LACHLAN STAR LIMITED

ABN 88 000 759 535

INTERIM FINANCIAL REPORT
31 DECEMBER 2009

CORPORATE DIRECTORY

Directors

Michael James McMullen (Executive Chairman)
Declan Thomas Franzmann (Non-Executive Director)
Thomas Ernest Duckworth (Non-Executive Director)

Company Secretary

Robert Alexander Anderson

Auditors

PricewaterhouseCoopers
QV1, 250 St Georges Terrace
Perth WA 6000

Bankers

Westpac Banking Corporation
109 St Georges Terrace
Perth WA 6000

Registered Office

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Share Registry

Computershare Investor Services Pty Limited
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Investor Enquiries:	1300 557 010 (within Australia)
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Stock Exchange Listing

Securities of Lachlan Star Limited are listed on the Australian Stock Exchange.

ASX Code: LSA - Ordinary shares

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DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2009, and the independent review report thereon.

Directors

The directors of the Company in office at any time during or since the end of the half-year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Declan Franzmann
Michael McMullen
Thomas Duckworth
Hamish Bohannan (from 1 July 2009 to 19 November 2009)

Review of operations

The consolidated entity's loss for the half-year ended 31 December 2009 was $843,501 (2008: loss of $318,595) after recognising a non-cash expense of $553,448 (2008: $61,205) in relation to share based payments. The non-cash share based payments expense uses as an input a historical 90 day volatility factor of 109% compared to 53% used in the corresponding half year. The higher the volatility factor the higher the share based payment expense.

The Company's strategy is to be exposed to a variety of commodities across several geographic regions. The commodities targeted by the Company are bulk commodities (coal and iron ore), copper and gold. The geographic regions of interest are currently eastern Australia and Southern Africa.

Projects within the bulk commodity and copper sectors provide the Company with an exposure to the strong demand from China and the recovering demand from the rest of Asia, Europe and the Americas.

Projects within the gold sector provide the Company with an exposure to the rising gold price. Gold assets that will have costs predominately in US$ are the main focus for the Company as this will provide the most direct exposure to the rising US$ gold price. The gold price increased strongly over the half year as a result of a declining US$ and strong investment buying.

Luiri Gold

The Company invested a total of $4.8 million in Luiri Gold, a TSX Venture exchange listed company with gold projects in Zambia. The investment consisted of a $3 million placement / conversion of a convertible note, $1.8 million as part of Luiri's' listing of CHESS Depositary Interests (CDI's) on the Australian Stock Exchange in November 2009, and some on-market purchases.

Lachlan Star currently holds approximately 27.9% of the issued share capital of Luiri Gold. The CDI's price at half year end was 35c each, valuing the Company's 31 million shares and CDI's at a total of $10.9 million.

Luiri Gold has two main assets which provide Lachlan Star with exposure to exciting gold and iron ore assets:

1) The Luiri Hill Gold Project includes 656,000 ounces of gold contained in 7.1 million tonnes at 2.9g/t for the Inferred category and 144,000 ounces of gold contained in 2.2 million tonnes at 2.1g/t for the Indicated category.

2) At Nambala, an independent review by Coffey Mining indicated that on part of the mineralised body there exists the 'mineral potential' of between 100 and 300 million tonnes of rock at grades of 55-60% Fe. Interpretation of the regional geology indicates that the tonnages contained in this deposit could be significantly larger than this figure. It should be noted that the potential quantity and grade is conceptual in nature, and that there is insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Luiri announced some very encouraging high grade drill results from the drilling program carried out in the December quarter, including:

· 10.3 m grading 13 g/t Au from 109 m in MTL102
· 5.6 m grading 21.1 t Au from 110 m in MTLRC 114
· 8 m grading 11.6 g/t Au from 110 m in MTLRC 151
· 5.2 m grading 9.5 g/t Au from 60 m in MTLRC 121
· 20.5 m grading 4.9 g/t Au from 159 m in MTLRC 162
· 12.6 m grading 5 g/t Au from 63 m in MTLRC 139

Exco Resources

The Company purchased 2 million shares in Exco Resources in a placement at a price of 23.5c per share during the June 2009 financial year. During the half year the Company sold 1.85 million shares realising a cash profit of $52,000. The remainder of the shares were sold post half year end after the Company determined that the investment did not meet its required investment criteria at this time.

Bushranger Copper Project - EL 5574 (100%)

The Bushranger copper project is located in the Lachlan Fold Belt of New South Wales and contains an Indicated and Inferred resource of 124,000 tonnes of copper and 1.6 million ounces of silver. Work during the half year included a review of the historical exploration results and planning of an exploration drilling program to be carried out in 2010. The application for the renewal of the tenement was approved in the half year.

Alexander Coal Project

The claim holder of the Alexander Coal Project is in dispute with another party over the title of the project. This dispute is progressing through the courts in South Africa and all work has been halted on the project until more clarity is received on the title of the project.

The Company continues to explore other opportunities within the minerals sector.

Events subsequent to reporting date

No matter or circumstance has arisen since 31 December 2009 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.

Auditor's Independence Declaration

The lead auditor's Independence Declaration, as required under section 307C of the Corporations Act 2001, is set out on page 6 and forms part of the directors' report for the half-year ended 31 December 2009.

Signed in accordance with a resolution of the directors.

MJ McMullen
Executive Chairman

Perth
15 March 2010

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Auditor's Independence Declaration

As lead auditor for the review of Lachlan Star Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Lachlan Star Limited and the entities it controlled during the period.

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
15 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2009

	Half-year 31 December 2009 $	Half-year 31 December 2008 $
Revenue from operations	93,207	327,279
Corporate compliance costs	(35,328)	(40,476)
Financial assets fair valued through profit and loss	(19,038)	-
Loss on dilution of associate	(36,445)	-
Share based payment expense	(553,448)	(61,205)
Corporate management fees	(185,359)	(186,134)
Occupancy costs	(15,751)	(6,000)
Travel	(1,147)	(1,665)
Exploration and new venture expenditure written off	(54,963)	(283,985)
Other	(39,814)	(66,409)
Share of net profit of associate accounted for using the equity method	4,585	-
Loss before income tax	(843,501)	(318,595)
Income tax expense	-	-
Loss for the period	(843,501)	(318,595)
Other comprehensive income for the period net of income tax	-	-
Total comprehensive loss for the period	(843,501)	(318,595)
Basic and diluted loss per share from continuing operations (cents per share)	(0.1)	(0.0)

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
As at 31 December 2009

	Notes	31 December 2009 $	30 June 2009 $
Current assets			
Cash and cash equivalents		4,086,166	8,461,832
Other receivables		135,602	443,246
Financial assets at fair value through profit and loss		33,397	540,000
Total current assets		4,255,165	9,445,078
Non-current assets			
Exploration and evaluation		2,523,672	2,509,773
Property, plant and equipment		40,639	9,922
Investments accounted for using the equity method		4,798,384	-
Total non-current assets		7,362,695	2,519,695
Total assets		11,617,860	11,964,773
Current liabilities			
Trade and other payables		61,292	125,398
Employee benefits		17,127	9,881
Total current liabilities		78,419	135,279
Total liabilities		78,419	135,279
Net assets		11,539,441	11,829,494
Equity			
Contributed equity	5	146,105,016	146,105,016
Reserves		628,797	75,349
Accumulated losses		(135,194,372)	(134,350,871)
Total equity		11,539,441	11,829,494

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
For the half-year ended 31 December 2009

	Contributed equity $	Accumulated losses $	Share based Payments reserve $	Total $
Balance at 1 July 2008	146,081,187	(133,943,623)	465	12,138,029
Total comprehensive loss for the half-year	-	(318,595)	-	(318,595)
	146,081,187	(134,262,218)	465	11,819,434
Transactions with owners in their capacity as owners:				
Shares issued for cash, net of transaction costs	23,750	-	-	23,750
Share based payments reserve	79	-	61,126	61,205
Balance at 31 December 2008	146,105,016	(134,262,218)	61,591	11,904,389
Balance at 1 July 2009	146,105,016	(134,350,871)	75,349	11,829,494
Total comprehensive loss for the half-year	-	(843,501)	-	(843,501)
	146,105,016	(135,194,372)	75,349	10,985,993
Transactions with owners in their capacity as owners:				
Share based payments reserve	-	-	553,448	553,448
Balance at 31 December 2009	146,105,016	(135,194,372)	628,797	11,539,441

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF CASHFLOWS
For the half-year ended 31 December 2009

	Half-year 31 December 2009 $	Half-year 31 December 2008 $
Cash flows from operating activities		
Goods and Services Tax refunds from the Australian Taxation Office	25,310	111,740
Payments to suppliers and employees	(465,848)	(764,229)
Interest received	100,191	259,949
Net cash flows used in operating activities	(340,347)	(392,540)
Cash flows from investing activities		
Exploration and evaluation expenditure	(13,900)	(73,200)
Acquisition of property, plant and equipment	(39,442)	-
Sale of property, plant and equipment	7,712	-
Acquisition of investment in associate	(4,477,254)	-
Net cash flows used in investing activities	(4,522,884)	(73,200)
Cash flows from financing activities		
Sale of financial assets	487,565	-
Costs of issue of share capital	-	(12,030)
Net cash flows from / (used in) financing activities	487,565	(12,030)
Net decrease in cash and cash equivalents	(4,375,666)	(477,770)
Cash and cash equivalents at beginning of the half-year	8,461,832	9,862,678
Cash and cash equivalents at end of the half-year	4,086,166	9,384,908

The consolidated statement of cashflows should be read in conjunction with the notes to the consolidated interim financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Lachlan Star Limited (”Lachlan” or “Company”) is a company domiciled in Australia.

The consolidated interim financial report of the Company as at and for the six months ending 31 December 2009 comprises the Company and its subsidiaries (together referred to as the “consolidated entity’).

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: “*Interim Financial Reporting*”.

The consolidated interim financial report does not include all of the information required 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 consolidated entity as in the annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report as at and for the year ended 30 June 2009 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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 2009 and the corresponding interim reporting period, except as set out below:

Changes in accounting policy

Lachlan Star Limited had to change some of its accounting policies as the result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

• Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
• Business combinations – revised AASB 3 *Business Combinations*
• Segments – new AASB 8 *Operating Segments*
• Statement of comprehensive income – revised AASB 101 *Presentation of Financial Statements*

Principles of consolidation

AASB 127 (revised) was implemented from 1 July 2009. There has been no impact on the current period as there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, no transactions with non-controlling interests and no dividends paid out of pre-acquisition profits.

AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the consolidated entity’s previous accounting policy where transactions with minority interests were treated as transactions with parties external to the group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be re-measured to fair value and a gain or loss is recognised in profit or loss. Under the consolidated entity’s previous accounting policy, the retained interest in the carrying amount of the former subsidiary’s assets and liabilities becomes the cost of investment. If the investment is accounted for as an available-for-sale financial asset, it is subsequently revalued to fair value, however, any revaluation gain or loss is recognised in the available-for-sale investments revaluation reserve.

The consolidated entity will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary’s equity. Under the previous policy, excess losses were allocated to the parent entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Statement of compliance (continued)

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

Business combinations

AASB 3 (Revised) was implemented from 1 July 2009. There has been no impact on the current period as no acquisitions have taken place in the 6 months to 31 December 2009.

AASB 3 (Revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement. Under the consolidated entity's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

If the consolidated entity recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the consolidated entity's net profit after tax.

Segment reporting

The consolidated entity has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in an increase in the number of reportable segments presented.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Contingent assets and liabilities

There have been no changes of a material nature in contingent liabilities or contingent assets since the last annual reporting date (2008: Nil).

4. Subsequent events

No matter or circumstance has arisen since 31 December 2009 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. Contributed equity

	2009 Number	2009 $	2008 Number	2008 $
Ordinary shares				
1 July	1,079,867,371	146,105,016	1,077,492,371	146,081,187
Shares issued on exercise of options	-	-	2,375,000	23,829
31 December	1,079,867,371	146,105,106	1,079,867,371	146,105,016

6. Segment information

(a) Description of segments

The consolidated entity reports two segments being 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 operating segments based on a measure of net cash inflow / (outflow). The segment information provided to the board of directors for the reportable segments for the half-year ended 31 December 2009 is as follows:

	Exploration and evaluation, 2009 ($)	Exploration and evaluation, 2008 ($)	Corporate 2009 ($)	Corporate 2008 ($)	Consolidated 2009 ($)	Consolidated 2008 ($)
Net cash inflow / (outflow)	8,868	(24,457)	(4,384,534)	(453,313)	(4,375,666)	(477,770)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Segment information (continued)

A reconciliation of net cash outflow to operating loss before income tax is provided as follows:

	2009 ($)	2008 ($)
Net cash outflow	(4,375,666)	(477,770)
Exploration and evaluation expenditure	13,900	73,200
Acquisition of property, plant and equipment	39,442	-
Sale of property, plant and equipment	(7,712)	-
Acquisition of investment in associate	4,477,254	-
Sale of financial assets	(487,565)	-
Costs of issue of share capital	-	12,030
Depreciation	(1,013)	(1,414)
Share based payments expense	(553,448)	(61,205)
Financial assets fair valued through profit and loss	(6,429)	-
Other income	(12,609)	-
Loss on dilution of associate	(36,445)	-
Share of net profit of associate accounted for using the equity method	4,585	-
Increase / (decrease) in receivables	45,346	(39,264)
Decrease in payables	64,105	175,828
Increase in annual leave provision	(7,246)	-
Operating loss before income tax	(843,501)	(318,595)

DIRECTORS' DECLARATION

In the opinion of the directors of Lachlan Star Limited (the "Company"):

(a) the financial statements and notes as set out on pages 7 to 14 are in accordance with the *Corporations Act 2001* including:

  (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2009 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

MJ McMull.

MJ McMullen
Executive Chairman

Perth
15 March 2010

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Independent auditor's review report to the members of Lachlan Star Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Lachlan Star Limited, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both Lachlan Star Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lachlan Star Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

PRICEWATERHOUSECOOPERS

Independent auditor's review report to the members of Lachlan Star Limited (continued)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lachlan Star Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

PricewaterhouseCoopers

Pierre Dreyer
Partner

Perth
15 March 2010