

Quarterly Report for the Period ending 31 December 2009

Corporate

At the end of the December quarter Lachlan Star had cash deposits of \$4.1 million and listed tradeable securities totalling \$10.9 million.

Non executive director Hamish Bohannon did not stand for re election at the Annual General Meeting in November and as a consequence the board has been reduced to three members. The Company thanks Hamish for his contribution over the last two years and wishes him well in his future endeavours.

Several projects were reviewed for acquisition during the quarter, however none met the technical and financial criteria that the Company feels is required to justify an acquisition.

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 and 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. The gold price has continued to increase strongly over the past quarter as a result of a declining US\$ and strong investment buying.

Luri Gold (28%)

Luri Gold was successfully listed on the ASX on the 19th November after raising \$8 million by issuing 40 million CHESS Depositary Interests (CDI's) at an issue price of 20 c each. The CDI's closed the quarter at a price of 35 c each, valuing the Company's 31 million shares and CDI's at a total of \$10.9 million compared to a cost of \$4.8 million.

Luri has announced results from the drilling program carried out in the December quarter, with some very encouraging high grade drill results reported 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

All widths are estimated true widths.

Many of the high grade intercepts have been from the central zone of the Matala deposit, which was previously thought to contain only minor, thin gold mineralisation but now appears to be consistently mineralised over significant widths and strike length.

These results confirm Lachlan Star's view of the project as having significant potential to host a larger resource base, and the high grade, near surface nature of the drilling results is in particular very encouraging when considered against the average resource grade of 3.4 g/t for the Matala deposit.

Drilling is continuing at the Luri Gold Project, in particular to better define this thicker central zone (refer to Figure at end of this report).

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

- The Luri 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.
- At Nambala, an independent review by Coffey Mining indicated that on part of the mineralized 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

Exco Resources

The Company exited the remainder of its position in Exco in early January 2010 for a small profit after it determined that the investment did not meet the required investment criteria at this time.

Projects

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.

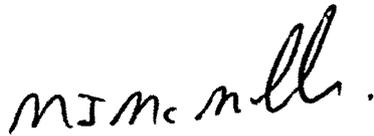
No significant work was completed during the quarter.

Alexander Coal Project

As previously announced, 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.

More information about the Company can be found at our website www.lachlanstar.com.au.

For and on behalf of the Board



Mick McMullen
Chairman

