

Quarterly Report for the Period ending 30 June 2008

Summary

During the June quarter the Company achieved the following significant milestones:

- Agreement to purchase 100% of the Holfontein Coal Project in South Africa;
- Negotiations to purchase up to 74% interest in the Alexander Coal Project in South Africa with agreement reached subsequent to quarter end. Drilling also commenced at Alexander subsequent to quarter end;
- A\$9 million capital raising via a share placement to institutional and sophisticated shareholders;
- Gained shareholder approval to issue 200 million shares to Coal of Africa Limited for the purchase of the Holfontein Coal Project; and
- Completed a five hole RC drilling program to test induced polarisation anomalies at the Bushranger Copper project in NSW.

Corporate

In line with the investment strategy stated in the last quarterly report, the Company entered into agreements to purchase the Holfontein Coal Project and the Alexander Coal Project in South Africa. Documentation for the transactions was advanced during the quarter and the finalisation of both sales is progressing.

Following the Extraordinary General Meeting on 18 June 2008, the financing arrangements for the initial A\$15 million consideration of the Holfontein acquisition was completed in the following manner:

- A\$3 million capital raising via a placement of 100 million shares (Tranche 1);
- A\$6 million capital raising via a placement of 200 million shares following shareholder approval (Tranche 2); and
- Shareholder approval was obtained for the placement of 200 million shares to Coal of Africa.

At the end of the quarter the Company had A\$9.85 million cash at hand.

The company continues to pursue other investment opportunities within the South Africa coal industry. To assist on this front, Kees Dekker commenced full time employment as Regional Manager –Southern Africa as of 1 June 2008.

The Company has entered into agreements to acquire two coal projects in South Africa as part of its strategy to enter the coal mining industry. The strategy is based in assembling a package of coal assets within one geographic region that can be brought into production for low capital costs and within a short period of time to take advantage of the excellent medium term outlook for the coal price.

The Alexander and Holfontein Coal Projects are located 120 km east of Johannesburg near the town of Secunda (refer to Figure 1). They are situated in a traditional coal mining area approximately 60km south-west of Witbank, where coal mining has taken place for over a hundred years. The area has excellent infrastructure with rail lines, sealed roads and communications.

Two main coal seams are mined in the area (4 and 5 Seam), and both seams are present at both the Holfontein and Alexander Projects. The 4 Seam is typically thicker and suitable for direct feed to nearby power stations. The 5 Seam is a thin high quality, low phosphorus semi soft coking coal suitable for either domestic use or export.

Holfontein Coal Project (Agreement to acquire 100%)

The Holfontein Coal Project comprises the Holfontein farm and an option agreement covering the adjoining Wildebeestfontein Farm to the west. There are working underground mines to the north, east and south of Holfontein. GeoCoal Services of South Africa has estimated that 5 Seam contains an Indicated Resource of 30.1 million tonnes, whilst 4 Seam contains an Inferred Resource of 30.2 million tonnes.

Several economic studies have been carried out on the potential to develop the Project which indicated that, subject to additional studies, the Project has the potential to be developed to mine both coking and thermal coal.

The vendor of the project has carried out drilling on the Wildebeestfontein Farm during the quarter to determine the thickness of coal on the farm. Results will be reported as they become available.

Alexander Coal Project (Agreement to acquire up to 74%)

The Alexander Coal Project is 15.5km north-east of the Holfontein Coal Project. The Alexander Coal Project covers an area of 760 hectares. The Project is particularly suited to the production of steaming coal for power generation, although some of 5 Seam may be suitable for coking coal production, subject to the completion of economic studies. The potential exists to exploit a portion of the mineralisation utilising open cast mining methods and it is envisaged that access to an underground mine will be gained from the open cast workings.

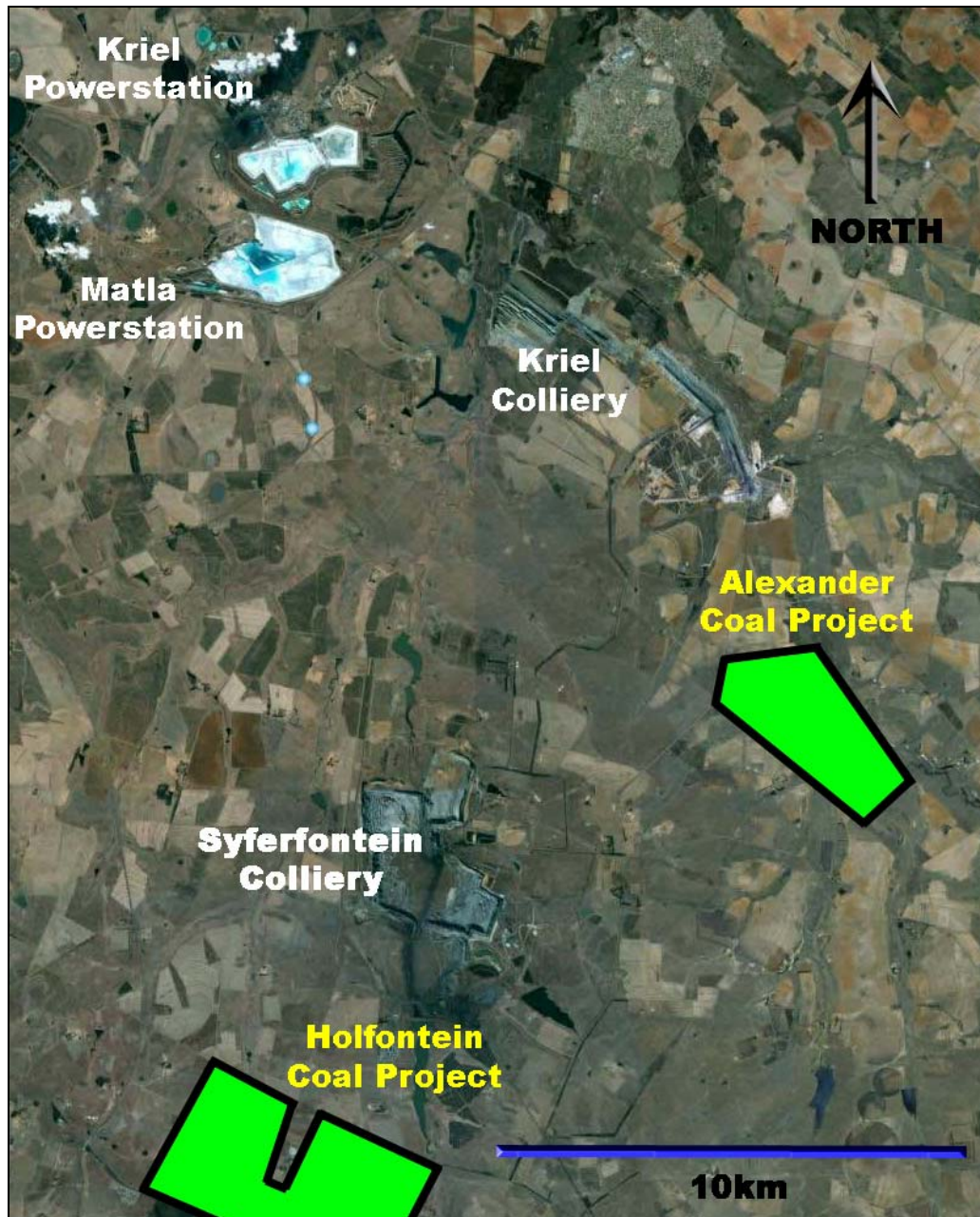


Figure 1: Holfontein and Alexander Coal Project Location

Lachlan Star is currently updating the resource statement for the Alexander Coal Project, and will announce a resource estimate as it becomes available. Drilling has also commenced to improve data density, and detailed mine is planned to commence in the near future. As shown in Figure 2 below, mineable coal seam thickness is between 3m and 5m, and the recent drilling to infill the southern and eastern edges of the property have extended the mineralisation in that direction.

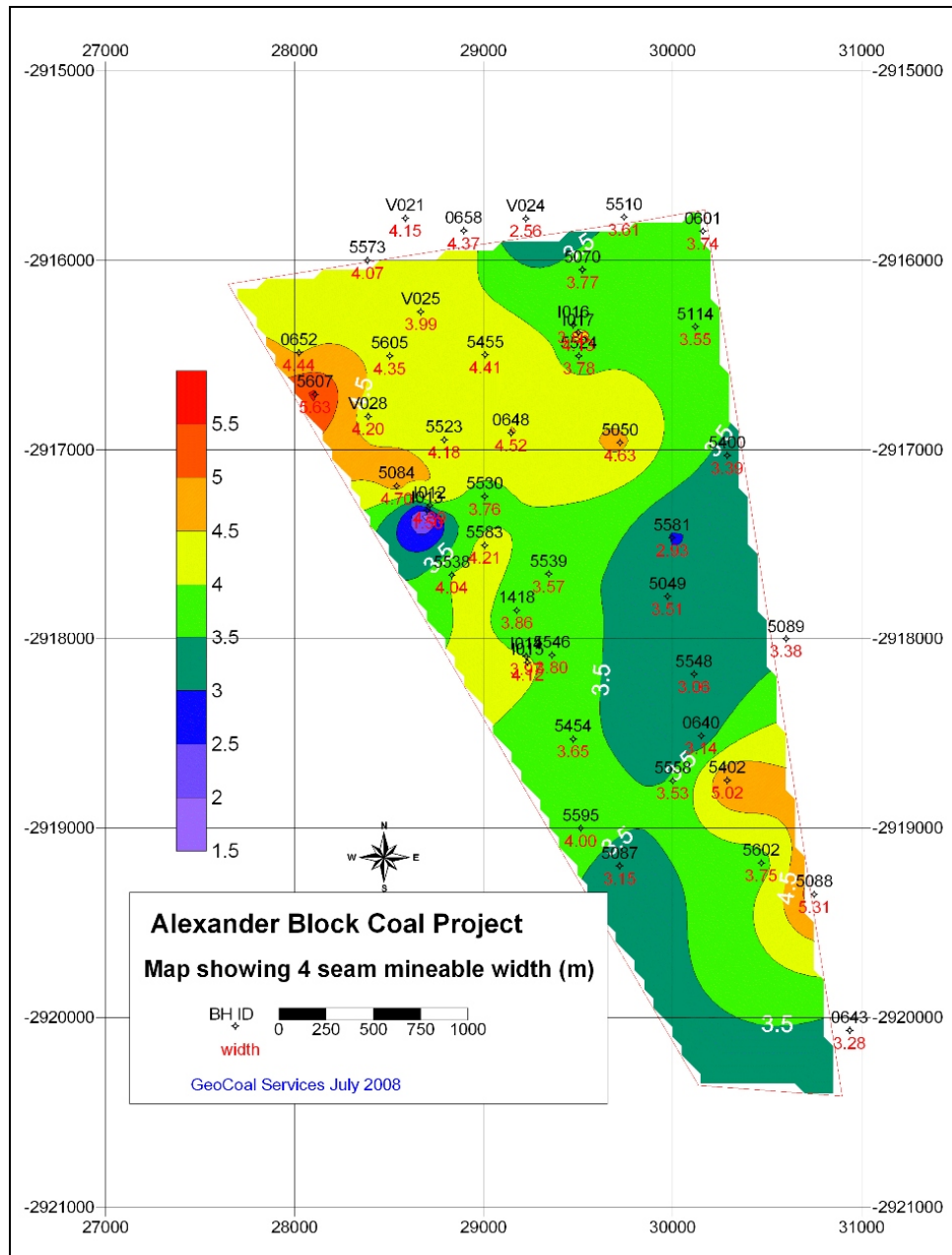


Figure 2 – 4 Seam Mineable Width

Competent Person's Statement – Holfontein and Alexander Projects

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr David van Wyk, who is a registered natural scientist (Pr. Sci. Nat No 401964/83) and a member of a Recognised Overseas Professional Organisation (ROPO) included in a list promulgated by the ASX from time to time, being the South African Council for Natural Scientific Professions. Mr van Wyk is a full time employee of GeoCoal Services. Mr van Wyk 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 Exploration Results, Mineral Resources and Ore Reserves. Mr van Wyk has given his consent to the inclusion in the report of the matters based on the form and context in which it appears.

Bushranger Copper Project

During May drilling was completed to test five discrete induced polarization (IP) anomalies in the southern half of the Bushranger Project (EL5574). Five reverse circulation (RC) holes (FT001 to FT005) were drilled totalling 1,091m.

The results indicated that the mineralisation is characterised by low grades and narrow intersections. Hole FT005 intersected several narrow sections of plus 1000ppm copper and zinc and an encouraging 1m of 3.18g/t gold. The hole ended in low grade mineralisation at a depth of 198m (last 15m grading 0.11% Cu). These intersections were hosted or peripheral to intercalated sericite-silica-chlorite (phyllitic) altered diorite. The style of alteration is similar to that of the "Racecourse" Prospect along strike to the north. The best intersections included:

FT005	1m at 0.1% Cu from 62m
	1m at 3.18 g/t Au from 105m
	15m at 0.11% Cu from 183m
FT003	2m at 0.17% Cu from 31m
	1m at 0.78 g/t Au from 63m

A petrological examination was completed by Mason Geoscience Pty Ltd which inferred that a porphyry-type Cu-Au environment existed. Twelve samples identified potassic and phyllic alteration assemblages in monzonitic rocks, and albitic to propylitic assemblages in sediments.

Mineralisation generally comprised weak disseminated pyrite (+/- veinlets, +/- coatings) with narrow sections of traces of chalcopyrite, sphalerite and galena. Intrusives also hosted pyrrhotite.

It was concluded that hole FT005 was located on a discrete IP anomaly associated with the northern extremity of a significant geochemical anomaly at the Footrot Prospect. The geochemical anomaly measured approximately 1200m long and contains peak values of plus 1000ppm Cu. FT003 tested an IP anomaly on the eastern flank of a 300m long geochemical extension of the Footrot Prospect.

FT0003 and FT005 did not adequately test the geochemical anomalies and further drill holes are planned. In the other holes, the source of the IP anomalies was generally found to be disseminated pyrite, pyrrhotite and/or carbonaceous shale.

Competent Person's Statement – EL5574 Bushranger

The information in this report that relates to Exploration Results for the Bushranger Project is based on information compiled by Mr Nick Swingler who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Swingler is a full time employee of N & K Swingler and Associates. Mr Swingler 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 Exploration Results, Mineral Resources and Ore Reserves. Mr Swingler has given his consent to the inclusion in the report of the matters based on the form and context in which it appears.

Princhester Mining Leases

Lachlan Star holds two mining leases at Princhester in Queensland (ML 5831, ML 5832). ML 5846 is expired in May 2008 and the Company relinquished this lease. The remaining leases (ML 5831 and 5832) are current until 2023.

Visit our website at www.lachlanstar.com.au where further information about the Company can be found.

For and on behalf of the Board



Declan Franzmann
Managing Director

About Lachlan Star Limited

Lachlan Star Limited (ASX:LSA) is an emerging minerals exploration and development company headquartered in Perth, Western Australia. The company is focused on acquiring and developing assets within the gold, copper and bulk commodities sectors within Australia and overseas. The company has a board of directors and management team with an impressive track record of advancing resource projects through to production.

Lachlan Star's current projects include the Bushranger copper and gold project in NSW and the Princhester magnesite deposit in QLD. The Company has an agreement to acquire the Holfontein Coal Project (100%) and the Alexander Coal Project (up to 74%) in South Africa.

Directors and Management – Declan Franzmann – Managing Director

Mick McMullen - Chairman

Tom Duckworth - Director(non executive)

Hamish Bohannon - Director(non executive)

Visit: www.lachlanstar.com.au

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97.

Name of entity

LACHLAN STAR LIMITED

ACN or ARBN

88 000 759 535

Quarter ended ("current quarter")

30 JUNE 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(253)	(515)
(b) development		
(c) production		
(d) administration	(120)	(524)
(e) staff costs		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	101	151
1.5 Interest and other costs of finance paid		
1.6 Other (new venture travel and accommodation)	(60)	(60)
Net Operating Cash Flows	(332)	(948)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	-	(7)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Cash acquired on acquisition of subsidiary	-	28
Net investing cash flows	-	21
1.13 Total operating and investing cash flows (carried forward)	(332)	(927)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(332)	(927)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	9,117	10,134
1.15	Costs associated with the issue of shares, options etc	(497)	(543)
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Payment to Settle Deed of Company Arrangement		
1.19	Other (provide details if material)		
	Net financing cash flows	8,620	9,591
	Net increase (decrease) in cash held	8,288	8,664
1.20	Cash at beginning of quarter/year to date	1,564	1,188
1.21	Deposits at call		
1.22	Cash at end of quarter	9,852	9,852

Note. Line 1.14 includes \$23,750 option proceeds for shares that were not issued until after period end.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	85
1.24	Aggregate amount of loans to the parties included in item 1.10	—

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows:

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	-
Total	300

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	182	1,564
5.2 Deposits at call	9,670	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	9,852	1,564

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter %	Interest at end of quarter %
6.1 Interests in mining tenements relinquished, reduced or lapsed	ML 5846	Holder	100%	0%
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter


Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid-up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Issued during quarter				
7.3 +Ordinary securities	1,077,492,371	1,077,492,371		
7.4 Issued during quarter	300,000,000	300,000,000	\$0.03	\$0.03
	2,500,000	2,500,000	\$0.02	\$0.02
	4,375,000	4,375,000	\$0.01 option exercise	\$0.01 option exercise
7.5 +Convertible debt securities <i>(description and conversion factor)</i>				
7.6 Issued during quarter				
7.7 Options <i>(description and conversion factor)</i>	13,958,333		<i>Exercise price</i> \$0.01	<i>Expiry date</i> 31/12/2008
7.8 Issued during quarter				
7.9 Exercised during quarter	4,375,000		<i>Exercise price</i> \$0.01	<i>Expiry date</i> 31/12/2008
7.10 Expired during quarter	66,666		<i>Exercise price</i> \$6.30	<i>Expiry date</i> 19/5/2008
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Company Secretary

Date: 30 July 2008

Print name: Robert Anderson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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