

Quarterly Report for the Period ending 30 September 2008

Corporate

In keeping with the Company's stated investment strategy, investigation of investment opportunities in the South African Coal Industry was ongoing. Whilst discussions have been held with a number of parties holding South African coal projects, these discussions have been informal and no new agreements have been entered into.

At the end of the September quarter, Lachlan Star had cash deposits of \$9.4 million.

Projects

Holfontein Coal Project (Agreement to acquire 100%)

The Legal Due Diligence for the purchase of the Holfontein Coal Project was commenced during the quarter and was not completed prior to the end of the quarter. The finalisation of the Due Diligence is pending and is expected to be completed in the near future.

On 18 June 2008 shareholder approval was sought and gained at a General Meeting for the issue of 200 million ordinary Lachlan Star shares as part consideration for the purchase of the Holfontein Coal Project. Under the ASX listing rules, these shares were to be issued no later than 3 months after the date of the General Meeting. The consideration shares were not issued within this period and shareholder approval for the issue of these shares expired on 18 September 2008. Shareholder approval for the issue of the Holfontein consideration shares will again be sought at the Annual General Meeting on 26 November 2008.

Negotiations on the establishment of a South African Black Economic Empowerment (BEE) partner have been ongoing. The BEE partner is required under South African law in order to allow the transfer of the Holfontein Prospecting Right to the control of Lachlan Star. These negotiations are expected to be concluded in the near future.

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

Further to the announcement of 7 August 2008, Lachlan Star has not undertaken any further work at the Alexander Project. Whilst the Company has issued a letter of intent to purchase up to 74% of the Project, irregularities with the Prospecting Right were discovered and the tenure of the Prospecting Right remains uncertain. No formal agreement will be entered into until such time that the Vendor can demonstrate unfettered tenure of the Prospecting Right.

Bushranger Copper Project

No work was undertaken at the Bushranger Exploration Project during the quarter.

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

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%) in South Africa.

Directors and Management – Declan Franzmann – Managing Director

Mick McMullen - Chairman

Tom Duckworth - Director(non executive)

Hamish Bohannan - 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 SEPTEMBER 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 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	(98)	(98)
(b) development		
(c) production		
(d) administration	(218)	(218)
(e) staff costs		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	133	133
1.5 Interest and other costs of finance paid		
1.6 Other (new ventures)	(283)	(283)
Net Operating Cash Flows	(466)	(466)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
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		
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(466)	(466)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(466)	(466)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Costs associated with the issue of shares, options etc		
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		
	Net increase (decrease) in cash held	(466)	(466)
1.20	Cash at beginning of quarter/year to date	9,863	9,863
1.21	Deposits at call		
1.22	Cash at end of quarter	9,397	9,397

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	255
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	50
4.2 Development	-
Total	50

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	197	193
5.2 Deposits at call	9,200	9,670
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	9,397	9,863

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		
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

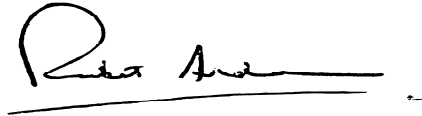
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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 (description)				
7.2 Issued during quarter				
7.3 +Ordinary securities	1,079,867,371	1,079,867,371		
7.4 Issued during quarter	2,375,000	2,375,000	\$0.01 option exercise	\$0.01 option exercise
7.5 +Convertible debt securities (description and conversion factor)				
7.6 Issued during quarter				
7.7 Options (description and conversion factor)	11,583,333		<i>Exercise price</i> \$0.01	<i>Expiry date</i> 31/12/2008
	2,500,000		\$0.025	20/4/2010
	2,500,000		\$0.035	20/04/2011
7.8 Issued during quarter	2,500,000		<i>Exercise price</i> \$0.025	<i>Expiry date</i> 20/4/2010
	2,500,000		\$0.035	20/04/2011
7.9 Exercised during quarter	2,375,000		<i>Exercise price</i> \$0.01	<i>Expiry date</i> 31/12/2008
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ 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 October 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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