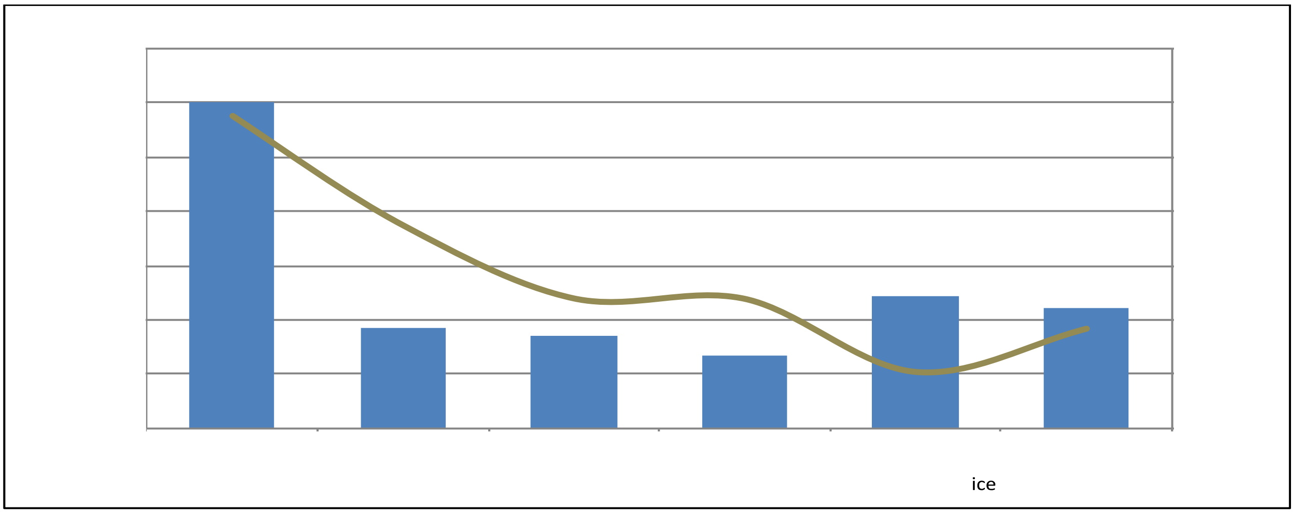
Figure 10– Productivity Index (Ounces/Employee)



CMD Gold Mine Operations Summary

Despite the improved operating performance of the CMD Gold Mine the Company's share price has fallen from A$0.29 to approximately A$0.16 over the last 12 months. The gold price has fallen from US$1,475 per ounce to US$1,284 per ounce over the same period and, as Figure 11 illustrates, the market capitalisation of the Company expressed in gold ounces has increased from 18,000 ounces a year ago to 22,000 ounces at the end of the quarter.

Figure 11 – Market Capitalisation in Gold Ounces and Gold Price



BUSHRANGER (100%, Anglo American earning 51%)

As previously informed, under a Deed of Novation between Newmont, Ord Investments Pty Ltd and Anglo American Exploration (Australia) Pty Ltd ("Anglo") dated 10 January 2014, Newmont's interest has been assigned to Anglo. Since then, Anglo has performed an airborne magnetic survey and commenced a MIMDAS magnetic survey on the project area. Expenditures for the March´14 quarter totalled A$0.15 million, as part of the A$1 million farm in expenditure threshold to be achieved by 24 May 2014.

CORPORATE

Mr. Anthony Cipriano was appointed a non-executive director and Audit Committee member effective 17 February. Anthony is a Perth based Chartered Accountant with 27 years' experience as an accountant working at Deloitte until his recent retirement. This included nearly 15 years as a partner, the last 12 years as leader of Deloitte's Perth Tax Practice, a member of the Deloitte National Tax Executive and most recently Deloitte National Tax Leader for Energy & Resources. Anthony has significant experience working across tax, accounting, legal and finance aspects of corporate transactions on both a national and international level. He is also a recent graduate of the Australian Institute of Company Directors.

Mr. Mick McMullen resigned as a director subsequent to the end of the quarter, as previously intimated, on 6 April.

A mining contractor has submitted a claim against CMD for compensation as a result of their mining contract not being renewed in August 2013. CMD considers this an ambit claim and has submitted a strong and well-founded response, the purpose of which is to obtain a favorable ruling that completely rejects the former contractor´s claim.

Debt Facility

On 13 February 2013 the Company drew down a CDN$5 million credit facility ("Facility") with Sprott of which CDN$0.5 million was repaid on 9 October 2013. The terms of the Facility, which was due for repayment on 13 February 2014, have been amended such that the remaining Facility of CDN$4.5 million will be partly repaid over the 12 months commencing 31 March 2014 by the payment of 12 monthly principal repayments of CDN$187,500, the repayment of CDN$1 million by 30 September, 2014, and the payment of an extension fee.

COMMENTS

Bira De Oliveira, Chief Executive Officer, commented on the quarterly report "The performance delivered during this quarter compared with the same period of 2013 showed a 45% increase in gold produced and a 37% reduction in C1 cash cost highlighting the consistency of the improvements in the key operating metrics for the CMD Gold Mine. In addition, a key operational milestone took place during the quarter whereby CMD produced its one millionth ounces of gold in March".

For and on behalf of the Board

Bira De Oliveira
Chief Executive Officer

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

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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.