LACHLAN STAR

LACHLAN STAR LIMITED

21 August 2014

LACHLAN STAR ANNOUNCES APPENDIX 4E UNAUDITED FINANCIAL RESULTS FOR THE YEAR ENDING 30 JUNE 2014

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Perth, Western Australia: Gold miner, Lachlan Star Limited ("Lachlan Star" or the "Company") (ASX and TSX: LSA) is pleased to provide its Appendix 4E incorporating unaudited financial statements for the financial year ended 30 June 2014.

For and on behalf of the Board

Scott Perry
Chairman

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

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About Lachlan Star Limited
Lachlan Star Limited is a gold mining company headquartered in Perth, Western Australia. The Company is focused on optimizing free cash flow from its CMD Gold Mine in Chile.

Lachlan Star's current projects include a 100% interest in the CMD Gold Mine in Chile, a 49% interest in the Bushranger Copper Project in New South Wales and a 100% interest in the Princhester magnesite deposit in Queensland.

Lachlan Star Limited
Appendix 4E
Preliminary Final Report

Listing Rule 4.3A

1) Reporting Periods

The information in this Appendix 4E is presented for the year ending 30 June 2014 and the previous corresponding year ending 30 June 2013.

2) Results for Announcement to the Market

	12 months to 30 June 2014 (unaudited)	(Restated) 12 months to 30 June 2013 (unaudited)	Increase / (decrease)
	$000	$000	%
Revenue from ordinary activities	94,947	77,779	22.1
Net (loss) / profit from ordinary activities after tax attributable to members	(16,485)	(53,842)	(69.4)
Net (loss) / profit after tax attributable to members	(16,485)	(53,842)	(69.4)
Interim dividend per share	Nil	Nil	
Franked dividend per share	Nil	Nil	
Franked amount per share	Not applicable	Not applicable	

Financial performance

On 24 December 2010 the Company completed the acquisition of the Compania Minera Dayton ("CMD") Gold Mine ("CMD Gold Mine") in Chile and joined the ranks of gold producers. The CMD Gold Mine is located approximately 350km north of Santiago and at an elevation of 1,000 metres. Access to the project is excellent via a sealed road. The mine was developed in 1995 and has produced over 1,000,000 ounces of gold plus minor copper and silver since opening. It is located immediately adjacent to Teck Resources Limited's large Carmen de Andacollo copper-gold mine.

The Company's primary focus is on gold and copper in Chile. Projects within the gold sector provide the Company with an exposure to the gold price, which increased from US$1,192 per ounce to US$1,315 per ounce over the year.

The consolidated entity's loss after tax for the year ended 30 June 2014 was $16.49 million (2013: loss of $53.84 million) after recognising (i) a profit before impairment loss and tax of $15.25 million (2013: loss of $2.46 million) from gold mining operations at the consolidated entity's CMD Gold Mine in Chile, after royalties and site based administration, but before $14.14 million (2013: $13.78 million) depreciation and amortisation (ii) an impairment loss of $10.85 million (2013: $26.95 million).

Refer below to the notes to the Unaudited Statement of Comprehensive Income and the Unaudited Statement of Financial Position together with the Commentary on the Results for the Period for further information. The accounting policies adopted are consistent with those of the previous financial year other than the adoption of IFRIC 20 as explained in *Change in Accounting Policies* below.

Change in Accounting Policies

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from IFRIC 20* are effective 1 July 2013. IFRIC 20 (applied in Australia as Interpretation 20) sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. It states that these costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body, the costs relating to the improved access to that component can be measured reliably and it is probable that future economic benefits associated with the stripping activity (improved access to the ore body) will flow to the entity. The costs will be amortised over the life of the identified component of the ore body. This is different to the consolidated entity's previous accounting policy which was to capitalise stripping costs based on a combined pit waste-to-ore stripping ratio and amortise the costs over the life of the mine. IFRIC 20 has been applied prospectively to the Company's production stripping costs incurred on or after 1 July 2012 resulting in the restatement of comparatives for the year ending 30 June 2013. Capitalised deferred stripping costs of $3.99 million that are not related to an identifiable component of an ore body at 30 June 2012 have been written off against retained earnings at that date.

Going concern

This Appendix 4E has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 30 June 2014 the consolidated entity had cash reserves of $1.93 million (2013: $2.81 million) and a net unaudited current asset deficiency of $3.62 million (2013: deficiency of $17.38 million), having recorded an unaudited net loss after tax for the period of $16.49 million (2013: loss of $53.84 million) including a non-cash impairment loss of $10.85 million (2013: $26.95 million). The consolidated entity had net cash inflows from operations for the year of $9.48 million (2013: $6.42 million net outflows).

Notwithstanding the above, the Appendix 4E has been prepared on a going concern basis, which the directors consider to be appropriate, based on:

(i) the expectation that the operating subsidiary will be able to maintain its creditor holding periods in Chile

(ii) the net unaudited current asset deficiency of $3.62 million would be reduced by $3.39 million if current leachpad inventories had been valued at the spot gold price of US$1,315 per ounce on 30 June 2014

(iii) the expectation that the Company, if required, would be able to raise additional funds through debt, asset sales, or equity

The Directors believe that the consolidated entity will be successful in implementing these initiatives as required and, accordingly, have prepared the unaudited financial statements on a going concern basis. Notwithstanding this belief, as there is a risk that the consolidated entity may not be successful in implementing its initiatives or the implementation of alternative options which may be available to the consolidated entity, this constitutes a material uncertainty which may cast a significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the unaudited financial statements. No adjustments have been made relating to the recoverability or classification of recorded assets and liabilities that might be necessary should the consolidated entity not continue as a going concern.

3) Unaudited Statement of Comprehensive Income

	Notes	For the year ended 30 June 2014 $000	(Restated) For the year ended 30 June 2013 $000
Revenue from continuing operations			
Revenue	(i)	94,917	77,630
Finance income		30	149
		94,947	77,779
Expenses			
Cost of sales	(ii)	(93,127)	(92,526)
Other expenses from ordinary activities			
Impairment loss	(iii)	(10,853)	(26,946)
Corporate compliance and management	(iii)	(1,803)	(2,191)
Cost of derivatives	(iii)	(885)	-
Share based payments expense		(295)	(207)
Occupancy costs		(50)	(56)
Foreign exchange gain / (loss)	(iii)	826	(831)
New venture expenditure written off		(10)	(142)
Other expenses		(90)	(215)
Finance expense	(iii)	(2,460)	(1,413)
Fair value gain on deferred consideration		200	670
(Loss) before income tax		(13,600)	(46,078)
Income tax (expense)	(iv)	(2,885)	(7,764)
(Loss) for the period		(16,485)	(53,842)
Other comprehensive income for the period net of income tax			
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations		(723)	7,393
Total comprehensive (loss) for the period		(17,208)	(46,449)

(i) Revenue

	For the year ended 30 June 2014 $000	For the year ended 30 June 2013 $000
Sale of gold	93,783	77,598
Sale of silver (net of refining)	663	32
Sale of copper	471	-
	94,917	77,630

Revenue is from the sale of metals, mainly gold, by the CMD Gold Mine, acquired in December 2010.

Revenue for the period includes 66,624 ounces of gold at an average achieved sale price of US$1,292 per ounce (2013: 50,389 ounces of gold at an average achieved sale price of US$1,579 per ounce). The average A$/US$ exchange rate for translating revenue for the period was 1:0.918 (2013: 1:1.026).

(ii) Cost of sales

	For the year ended 30 June 2014 $000	(Restated) For the year ended 30 June 2013 $000
Depreciation and amortisation	14,138	13,775
Inventory adjustments	(2,778)	(1,127)
Mine operational expenses	22,347	31,997
Reagents	16,076	14,448
Utilities, maintenance	23,701	17,440
Personnel expenses	15,375	11,220
Royalties	1,821	1,874
Other expenses	2,447	2,899
	93,127	92,526

Cost of sales relates to costs attributable to the operation of the CMD Gold Mine.

Utilities and maintenance costs have increased as a result of the higher maintenance costs associated with the 15.9% increase in stacked tonnes. The use of direct employees for the CMD mining fleet is also part of the reason for the increase in personnel costs, compared to the prior year when the fleet was being ramped up.

The fall in mine operational expenses is a direct result of the 28.4% reduction in mined tonnes, including a reduction of over 5.7 million tonnes of waste, and the switch from mining contractors to an owner operated mining fleet.

The cost of sales on all line items expressed in A$ are higher compared to the prior year as a result of the average A$/US$ exchange rate depreciating 8.4% to 1:0.918 from 1:1.026 in prior year.

Deferred stripping (waste) costs are capitalised in any month where the actual stripping ratio exceeds the ore body life of mine average stripping ratio, in which case costs relating to the waste tonnes mined over and above the ore body life of mine stripping ratio are capitalised. In months where waste tonnes mined fall below the ore body life of mine stripping ratio all waste costs are expensed. Cost of sales includes $22.93 million (2013: $27.02 million) waste costs expensed and amortised. The depreciation and amortisation charge of $14.14 million (2013: $13.78 million) includes $Nil (2013: $2.09 million) relating to amortisation on the uplift in fair values of assets recognized on acquisition of the CMD Gold Mine and $6.72 million (2013: $4.71 million) deferred stripping amortisation.

Gold in leach pad inventories are valued based on the historical recovery of ounces from the pads using a rolling average of costs incurred, including leaching costs. Movements in the value of leach pad inventories are included in cost of sales. During the year 3,228 recoverable ounces were added to the leachpad (2013: 2,183 increase in recoverable ounces).

The gold in process, doré and stockpile inventory adjustment for the year includes a $1.09 million reversal of a provision to to write the cost of the leachpad down to net realizable value (2013: $1.00 million provision).

(iii) Expenses

Loss before income tax includes the following specific expenses:

	For the year ended 30 June 2014 $000	(Restated) For the year ended 30 June 2013 $000
Impairment loss		
Goodwill	-	189
Property, plant and equipment	5,902	11,423
Mine development properties	4,951	15,334
	10,853	26,946

AASB 136 requires a company to make a formal estimate of recoverable amount if an indicator of impairment is present. Impairment indicators exist for the consolidated entity, being a loss for the period and a Company market capitalisation of $14.7 million at 15 August 2014 compared to consolidated net asset carrying values of $28.55 million at 30 June 2014 prior to any current year impairment charge and write off of deferred tax asset.

The recoverability of the carrying amount of the CMD cash generating unit has been reviewed by the consolidated entity. In conducting the review, the recoverable amount has been assessed by reference to the higher of ‘fair value less costs to sell’ and ‘value in use’. Recoverable amount assessments are principally based on discounted cash flow analysis which requires the use of estimates and judgements in relation to a range of inputs including (a) quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction; (b) discount rates; (c) timing of future production; (d) future exchange rates and commodity prices; and (e) future costs of production and capital expenditure. Regard has been given to external consensus forecasts of key assumptions where available.

Recoverable amount is fair value less costs to sell. Fair value was determined by a discounted cash flow analysis covering projected production from 2014 to 2017 using a post-tax discount rate of 10.4% and resulted in an impairment loss of $10.85 million which has been attributed to property, plant and equipment and mine development properties.

The assumption to which the recoverable amount is most sensitive is the gold price. The following gold prices, being the “medium” financial institution consensus forecasts, were used as inputs in the discounted cash flow analysis:

	2014	**2015**	**2016**	**2017**
Gold price US$ / oz	1298	1300	1300	1300

Variations to the expected future cash flows, and timing thereof, could result in significant changes to the impairment test results which could in turn impact future financial results, including the potential for the impairment loss recognised in the current and / or prior year to partially or totally reverse.

The necessity of a further revision to the current year impairment charge remains subject to review on completion of the Company’s annual statement of reserves and resources to be finalised prior to the signing of its audited 30 June 2014 financial statements.

Corporate compliance and management

Corporate compliance and management costs of $1.80 million for the period (2013: $2.19 million) reflect costs associated with the senior management of the CMD Gold Mine, legal costs associated with amendments to a credit facility, corporate office costs, and the costs of a listed company on the ASX and TSX.

Cost of derivatives

During the year the Company purchased gold put options with a strike price of US$1,200 per ounce in respect of 3,000 gold ounces per month from January to June 2014 at a cost of $0.89 million (2013: $Nil) These put options protected approximately half of the Company’s projected production at the price of US$ 1,200 per ounce for the first half of 2014 whilst allowing the Company to take full benefit of any prices above that level. None of these options were exercised as the spot gold price remained above US$1,200 at each option maturity date.

	For the year ended 30 June 2014 $000	For the year ended 30 June 2013 $000
Foreign exchange gain / (loss)		
Net foreign exchange gain / (loss) included in finance costs	11	(187)
Net foreign exchange gain / (loss) shown as foreign exchange gain / (loss)	826	(831)
Total foreign exchange gain / (loss)	837	(1,018)

The foreign exchange gain of $0.83 million shown as a foreign exchange gain for the period (2013: $0.83 million loss) arises from net realised and unrealised gains / losses on the Company's holdings of US$ and CDN$ cash and cash equivalents, foreign exchange gains / losses on payables denominated in Chilean Pesos translated to the functional currency of a subsidiary, Compañía Minera Dayton ("CMD"), being US$, and an unrealised gain on a credit facility. The major exchange rates relevant to the consolidated entity were as follows:

	Average year ended 30 June 2014	As at 30 June 2014	Average year ended 30 June 2013	As at 30 June 2013
A$ / US$	0.918	0.944	1.027	0.915
A$ / CDN$	0.983	1.007	1.032	0.963
US$ / Peso	533	552	480	508
A$ / Peso	489	521	493	464

	For the year ended 30 June 2014 $000	For the year ended 30 June 2013 $000
Finance costs		
Interest and finance charges	2,195	1,188
Provisions: unwinding of discount	-	38
Exchange losses on foreign currency borrowings	(11)	187
Fair value adjustment to gold loan	276	-
	2,460	1,413

Interest and finance charges have increased over the previous year as a result of the loans and leases associated with the purchase of the mine fleet at the CMD Gold Mine, and interest on a credit facility together with the cash bank fees associated with renegotiating that credit facility.

The terms of the credit facility were further amended in June 2014 such that the CDN$3.75 million outstanding balance of the facility was converted to a gold loan. The gold loan was fair valued at year end based on the forward gold price resulting in a $0.28 million charge to the Statement of Comprehensive Income.

(iv) Income tax

The income tax expense for the year of $2.89 million (2013: $7.77 million) consists of:

(a) $2.89 million charge (2013: $9.11 million charge) relating to the de-recognition of a deferred tax asset in respect of income tax losses and timing differences of a subsidiary, and foreign exchange impacts.
(b) $Nil (2013: $1.99 million benefit) relating to the deferred tax impact of the unwinding of the fair value adjustments taken up on the acquisition of the CMD Gold Mine. These fair value adjustments were fully written off as part of the impairment charge in the prior year.
(c) $Nil (2013: $0.65 million charge) resulting from the implementation of *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* (applied in Australia as Interpretation 20), refer *Change in Accounting Policies* above.

4) Unaudited Statement of Financial Position

	Notes	As at 30 June 2014 $000	(Restated) As at 30 June 2013 $000
Current assets			
Cash and cash equivalents		1,932	2,811
Trade and other receivables	(i)	3,481	3,883
Inventories	(ii)	19,880	13,782
Total current assets		25,293	20,476
Non-current assets			
Trade and other receivables		251	491
Inventories	(ii)	-	6,428
Mine development properties	(iii)	14,967	21,681
Property, plant and equipment	(iv)	17,839	25,351
Exploration and evaluation		2,775	2,775
Deferred tax asset	(v)	-	2,976
Total non-current assets		35,832	59,702
Total assets		61,125	80,178
Current liabilities			
Trade and other payables		21,202	24,786
Borrowings		7,710	13,068
Total current liabilities		28,912	37,854
Non-current liabilities			
Borrowings		11,490	13,767
Provisions		5,790	5,943
Total non-current liabilities		17,280	19,710
Total liabilities	(vi)	46,192	57,564
Net assets		14,933	22,614
Equity			
Contributed equity	(vii)	224,522	215,076
Reserves	(viii)	6,572	7,214
Accumulated losses	(ix)	(216,161)	(199,676)
Total equity		14,933	22,614

(i) Trade and other receivables

Trade and other receivables have decreased by $0.64 million since 30 June 2013. The A$ / US$ exchange rate increased from 1:0.915 at 30 June 2013 to 1:0.944 at 30 June 2014 meaning a decrease of $0.13 million in the value of trade and other receivables which are presented in the CMD financial statements in US$.

(ii) Inventories

Inventories have decreased by $0.33 million since 30 June 2013 mainly including a $0.63 million decrease as a result of the A$ / US$ exchange rate increasing from 1:0.915 at 30 June 2013 to 1:0.944 at 30 June 2014. The static CMD inventory reflects an increase of 3,228 recoverable ounces in the leachpad with an associated cost of US$4.03 million, a US$2.28 million decrease attributable to the reduced average cost per ounce on the leachpad, a US$0.16 million increase in doré in process inventory, a US$1.00 million increase from the reversal of a leachpad inventory provision to writedown to net realizable value, a US$0.52 million decrease in ore stockpiles and copper, and a US$2.07 million decrease in stores inventory due to lower stock holding periods.

With the optimization of the leaching recovery cycle the metallurgical records support the assumed recovery of 100% of the recoverable ounces on the leachpad within 12 months and therefore the treatment of 100% of inventories as current assets at 30 June 2014.

(iii) Mine development properties

Mine development properties have decreased by $6.71 million since 30 June 2013, comprising capitalisation of $9.41 million offset by a depreciation charge of $10.56 million, an impairment charge of $5.90 million and a $0.61 million decrease as a result of the A$ / US$ exchange rate increasing from 1:0.915 at 30 June 2013 to 1:0.944 at 30 June 2014.

Of the $9.41 million capitalised, $0.36 million relates to exploration at the CMD Gold Mine, $0.17 million to an increase in the rehabilitation provision, and $8.88 million to capitalized deferred stripping.

(iv) Property, plant and equipment

Property, plant and equipment has decreased by $7.51 million since 30 June 2013, comprising expenditure of $3.25 million at the CMD Gold Mine offset by a depreciation charge of $4.14 million, an impairment charge of $4.95 million and a $0.72 million decrease as a result of the A$ / US$ exchange rate increasing from 1:0.915 at 30 June 2013 to 1:0.944 at 30 June 2014.

(v) Deferred tax asset

The 30 June 2013 deferred tax asset of $2.98 million has been written off at 30 June 2014 primarily as a result of the de-recognition of a deferred tax asset in respect of income tax losses and timing differences of a subsidiary.

(vi) Total liabilities

As at 30 June 2014, the consolidated entity had total liabilities of $46.19 million compared to $57.56 million at 30 June 2013, a decrease of $11.37 million. There was a $3.58 million decrease in trade and other payables, partly as a result of the transition to owner operated mining, in addition to a net decrease in borrowings of $7.64 million. Total liabilities decreased by $1.60 million as a result of the A$ / US$ exchange rate increasing from 1:0.915 at 30 June 2013 to 1:0.944 at 30 June 2014. As at 30 June 2014, the consolidated entity had $19.20 million in debt obligations consisting of bank loans, a gold loan, leases, and deferred consideration due to the vendors of the CMD Gold Mine.

(vii) Contributed equity

The contributed equity increase of $9.45 million since 30 June 2013 is shown below:

	2014 Number	**2014 $000**
Ordinary shares		
1 July	99,107,273	215,076
Issue of shares for cash	47,500,000	9,684
Costs of issue of shares	-	(451)
Share based payments	1,025,000	213
30 June	147,632,273	224,522

(viii) Reserves

Reserves of $6.57 million consist of a $0.21 million share based payments reserve, which reflects the fair value of share options at their date of issue, together with a balance of $6.36 million in the foreign exchange reserve resulting from the translation of CMD financial statements, which are presented in US$, to A$ on consolidation. There is a $0.72 million reduction in the foreign exchange reserve balance since 30 June 2013.

(ix) Accumulated losses

The increase of $16.49 million in accumulated losses is explained under the Unaudited Statement of Comprehensive Income above.

5) Unaudited Statement of Cash Flows

	For the year ended 30 June 2014 $000	(Restated) For the year ended 30 June 2013 $000
Cash flows from operating activities		
Receipts from customers and GST recovered	95,345	77,233
Payments to suppliers and employees	(83,882)	(82,832)
Interest received	31	259
Interest paid	(2,011)	(1,083)
Net cash flows from / (used in) operating activities	9,483	(6,423)
Cash flows from investing activities		
Payments for mine development	(9,240)	(11,695)
Payments for acquisition of property, plant and equipment	(3,251)	(24,701)
Payments for exploration and evaluation	-	(4)
Net cash flows (used in) investing activities	(12,491)	(36,400)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	9,684	3,919
Proceeds from exercise of share options	-	6,289
Repayment of borrowings	(7,817)	(8,672)
Receipt of borrowings	778	26,970
Payment of share issue costs	(451)	(72)
Net cash flows from financing activities	2,194	28,434
Net (decrease) in cash and cash equivalents	(814)	(14,389)
Effect of exchange rate fluctuations on cash held	(65)	(212)
Cash and cash equivalents at the beginning of the year	2,811	17,412
Cash and cash equivalents at the end of the year	1,932	2,811

6) Unaudited Statement of Changes in Equity

	Contributed equity $000	Accumulated losses $000	Share based payments reserve $000	Foreign exchange reserve $000	Total $000
Balance at 1 July 2012 (Restated)	204,436	(145,834)	425	(308)	58,719
Other comprehensive income	-	-	-	7,393	7,393
(Loss) for the year	-	(53,842)	-	-	(53,842)
Total comprehensive (loss) for the year	-	(53,842)	-	7,393	(46,449)
Transactions with owners in their capacity as owners:					
Shares issued for cash	3,919	-	-	-	3,919
Shares issued on exercise of options	6,289	-	-	-	6,289
Share issue costs	(72)	-	-	-	(72)
Share based payments	504	-	(296)	-	208
Balance at 30 June 2013 (Restated)	215,076	(199,676)	129	7,085	22,614
Other comprehensive income	-	-	-	(723)	(723)
(Loss) for the year	-	(16,485)	-	-	(16,485)
Total comprehensive (loss) for the year	-	(16,485)	-	(723)	(17,208)
Transactions with owners in their capacity as owners:					
Shares issued for cash	9,684	-	-	-	9,684
Share issue costs	(451)	-	-	-	(451)
Share based payments	213	-	81	-	294
Balance at 30 June 2014	224,522	(216,161)	210	6,362	14,933

7) Dividends

No dividends were declared or paid during the current or previous corresponding period.

8) Dividend Plans

No dividend plans were in place during the current or previous corresponding period.

9) Net Tangible Asset per Security

	30 June 2014	30 June 2013
Net tangible assets per share (cents per share)[(1)]	8.2	17.0

(i) Includes mine development properties

10) Details of Entities over which Control has been Gained or Lost during the Period.

The entities over which control has been gained during the period are as follows. The financial results of these entities were not material to the Company's consolidated financial results for the period.

Name of Company	**Date control gained / incorporated**
Minera Andacollo Spa	25 October 2013
Minera La Laja Spa	25 October 2013
Minera Rosario Spa	25 October 2013

11) Details of Associates and Joint Venture Entities

The Company did not have any interests in associates or joint venture entities during the period.

Subsequent to period end, on 8 July 2014, Anglo American provided notice of their intention to form a Joint Venture under the Bushranger Farmin Agreement, diluting the Company's interest in the Bushranger Copper Project from 100% to 49%.

12) Other Significant Financial Information

In February 2013 the Company drew CDN$5 million under a secured credit facility ("Facility") with Sprott Resource Lending Partnership ("Sprott") of which CDN$0.5 million was repaid on 9 October 2013. The terms of the Facility were amended in February 2014 such that the remaining Facility of CDN$4.5 million would be partly repaid through the payment of 12 monthly principal repayments of CDN$187,500 commencing 31 March 2014, the repayment of CDN$1 million by 30 September, 2014, and the payment of an extension fee.

The terms of the Facility were further amended in June 2014 such that the CDN$3.75 million outstanding balance of the Facility was converted to a gold loan. The terms of the amendment include the removal of a both a CDN$1 million bullet payment due by 30 September 2014 as well as the final principal repayment of CDN$2.44 million due on 19 February 2015. Monthly principal and interest payments are replaced by a monthly gold loan payment based on a fixed number of gold ounces multiplied by the monthly closing gold price, and the term of the gold loan has been extended to 31 October 2016. A total of 300,000 shares were issued to Sprott as an extension fee in respect of this amendment.

On 30 September 2013 the Company announced that it had entered into subscription agreements with accredited North American and European investors to raise a total of CDN$8 million at an issue price of CDN$0.20 a share from the issuance of 40 million ordinary shares. The placement was completed in two tranches, the second one subsequent to shareholder approval which was obtained on 4 November 2013. Finder's fees totalling 3% cash and 1,155,431 warrants were paid in respect of this share issue. The net proceeds of the private placement were used to prepay CDN$0.5 million against the outstanding Sprott Facility and to fund development and working capital at the Company's 100% owned CMD Gold Mine in Chile.

On 30 September 2013 the Company announced that it had promoted its Chief Operating Officer (Bira de Oliveira) to the vacant position of Chief Executive Officer (CEO). Mr de Oliveira joined the Company in May 2012 and since then has been largely responsible for building a team of professionals at the CMD Gold Mine that has been responsible for the substantial improvement in production and costs over that time.

In November 2013 the Company completed a placement of 7,500,000 shares raising gross proceeds of CDN$1.5 million at CDN$0.20 per share with finder's fee totalling 5% cash and 375,000 warrants.

13) Foreign Entities

Lachlan Star Limited was not a foreign entity during the current or previous corresponding period.

14) Commentary on the Results for the Period

CMD Gold Mine

Production, Cash Costs and Profitability

Quarterly ore stacked at the CMD Gold Mine during the year ended 30 June 2014 is summarised in Table 1 below:

Table 1 – CMD production data

	Ore Stacked	Au Grade	Contained Au	Gold produced
Quarter ending	(kt)	(g/t)	(oz)	(oz)
30-Sep-13	1,335	0.52	22,355	17,056
31-Dec-13	1,472	0.58	27,322	18,560
31-Mar-14	1,337	0.55	23,475	15,747
30-Jun-14	1,206	0.56	21,549	15,421
Total	5,350	0.55	94,701	66,784

Gold sales of 66,624 ounces (2013: 50,389 ounces) are recorded in the financial statements at an average sales price of US$1,292 per Au ounce (2013: US$1,579 per Au ounce). In addition, total silver production of 61,973 ounces (2013: 25,132 ounces) was also achieved, with an average sales price of US$21 per Ag ounce (2013: US$27 per Ag ounce). These sales represent 100% of production sold at spot prices and the consolidated entity's production profile remains unhedged.

Table 2 below shows the cash costs for each quarter during the year, and the impact of the inventory valuation adjustment (all numbers US$ per ounce).

Table 2 – Cash Cost (US$ per ounce) and inventory adjustments

Item	**Quarter ending 30 June 2014**	**Quarter ending 31 March 2014**	**Quarter ending 31 December 2013**	**Quarter ending 30 September 2013**	**12 months to June 2014**
Cash costs with inventory adjustment ($/oz)	794	761	781	971	828
Cash costs without inventory adjustment ($/oz)	864	910	808	821	848
Inventory adjustment effect ($/oz)	(70)	(149)	(27)	150	(20)

The inventory adjustment of US$20 per ounce over the year reflects the increase in the gold inventory contained within the leach pad from stacking more recoverable gold than was sold (US$60 per ounce), the reduction in the average inventory value per ounce (negative US$34 per ounce), and the stockpile movement (negative US$6 per ounce).

C1 cash costs are a non-IFRS measure that may not be consistent from company to company. In this instance, it is defined as all site production costs but excludes all waste expenditure, depreciation and amortisation and royalties. A reconciliation of C1 cash costs to the IFRS measure Cost of Sales is provided in Table 3 below.

Table 3 – Reconciliation of Cash Cost (US$/oz) per ounce to Cost of Sales

		Year ended 30 June, 2014	(Restated) Year ended 30 June, 2013
Cash cost per ounce	US$	828	1,070
Ounces poured		66,784	51,143
Cash costs	US$000	55,297	54,737
A$ / US average exchange rate for the period		0.919	1.023
Cash costs	A$000	60,196	53,515
Inventory adjustments (doré and stockpiles)	A$000	(160)	(1,102)
Depreciation and amortization (other than deferred stripping amortization)	A$000	7,423	9,127
Waste costs expensed and amortised	A$000	22,933	27,024
Royalties	A$000	1,821	1,874
Process inventory provision	A$000	(1,090)	1,006
Other	A$000	137	426
Copper / silver net revenue	A$000	1,867	656
Cost of Sales	A$000	93,127	92,526

Depreciation of production phase stripping costs and property, plant and equipment is calculated on a unit of production basis so as to write off the costs in proportion to the depletion of estimated recoverable ounces. Depreciation and amortization costs, and waste costs expensed and amortised, decreased over the year as the result of the adoption of an internal mine plan with a lower LOM strip ratio from January 2013 and an increased mineral reserve announced in August 2013 that was a 160% increase over the previous estimate.

Table 4 below reconciles annual unaudited CMD Gross Operating Profit / (Loss) to unaudited consolidated (Loss) Before Income Tax. CMD Gross Operating Profit / (Loss) equals revenues and doré in process 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.

Table 4 – Reconciliation of annual unaudited CMD Gross Operating Profit / (Loss) to consolidated Loss Before Income Tax

		Year ended 30 June, 2014	(Restated) Year ended 30 June, 2013
CMD Gross Operating Profit / (Loss) (unaudited)	US$000	4,400	(6,899)
A$ / US average exchange rate for the period		0.925	1.054
CMD Gross Operating Profit / (Loss) (unaudited)	A$000	4,756	(6,543)
Inventory adjustment	A$000	3,021	(51)
Depreciation and amortisation (other than deferred stripping amortization)	A$000	(7,423)	(9,127)
Unwinding of discount on provision	A$000	-	(38)
Foreign exchange gain / (loss)	A$000	826	(831)
Revaluation of deferred consideration	A$000	200	670
Finance income	A$000	30	149
Finance expense	A$000	(1,023)	(703)
New venture expenditure written off	A$000	(10)	(142)
Cost of derivatives	A$000	(885)	-
Other head office related costs	A$000	(2,239)	(2,516)
Impairment loss	A$000	(10,853)	(26,946)
Unaudited Consolidated Loss Before Income Tax	A$000	(13,600)	(46,078)

The inventory adjustment includes the $1,090,000 reversal of (2013: $426,000 charge) the writedown of the leachpad to net realisable value.

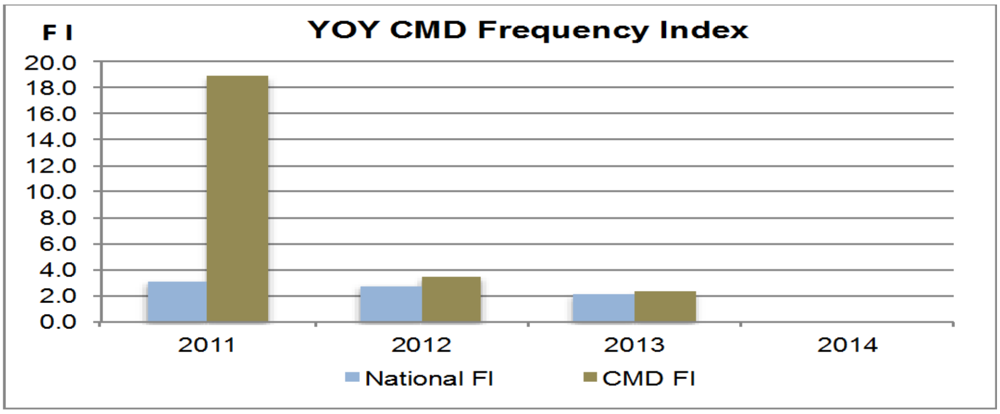
The consolidated entity's expenditure for the year includes $25.63 million (2013: $34.00 million) of mine development and exploration costs at the CMD Gold Mine in Chile, of which $9.41 million (2013: $11.16 million) has been capitalised.

The unaudited CMD Gold Mine Gross Operating Profit of US$4.40 million was a US$11.30 million improvement on the prior period and was primarily driven by the 30.6% increase in gold ounces produced and continuing cost reductions. The result was achieved despite an 18.2% fall in the average gold price.

Safety

Safety is a key focus for management at the CMD Gold Mine and the results of this can be seen in Figure 1 below. The Frequency Index (FI) exclusively reflects CMD records, not including mining contractors.

Figure 1 – CMD Gold Mine Safety Statistics



Mining

The Board of Directors assesses the performance of the gold mining segment based on selected operational performance indicators as set out in Table 5 below: The relative information for the current and prior periods was as follows.

Table 5 – Performance indicators

	Unit	2014	2013	% Change
Ore Mined	dmt	5,310,390	4,914,544	8.1%
Waste Mined	dmt	9,091,543	15,188,827	(40.1%)
Total Mined	dmt	14,401,933	20,103,371	(28.4%)
Waste:Ore Ratio	t:t	1.71	3.09	(44.6%)
Ore grade Mined	Au g/t	0.58	0.50	15.4%
Gold Mined	Au oz	98,545	79,098	24.6%
Ore stacked	dmt	5,349,978	4,616,983	15.9%
Gold Stacked	Au oz	94,701	72,803	30.1%
Silver Produced	Ag oz	61,973	25,132	146.6%
Gold Produced	Au oz	66,784	51,143	30.6%
Average Sales Price	USD/ Au oz	1,292	1,579	(18.2%)
Mining Cost/t Moved	US$/t	$2.56	$2.23	14.8%
Mining Cost/t Ore	US$/t	$6.94	$9.42	(26.3%)
Process Cost/t Ore	US$/t	$7.06	$8.21	(14.0%)
G+A Cost/t Ore	US$/t	$1.27	$1.69	(24.7%)
Total Cost/t Ore	US$/t	$15.27	$19.32	(20.9%)

Total ore mined for the year was 5.31 million tonnes for 98,545 contained Au ounces, an increase of 8.1% and 24.6% respectively. The waste to ore ratio decreased to 1.71 to 1 from 3.09 to 1 in the previous year. Ore was principally sourced from the Tres Perlas (59%) and Churrumata (15%) pits, and third party ore purchases (15%).

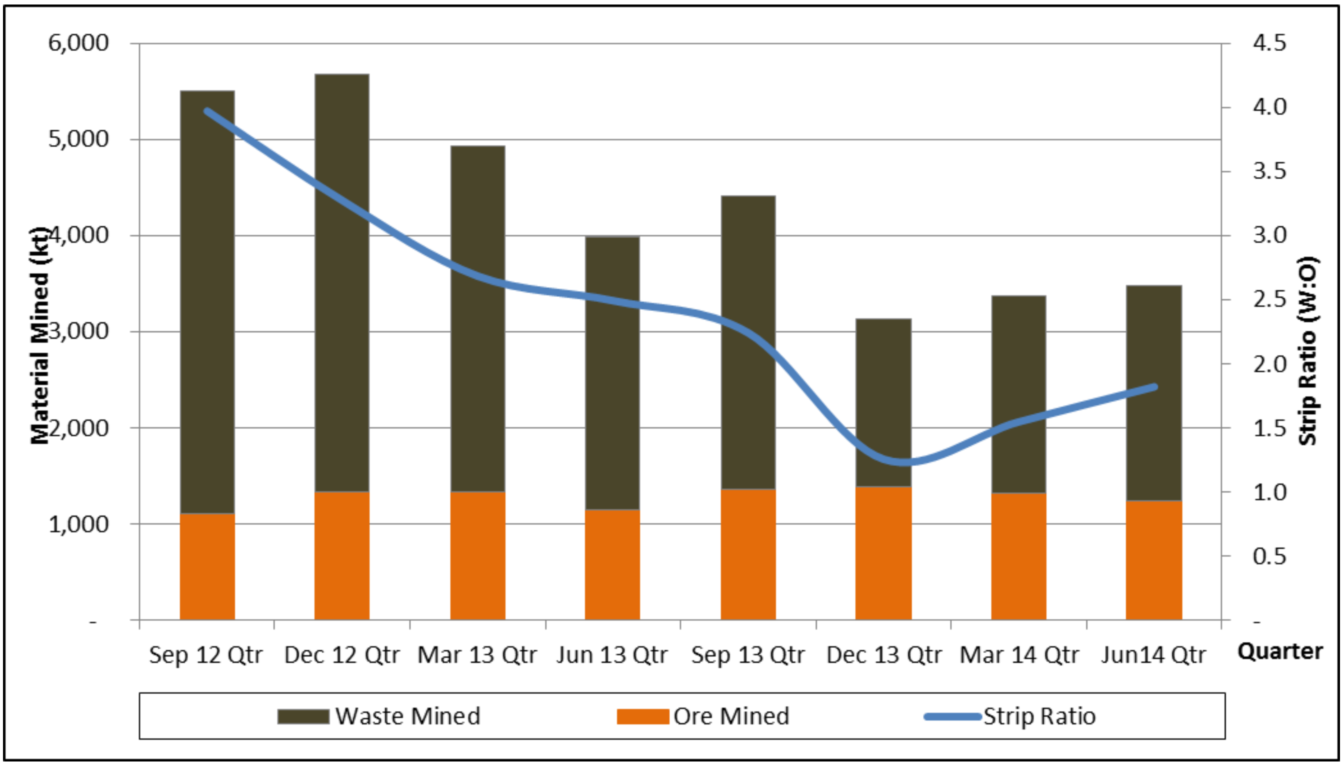
Table 6 details the ore and waste movement in the year by pit.

Table 6 – Annual mine production by pit

Item	Unit	Churrumata	Tres Perlas	Chisperos	Toro	Other Sources	Total
Ore Mined	kt	778	3,108	562	32	830	5,310
Au Grade	g/t	0.50	0.48	0.86	0.52	0.81	0.58
Contained Au	oz	12,507	48,437	15,481	534	21,586	98,545
Waste Mined	kt	2,326	5,643	649	355	118	9,092
Total Mined	kt	3,105	8,751	1,210	387	948	14,402
Strip Ratio	W:O	2.99	1.82	1.16	11.12	0.1	1.71

Figure 2 shows the mining rate and waste to ore ratio by quarter for the last 8 quarters.

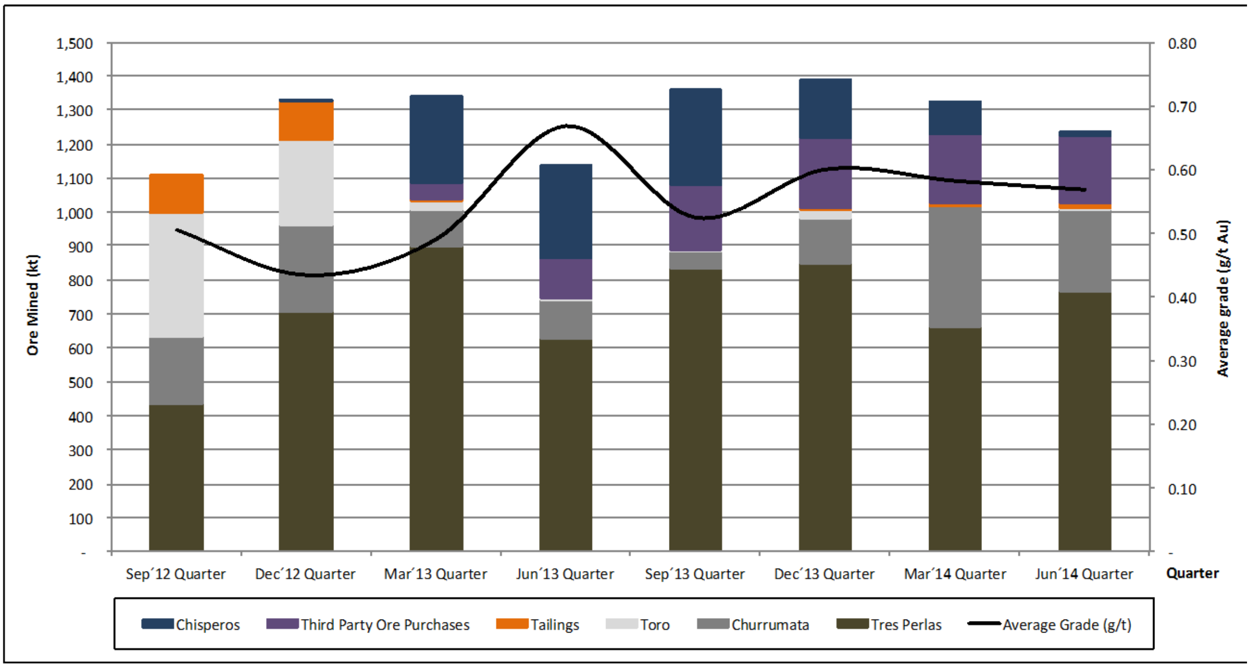
Figure 2 – Material Mined and Waste to Ore Ratio by Quarter



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.

Mining of old tailings deposits inside CMD property totalled 29,856 tonnes for the year. Due to its fine size distribution, this material needs to be carefully blended with the normal crushed ore in order to not impact negatively in the leach pad percolation. Third party ore purchases were 800,203 tonnes during the period at grade of 0.81 g/t Au, up from 166,798 tonnes in the prior period at a grade of 0.67 g/t Au.

Figure 3 – Ore Mined by Pit and Quarter



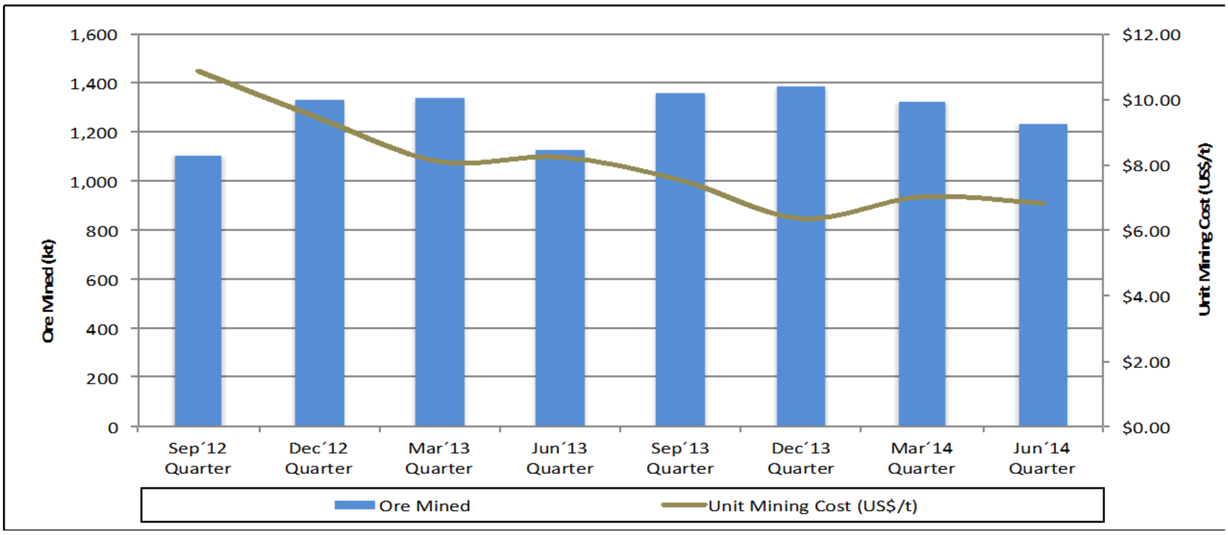
Average mined grades experienced an increase from 0.50 g/t to 0.58 g/t Au over the year, assisted by the grade of ore purchases.

The Company continues to strengthen its relationships with small miners in the area and ore purchasing continues, with 25% of the ounces mined in the June 2014 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.

Mining unit costs increased by 14.8% up to US$2.56 per tonne mined (from US$2.23 per tonne the previous year), due to the impact of 8.1% higher total tonnes moved being more than offset by the higher tariffs paid for ore purchases associated with their higher grades. Also, the mining cost per tonne of ore decreased by 26.3% to US$6.94 as a result of the 44.6% lower waste to ore ratio in the period. The mining unit rate includes the cost of buying third party ore that has no waste to ore ratio associated with it.

Figure 4 illustrates the quarterly history of mining costs per ore tonne over the last 8 quarters.

Figure 4 – Ore mined and mining cost per tonne of ore

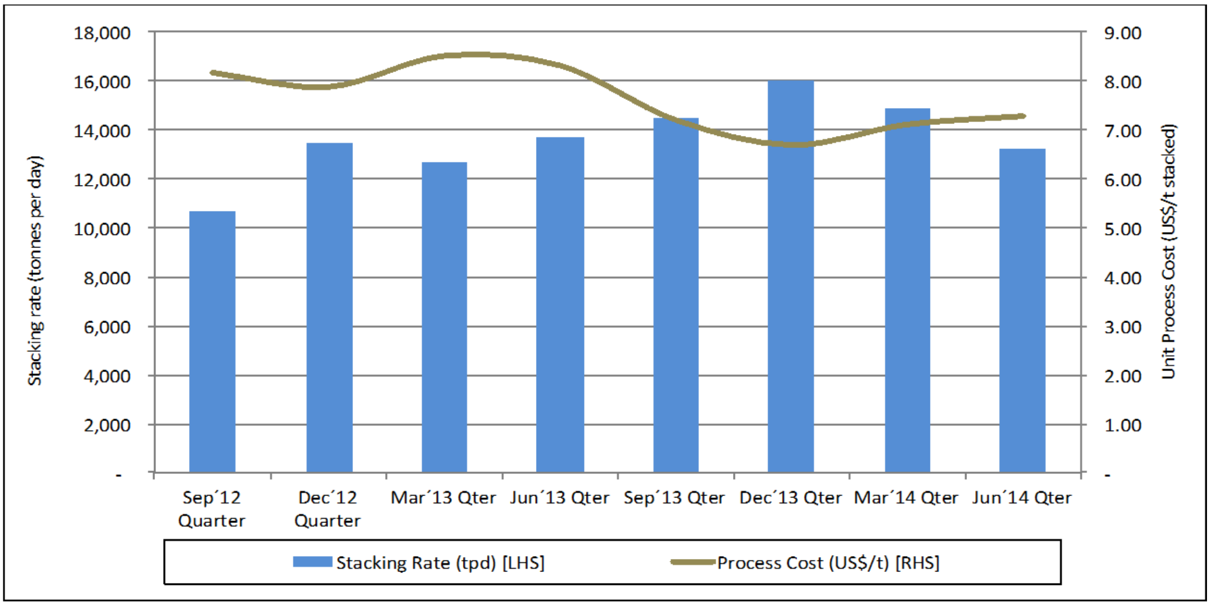


Processing

Ore tonnage stacked was up 15.9% year on year as a result of the switch to owner mining and the productivity improvements on site. Consequently, in conjunction with the higher ore grades, gold ounces stacked were up 30.1% over the same period. Metallurgical recovery was optimized in 2013 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.

Process costs decreased to US$7.06 per tonne stacked which was a 14% decrease year on year. Increased tonnes stacked in the period were the main drivers for the lower process costs.

Figure 5– Process cost per tonne stacked



General and Administration (G&A)

G&A costs decreased by 24.7% year on year to US$1.27 per tonne stacked due to the higher tonnage stacked and a 13% reduction in CMD G&A costs.

Operating Cashflow

Consolidated operating cash flow before changes in non-cash working capital of $11.15 million for the year is a $15.3 million improvement on the negative $4.15 million for the year ending 30 June 2013, driven by the performance of CMD.

Exploration

Only $0.36 million was spent on exploration at the CMD Gold Mine during the year, classified as mine development properties in the Unaudited Statement of Financial Position, as the operation applied its resources to improving production and achieving cost efficiencies, as well as minimizing discretionary expenditure in a lower gold price environment.

Bushranger Copper Project - EL 5574 (49%)

Lachlan owns a 49% interest in the Bushranger exploration-stage copper and gold deposit (the "Bushranger Copper Project") located approximately 25km south of Oberon in the Lachlan Fold Belt in New South Wales, Australia. Given Lachlan's acquisition of the CMD Gold Mine and its focus on the operation and continued development of that project, the Bushranger Copper Project is not considered to be a core asset of the Company.

On 29 September 2011 the Company announced that it had entered into a Farm In Agreement ("the Agreement") with Newmont Exploration Pty Ltd, a wholly owned subsidiary of Newmont Mining Corporation ("Newmont") covering the Bushranger Copper Project in New South Wales. Under a Deed of Novation between Newmont, Lachlan's subsidiary Ord Investments Pty Ltd and Anglo American Exploration (Australia) Pty Ltd ("Anglo American") dated 10 January 2014 Newmont's interest has been assigned to Anglo American.

The main terms of the Agreement, as amended, are:

(i) Newmont had an 18 month option period ("Option Period") to evaluate the Bushranger Copper Project, during which time it must spend a minimum of $0.25 million. Newmont, having exceeded this expenditure, elected to exercise their option to earn a 51% interest in the Bushranger Copper Project by spending a total of $1 million (including expenditures during the Option Period) over a period of 2 years and 6 months from the date of the Agreement (the Farm In Period), extended for Anglo American to 24 May 2014. Expenditure by Newmont and Anglo American on the Bushranger Copper Project under the Agreement at the end of the period was $1.03 million.

(ii) At the completion of the Farm In Period, the Company and Anglo American will form a Joint Venture owned 49% and 51% respectively, with both parties funding exploration and development on a pro rata basis. Either party may elect to dilute during the Joint Venture. Anglo American provided notice that they had met the minimum expenditure requirements and their intention to form a Joint Venture on 8 July 2014.

Anglo American has recently completed an airborne magnetic and radiometric survey, a MIMDAS IP survey and has re-logged historic drill core from the Racecourse and Footrot Prospects which includes spectral logging of core and RC chips. Much of the work is likely to result in a re-interpretation of the copper mineralisation potential on the tenement. The Joint Venture participants will now work towards developing a programme and budget for the upcoming year. The Exploration Licence expires in June 2015.

Earnings per Share

	30 June 2014	30 June 2013
Basic and diluted (loss) per share (cents per share)	(12.5)	(58.9)

All potential ordinary shares, being options to acquire ordinary shares, are not considered dilutive in the calculation of the diluted 2014 and 2013 loss per share as the exercise of the options would not increase the loss per share.

Segment Results

(*a) Description of segments*

The consolidated entity reports one segment, being gold mining, 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 segment based on financial performance indicators. Financial information for the segment is contained within the Commentary on the Results for the Period section above. The consolidated entity derives 100% of its revenue from the sale of metals to one customer in one geographic region, Chile. The geographic location of non-current assets, other than deferred tax, is set out in the table below:

	30 June 2014 $000	30 June 2013 $000
Chile	33,054	53,932
Australia	2,778	2,794
	35,832	56,726

Factors which nave affected the Results in the Period

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from IFRIC 20* are effective 1 July 2013. IFRIC 20 (applied in Australia as Interpretation 20) sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. It states that these costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body, the costs relating to the improved access to that component can be measured reliably and it is probable that future economic benefits associated with the stripping activity (improved access to the ore body) will flow to the entity. The costs will be amortised over the life of the identified component of the ore body. This is different to the consolidated entity's previous accounting policy which was to capitalise stripping costs based on a combined pit waste-to-ore stripping ratio and amortise the costs over the life of the mine. IFRIC 20 has been applied prospectively to the Company’s production stripping costs incurred on or after 1 July 2012 resulting in the restatement of comparatives for the year ending 30 June 2013. Capitalised deferred stripping costs of $3.99 million that are not related to an identifiable component of an ore body at 30 June 2012 have been written off against retained earnings at that date.

15) Audit

This Appendix 4E is based on financial statements that are in the process of being audited.

16) Independent Audit Report

The Independent Audit Report is likely to contain a modified opinion, including an emphasis of matter in relation to the material uncertainty regarding going concern.

17) Independent Audit Report

This Appendix 4E is based on financial statements that are in the process of being audited.