LACHLAN STAR LIMITED

ANNUAL INFORMATION FORM

FOR THE

FINANCIAL YEAR ENDED JUNE 30, 2014

September 29, 2014

TABLE OF CONTENTS

CORPORATE STRUCTURE

Name, Address and Incorporation

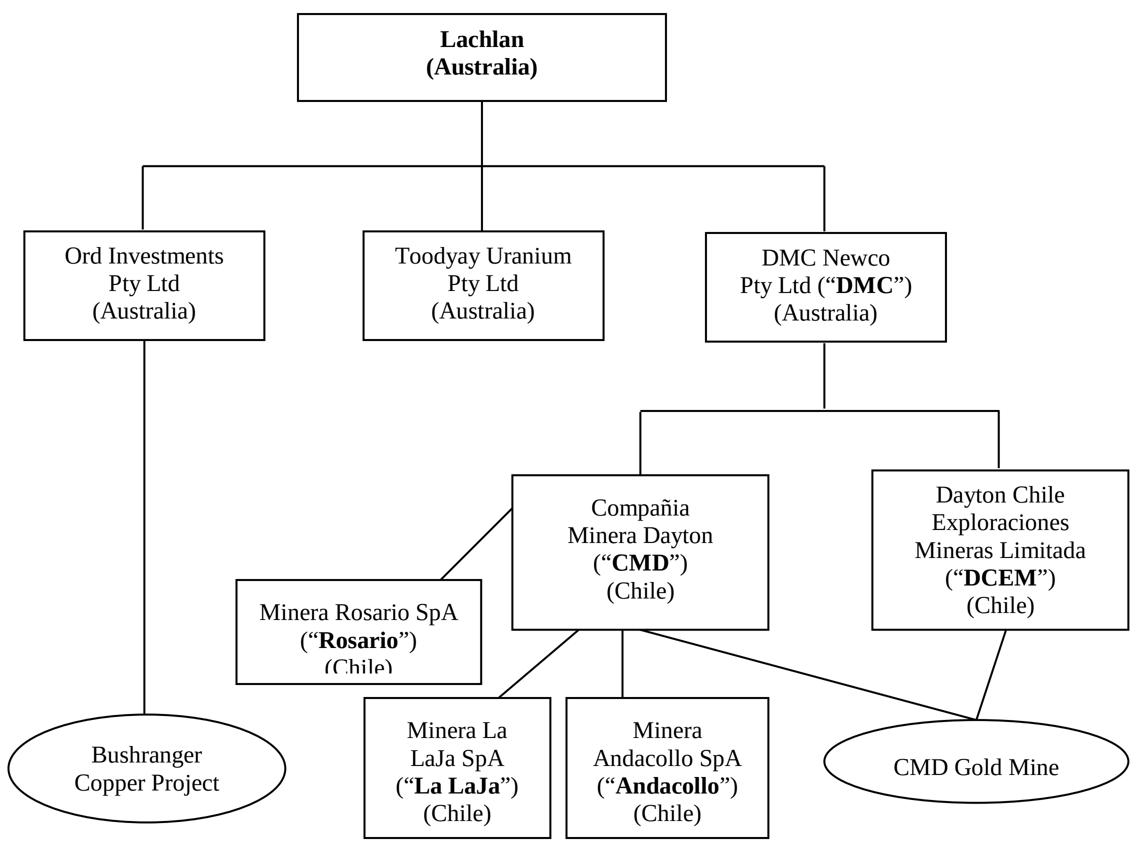
Lachlan Star Limited ("**Lachlan**" or the "**Company**") was originally incorporated in New South Wales as Devex Limited on February 23, 1970 and was first listed on the Australian Securities Exchange (the "**ASX**") on July 28, 1971. On November 28, 1997 the Company changed its name to Gympie Gold Limited. Gympie Gold Limited entered into administration on December 30, 2003 and went through a Deed of Company Arrangement with its creditors under Australian law in early 2006. The Company was recapitalised and relisted on the ASX on April 4, 2006 as Toodyay Resources Limited. The Company then changed its name to Lachlan Star Limited on December 17, 2007, following the acquisition of the Bushranger exploration stage copper and gold project (the "**Bushranger Copper Project**") and the assumption of management control by the current management. Lachlan is registered under the Corporations Act 2001 (Cth) (Australia) (the "**Corporations Act**").

The ordinary shares (the "**Ordinary Shares**") of the Company were listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") on October 19, 2011 under the symbol "LSA".

Lachlan's registered and head office is located at Second Floor, 91 Havelock St, West Perth, Western Australia 6005.

Intercorporate Relationships

The following indicates the corporate structure of the Company and its subsidiaries and the jurisdiction of incorporation of each entity. Unless otherwise noted, subsidiaries are 100% beneficially owned.



<u>Note</u>: Lachlan's wholly-owned subsidiary, DMC, is the registered holder of 99.99998% of the shares of CMD and 99.93% of the shares of DCEM. Under Chilean law, Chilean companies must have at least two shareholders. In order to comply with this requirement the other shares in CMD and DCEM are held by Lachlan's Chilean lawyer in trust for DMC. DMC's wholly-owned subsidiary, CMD, is the registered holder of 100% of the shares of Rosario, La LaJa SpA, and Andacollo.

Unless the context otherwise requires, references in this Annual Information Form (“**AIF**”) to the “**Company**” or “**Lachlan**” are references to Lachlan Star Limited and its subsidiaries.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain information in this AIF, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information which reflects management’s expectations regarding Lachlan’s future growth; results of operations, including, without limitation, future production at the Compañia Minera Dayton mineral project (the “**CMD Gold Mine**”); performance (both operational and financial) and the development of the Company’s business prospects (including the timing and development of new deposits and the success of exploration activities at the CMD Gold Mine) and opportunities. Often, this information includes words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

In making and providing the forward-looking information included in this AIF, the Company has made numerous assumptions. These assumptions include, among other things, assumptions about the prices of gold, silver and copper, anticipated costs and expenditures, the availability of credit, future production and recovery, that the supply and demand for gold, silver and copper develops as expected, that there is no unanticipated fluctuation in interest rates and foreign exchange rates and that there is no further material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, among other things: fluctuations in metal prices, limited mine life, dependency on developing new mineral reserves, the fact that mineral reserve and mineral resource estimates are estimates only, environmental risks and hazards, global financial conditions, the effect of possible shortages and price volatility on operations and equipment, the speculative nature of mineral exploration, development, mining and processing, mineral exploration and mining risks, insurance and uninsured risks, the need for additional capital, the uncertain profitability of extraction of mineral resources, the financial and economic reliability of operating estimates and Lachlan’s mine plan, the fact that such mine plan for the CMD Gold Mine is not based on a feasibility study, competition for properties, the impact of licences, permits and government regulation, litigation, currency and liquidity risk, Lachlan’s limited operating history, credit risk and interest rate risk, changing political, legal and economic conditions, hedging and derivatives, dependence on key personnel, title to properties, labour and employment relations, dilution, the risk that no dividends will ever be paid on shares, conflicts of interests, inability to manage indebtedness and internal control over financial reporting. See “*Risk Factors*” below for further discussion of the risks facing the Company.

This AIF contains additional information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that could cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors which cause actual results, performances, achievements or events not to be as anticipated, estimated or intended. Also, many of the factors are beyond the Company’s control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward-looking information as a result of any new information or events after the date of this AIF except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.

Additional information about the Company and its activities, including financial information, is available in the Company’s financial statements and management’s discussion and analysis (“**MD&A**”) for its most recently completed financial year and in other documents available under the Company’s profile on SEDAR at www.sedar.com and on the ASX at www.asx.com.au and on the Company’s website at www.lachlanstar.com.au.

DESCRIPTION AND GENERAL DEVELOPMENT OF THE BUSINESS

General Description and Three Year History

Lachlan’s primary focus is on the acquisition, exploration and development of assets within the gold and copper sectors in Chile.

Lachlan’s overall strategy is to acquire advanced stage development or operating mines in the gold and copper sectors in jurisdictions with low political risk. Lachlan currently plans to continue focusing on increasing production at the CMD Gold Mine.

Lachlan’s material mineral project is the CMD Gold Mine, which it acquired in December 2010. The CMD Gold Mine is a production-stage heap leach gold mine in Andacollo, Chile, which is located approximately 350 kilometres (“**km**”) north of Santiago.

Lachlan also holds:

- through Ord Investments Pty Ltd, a 49% interest in the Bushranger Copper Project, an exploration stage copper and gold deposit located approximately 25 km south of Oberon in the Lachlan Fold Belt in New South Wales, Australia. On September 30, 2011, the Company entered into a farm in agreement (the “**Newmont Farm In Agreement**”) with Newmont Exploration Pty Ltd, a wholly owned subsidiary of Newmont Mining Corporation (“**Newmont**”) covering the Bushranger Copper Project. Newmont subsequently assigned their interest to Anglo American Exploration (Australia) Pty Ltd on January 10, 2014 (see *“The Bushranger Copper Project*” below);

- the Princhester project (the “**Princhester Project**”), an exploration stage magnesite deposit located approximately 80 km north-west of Rockhampton in Queensland, Australia. The Princhester Project is dormant and no further work is planned on the project.; and

- a 100% interest in Toodyay Uranium Pty Ltd, a dormant subsidiary that has no assets or active business as at the date hereof.

For the financial year ended June 30, 2012, the Company’s net profit after tax was A$1.00 million after recognising: (i) a profit before tax of A$5.25 million from gold mining operations at the CMD Gold Mine, including royalties and site based administration, but excluding A5.64 million depreciation and amortisation; (ii) new venture expenditure written off of A$0.33 million; (iii) a A$0.38 million foreign exchange gain arising primarily from unrealised gains on the Company’s holdings of US$ and CDN$ cash, and payables denominated in Chilean Pesos translated to the functional currency of CMD, being US$; (iv) corporate compliance and management costs of A$2.21 million, including costs associated with listing and compliance costs of listing on the TSX (A$0.34 million), travel, accommodation and staff costs associated with the CMD Gold Mine (A$0.27 million), salary costs (A$1.08 million), and bonus costs associated with the development of the CMD Gold Mine and the Company’s listing on TSX (A$0.23 million); and (v) an income tax benefit of A$3.90 million arising from the recognition of a deferred tax asset in respect of income tax losses attributable to the CMD Gold Mine.

For the financial year ended June 30, 2013 the consolidated entity’s loss after taxation was A$53.84 million after recognising (i) a loss before impairment loss and taxation of A$2.46 million from gold mining operations at the consolidated entity’s CMD Gold Mine (see below) in Chile, including royalties and site based administration, but excluding $13.78 million depreciation and amortisation; (ii) an impairment loss of $26.95 million against the CMD Gold Mine assets; (iii) a $0.83 million foreign exchange loss arising primarily from losses on the Company’s holdings of US$ and CDN$ cash, and payables denominated in Chilean Pesos translated to the functional currency of CMD, being US$ (iv) corporate compliance and management costs of $2.19 million; (v) an income tax expense of $7.76 million mainly arising from the partial de-recognition of a deferred tax asset in respect of income tax losses attributable to the CMD Gold Mine as a result of the fall in the gold price during the June quarter and the degree of uncertainty whether future taxable amounts will be available to utilise temporary differences and tax losses. The June 30, 2013 financial results have been restated for the adoption of of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, applicable in Australia as Interpretation 20. The interpretation, which is applicable to the Company for the financial period commencing 1 July 2013, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The interpretation must be applied retrospectively from the date of transition, being 1 July 2012.

For the financial year ended June 30, 2014 the consolidated entity's loss after taxation was A$16.49 million (2013: after recognising (i) a profit before impairment loss and tax of $15.25 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 depreciation and amortization; (ii) an impairment loss of $10.85 million against the CMD Gold Mine assets; (iii) a $0.83 million foreign exchange gain arising primarily from gains on the Company's holdings of US$ and CDN$ cash, and payables denominated in Chilean Pesos translated to the functional currency of CMD, being US$; (iv) finance expense of $2.46 million which includes a $0.27 million non-cash cost relating to a fair value adjustment to derivatives; (v) a $0.89 million expense for the purchase of gold put options covering the period January 2014 to June 2014, none of which were exercised; (vi) corporate compliance and management costs of $1.80 million; (vii) an income tax expense of $2.89 million relating to the de-recognition of a deferred tax asset in respect of income tax losses attributable to the CMD Gold Mine due to the degree of uncertainty whether future taxable amounts would be available to utilise temporary differences and tax losses.

Lachlan's Ordinary Shares are listed for trading on both the Australian Stock Exchange ("**ASX**") and on the Toronto Stock Exchange (the "**TSX**") under the symbol "LSA".

The CMD Gold Mine

On December 24, 2010, Lachlan acquired for $29.69 million 100% of the shares of DMC Newco Pty Ltd, an Australian company that in turn owned 100% beneficial interest of two Chilean companies, Compañía Minera Dayton and Dayton Chile Exploraciones Mineras Limitada. On October 25, 2013 three new companies (Minera Rosario SpA, Minera La LaJa SpA, and Minera Andacollo SpA) were incorporated as 100% subsidiaries of Compañía Minera Dayton as a mechanism to reduce power costs for the CMD Gold Mine. Together, these companies own a 100% beneficial interest in the CMD Gold Mine.

The CMD Gold Mine is an operating open pit heap leach gold mine that commenced production in 1995 and has produced over 1,000,000 ounces of gold since operations commenced. There are at least four known gold deposits in the CMD Gold Mine: Toro/Socorro, Tres Perlas, Las Loas and Chisperos. The gold and minor by-product silver produced from the CMD Gold Mine is sold on a weekly basis to Johnson Matthey USA and priced on spot referenced to the weekly London PM fix price. Minor quantities of copper concentrate are also produced on an irregular basis and priced on a shipment by shipment basis. The Company is also purchasing mineralised material from third parties that is being processed and from which gold and silver is recovered.

As at April 29, 2014, the CMD Gold Mine had an estimated 10.3 Mt of probable mineral reserves at a grade of 0.64 g/t gold, for 210,000 oz of contained gold. As of the same date, the CMD Gold Mine had an estimated 99.98 Mt of measured and indicated Mineral Resources for 1,514,000 oz gold and 69.5 Mt of inferred Mineral Resources for 908,000 oz gold (the Mineral Resources are not additive to the Mineral Reserves). At present the CMD Gold Mine has a mine life to 2016, which is followed by continuing gold production from the leach pads for an additional one year. Processing plant throughput for the year ended June 30, 2014 averaged 14,650 tonnes per day.

The Bushranger Copper Project

Lachlan owns a 49% interest in the Bushranger Copper Project, which is an exploration-stage copper and gold deposit located approximately 25 km south of Oberon in the Lachlan Fold Belt in New South Wales, Australia. In 2009, Lachlan undertook exploration reconnaissance, including mapping and rock chip sampling of the northern area of the tenement, with a particular focus at the Arundle prospect, and limited field work. In 2010, the Company completed a ground magnetic survey over the Swatchfield prospect, which identified a large magnetic anomaly, and existing geochemical data was plotted against the magnetic anomaly in order to identify drill targets. In the quarter ended December 30, 2010, a strategic review was carried out to determine the optimal route for the Company to realize value from this project. In the second half of fiscal 2011, Lachlan carried out a scoping study and completed a drilling program, which indicated that the project was potentially economic. 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. 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 have developed a programme and budget for the upcoming year. The Company has elected to dilute further by not participating in this programme. The Exploration Licence expires in June 2015.

The Princhester Project

Lachlan owns two mining leases at the Princhester Project that cover two magnesite deposits. To date, Lachlan has not undertaken any drilling or sampling activities at the site and is progressively relinquishing the leases as they fall due for renewal.

Financing and Other Developments

Pursuant to an agency agreement (the "**Agency Agreement**") dated August 26, 2011 between Lachlan and Dundee Securities Ltd. and Salman Partners Inc. (the "**Agents**"), on August 26, 2011, the Company completed a private placement of 18,400,000 special warrants (the "**Special Warrants**") primarily to institutional investors, including Canadian institutional investors, at a price of A$0.82 per Special Warrant for gross proceeds of A$15.09 million (the "**August 2011 Special Warrants Placement**").

On November 22, 2011, each Special Warrant converted, as described below, for no additional consideration, into one unit (a "**Unit**") comprised of one Ordinary Share and one-half of one share purchase warrant (each whole share purchase warrant being a "**Warrant**"). Each Warrant entitles the holder to purchase one Ordinary Share (each, a "**Warrant Share**") for a purchase price of A$1.20 (subject to adjustment in certain events) at any time prior to 5:00 p.m. (Vancouver time) on August 26, 2013.

Pursuant to the Agency Agreement, the Company also issued 1,104,000 special broker warrants (the "**Special Broker Warrants**") to the Agents as partial compensation for services provided by the Agents. Each Special Broker Warrant converted, as described below, for no additional consideration, into one compensation option of the Company (a "**Compensation Option**"). Each Compensation Option entitles the holder, upon due exercise and payment to the Company of consideration of A$1.20, to acquire a unit (a "**Compensation Unit**") comprised of one Ordinary Share (a "**Compensation Share**") and one-half of one Warrant at any time prior to 5:00 p.m. (Vancouver time) on August 26, 2013.

The escrow release conditions for the gross proceeds of the August 2011 Special Warrants Placement included approval by the Shareholders of the issuance of the Ordinary Shares issuable pursuant to the conversion of the

Special Warrants and the exercise of the Warrants underlying the Special Warrants, the Compensation Options and the Warrants underlying the Compensation Options. The requisite Shareholder approvals were obtained at a general meeting of the Company held on September 26, 2011 and other conditions were satisfied and the gross proceeds were released to the Company on that date.

The Special Warrants automatically converted into Units and the Special Broker Warrants automatically converted into Compensation Options upon Lachlan receiving a receipt from the British Columbia Securities Commission, as principal regulator, on its behalf and on behalf of other applicable Canadian securities commissions or securities regulatory authorities for a final prospectus qualifying the distribution of the Units and the Compensation Options. At which time the Warrant Shares and the Compensation Shares also became free-trading. The Company filed a final prospectus qualifying the distribution of the Units and the Compensation Options on November 22, 2011.

Lachlan used the net proceeds from the August 2011 Special Warrants Placement for the continued development of the CMD Gold Mine and for general working capital purposes.

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated April 3, 2012 between Lachlan and a syndicate of underwriters, led by Macquarie Capital Markets Canada Ltd., and including Dundee Securities Ltd., Raymond James Ltd., and GMP Securities Ltd. (the "**Underwriters**"), the Company completed a private placement of 10,975,000 Special Warrants primarily to institutional investors, including Canadian institutional investors, at a price of CDN$1.60 per Special Warrant for gross proceeds of CDN$17.56 million (the "**April 2012 Special Warrants Placement**").

On May 4, 2012, each Special Warrant converted for no additional consideration into one Ordinary Share, as described below. Pursuant to the Underwriting Agreement, the Company also issued 329,250 Broker Warrants to the Underwriters as partial compensation for services provided by the Underwriters. Each Broker Warrant entitles the holder, upon due exercise and payment to the Company of consideration of CDN$1.60, to acquire one Ordinary Share at any time prior to 5:00 p.m. (Vancouver time) on April 3, 2014.

The April 2012 Special Warrants Placement closed and the net proceeds were received on April 3, 2012 subsequent to the receipt of all necessary approvals, including the approval of the TSX. The Company obtained a receipt from the British Columbia Securities Commission, as principal regulator, on its behalf and on behalf of other applicable Canadian securities commissions or securities regulatory authorities for a final prospectus qualifying the distribution of the Special Warrants and the Broker Warrants, on April 27, 2012. The Special Warrants converted into Ordinary Shares and the Broker Warrants were issued on May 4, 2012.

Lachlan used the net proceeds from the April 2012 Special Warrants Placement for the continued development of the CMD Gold Mine and for general working capital purposes.

During the year ended June 30, 2013 the Company received $6.29 million in cash from the exercise of 5,240,576 options / warrants at an exercise price of $1.20 each.

On 4 April 2013 the Company announced that it had entered into subscription agreements with accredited North American and European investors to raise a total of CDN$12.93 million at an issue price of CDN$0.57 a share from the issuance of 22,683,468 ordinary shares to finance spares inventory, capital expenditure and for general working capital purposes. The Company only received $3.92 million cash in respect of the issue of 7,265,000 shares.

In February 2013 the Company drew CDN$5 million under a secured credit facility ("Facility") with Sprott Resource Lending Partnership ("Sprott"). The Facility bore interest at 11% per annum, payable monthly. A fee was payable to Sprott in an amount equal to 4% of the draw down under the Facility, being $200,000, satisfied by the issuance of ordinary shares of the Company priced at a 10% discount to the 5 day Volume Weighted Average price of the Company's shares on the TSX prior to the draw down. CDN$0.5 million of the facility was was repaid on October 9, 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$0.18 million commencing March 31, 2014, the repayment of CDN$1 million by September 30, 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 both the CDN$1 million bullet payment due by September 30, 2014 as well as the final principal repayment of CDN$2.44 million due on February 19, 2015. Monthly principal and interest payments were replaced by a monthly gold loan payment based on a fixed number of gold ounces multiplied by the higher of the monthly closing gold price and US$1,200, and the term of the gold loan has been extended to October 31, 2016. A total of 300,000 shares were issued to Sprott as an extension fee in respect of this amendment.

On September 30, 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 November 4, 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 September 30, 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.

On September 15, 2014, subsequent to period end, the Company announced that its Chilean subsidiary, CMD, had sold certain non-core mining properties to Compañía Minera Teck Carmen de Andacollo ("CDA"). The properties sold adjoin CDA's mining properties and are non-core to CMD's gold mining operations. CMD will receive US$3 million on completion of the transfer of one group of mining properties to CDA plus US$0.5 million for the grant of a five year purchase option that would result in additional proceeds of US$1.5 million if CDA exercises such option to purchase further mining properties.

The Company has reduced its reliance on contacting companies by purchasing a mining fleet, comprising HD785 (91 tonne) trucks, WA900 loaders and ancillary equipment and implementing a maintenance and repair contract. The execution of an owner-mining strategy with a larger fleet is resulting in improved efficiency, reduced unit operating costs and reduced production volatility. In addition, the Company is purchased a small fleet of Mercedes Benz trucks to be used for the dynamic leach pad rehandle which was previously predominately carried out by contractors.

The total capital requirement for the owner mining fleet was US$19.1 million of which US$16.7 million was financed by leasing facilities from Komatsu and Chilean banks in December 2012 / January 2013, with the remaining US$2.4 million financed from the Company's cash balances. The leasing facilities are repayable over a 48 month term, with interest rates ranging between 5.5% and 5.95% per annum.

Specialized Skill and Knowledge

Most aspects of Lachlan's business require specialized skills and knowledge. This includes skills and knowledge in the areas of geology, exploration and development, environmental issues and accounting. Lachlan has a number of employees with extensive experience in mining, geology, exploration and development globally and in Chile specifically.

Competitive Conditions

The mineral exploration and development business is a competitive business. The Company competes with a number of other entities in the search for and acquisition of mineral properties and qualified employees and for financing. Many of these entities have greater financial resources and/or more advanced properties than the Company. As a result of this competition, Lachlan may be unable to acquire attractive properties in the future on terms it considers acceptable or attract or retain qualified personnel. As well, there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

Cycles

The Company is an exploration and development corporation currently focused on gold. As a result, gold prices can have a direct impact on the Company's business. Declining prices can, for example, impact operations by requiring a re-assessment of the feasibility of a particular project. See "*Risk Factors — Fluctuations in Metal Prices*" and "*Risk Factors — Currency Risk and Liquidity Risk*".

Environmental Protection

The operations of the Company are primarily located in Chile, South America and are subject to laws and regulations of Chile concerning the environment. The Company is required to submit and adhere to environmental plans lodged in relation to all of its licence areas. The financial and operational effects of environmental protection requirements on capital expenditures, earnings and the competitive position of Lachlan are not expected to be material during the current financial year. However, environmental protection requirements may cause additional capital expenditures and reductions in earnings that will affect the competitive position of Lachlan in the future.

Employees

As of June 30, 2014, Lachlan had 1.5 full-time equivalent employees at its office in Perth, Western Australia, four non-executive directors based in Australia, USA and Canada, and 423 employees at the CMD Gold Mine.

Foreign Operations

The Company is incorporated under the laws of a foreign jurisdiction and resides outside of Canada. In addition, the Company's projects are located in Chile and Australia and as such, are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. Lachlan's revenue stream is highly dependent on its gold mining operations in Chile. See "*Risk Factors — Changing Political, Legal and Economic Conditions*".

Bankruptcy and Similar Procedures

There were no bankruptcy, receivership or other similar proceedings against Lachlan or any of its subsidiaries within the three most recently complete financial years and no such proceedings are proposed for the current financial year.

Social or Environmental Policies

The Company seeks to conduct its activities to the highest standards and industry best practices of environmental obligation, including compliance with all environmental laws, policies, regulations and plans, and conducts extensive on-going monitoring, to keep any environmental impacts to a minimum and to rectify or rehabilitate those that necessarily occur as part of the exploration programmes conducted. See "*Risk Factors — Environmental Risks and Hazards*".

Lachlan has adopted a written corporate code of conduct and a code of conduct for directors and key executives. Copies of these codes may be obtained from the Company upon request. The board of directors of the Company (the "**Board**") monitors compliance with the code of business conduct by requiring employees and consultants to report breaches of the Code and then dealing appropriately with reported breaches. In accordance with the provisions of the code of business conduct and applicable corporate law, the directors ensure that any director or executive officer who has a material interest in proposed transactions or agreements involving the Company disclose such interest prior to consideration of the relevant matter by the directors and abstain from voting on approval of such transactions, as appropriate.

RISK FACTORS

Fluctuations in Metal Prices

The profitability of Lachlan's operations is significantly affected by changes in the market price of gold. The market price of gold fluctuates on a daily basis and is affected by numerous factors beyond Lachlan's control. The price of gold can be subject to volatile price movements, and future serious price declines could cause continued commercial production to be impractical. Industry factors that may affect the price of gold include: the level of demand for gold as an investment; central bank lending, sales and purchases of gold; speculative trading; industrial and jewellery demand; and costs of and levels of global production by gold producers. The price of gold may also be affected by macroeconomic factors, including: expectations of the future rate of inflation; the strength of, and confidence in, the US dollar (the currency in which the price of gold is generally quoted) and other currencies; interest rates; and global or regional political or economic uncertainties.

If the market price of gold dropped and the price realized by Lachlan on gold sales decreased significantly and remained at such a level for any substantial period, Lachlan’s profitability and cash flow would be negatively affected. In such circumstances, Lachlan may determine that it is not economically feasible to continue commercial production at the CMD Gold Mine or the development of some or all of its current projects, and / or that the CMD Gold Mine should be placed on care and maintenance, which could have an adverse impact on Lachlan’s financial performance and results of operations. Under such circumstances, Lachlan might curtail or suspend some or all of its exploration activities, with the result that depleted mineral reserves are not replaced. In addition, the market value of Lachlan’s gold inventory might be reduced and existing mineral reserves might be reduced to the extent that they cannot be mined and processed economically at the prevailing gold price.

Limited Mine Life

Lachlan can only confirm mineralization capable of supporting economic mining operations from the CMD Gold Mine until 2016, which is expected to be followed by continued gold production from the leach pads for an additional one year. Continued revenue beyond this period will depend on the Company’s ability to develop new mineral reserves at the CMD Gold Mine, which cannot be assured.

Dependency on Development of New Mineral Reserves

Because mines have limited lives, Lachlan must continually replace and expand its mineral reserves as they are depleted by production at its operations in order to maintain or grow its total mineral reserve base. The life-of-mine estimate for the CMD Gold Mine is based on a number of factors and assumptions and may prove to be incorrect. Lachlan’s ability to maintain or increase its annual production of gold will significantly depend on its ability to expand mineral reserves at the CMD Gold Mine and to identify and bring new mines into production. Once a site with mineralization is discovered, it may take many years from the initial phases of drilling until production is possible, during which time the economic feasibility of the project may change. Substantial expenditures are required to establish mineral reserves and to construct mining and processing facilities. As a result of these uncertainties, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of mineral reserves will not be offset by discoveries. As a result, the mineral reserve base of Lachlan may decline if mineral reserves are mined without adequate replacement and Lachlan may not be able to sustain production beyond the current mine life, based on current production rates.

Mineral Reserve and Mineral Resource Estimates

The figures for mineral reserves and mineral resources presented herein, including the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized, are estimates and no assurances can be given as to their accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or geological formations may be different from those predicted. Mineral reserve and mineral resource estimates are materially dependent on the prevailing gold price and the cost of recovering and processing minerals at the individual mine sites. Market fluctuations in the price of gold or increases in recovery costs, as well as various short-term operating factors, may cause a mining operation to be unprofitable in any particular accounting period.

Prolonged declines in the market price of gold may render reserves containing relatively lower grades of gold mineralization uneconomic to exploit and could materially reduce Lachlan’s mineral reserves and mineral resources. Should such reductions occur, material write downs of Lachlan’s investment in mining properties or the discontinuation of development or production might be required, and there could be material delays in the development of new projects, increased net losses and reduced cash flow. The estimates of mineral reserves and mineral resources attributable to a specific property are based on accepted engineering and evaluation principles. The estimated amount of contained metal in proven and probable mineral reserves does not necessarily represent an estimate of a fair market value of the evaluated properties.

There are numerous uncertainties inherent in estimating quantities of mineral reserves and mineral resources. The estimates in this AIF are based on various assumptions relating to gold prices and exchange rates during the expected life of production, mineralization of the area to be mined, the projected cost of mining, and the results of additional planned development work. Actual future production rates and amounts, revenues, taxes, operating expenses, environmental and regulatory compliance expenditures, development expenditures, and recovery rates may vary substantially from those assumed in the estimates. Any significant change in these assumptions, including changes that result from variances between projected and actual results, could result in material downward revision to current estimates.

Environmental Risks and Hazards

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities associated with the effects on the environment resulting from mineral exploration and production. Environmental liability may result from mining activities conducted by other parties prior to Lachlan's ownership of a property. The payment of such liabilities would reduce funds otherwise available and could have a material adverse effect on Lachlan. Should Lachlan be unable to fully fund the cost of remedying an environmental problem, Lachlan might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which could have a material adverse effect on the operations and business of Lachlan.

Global Financial Conditions

Global financial conditions have continued to be characterized by increased volatility due to concerns in respect of European sovereign debt levels, activities in the Middle East and the continued issues relating to economic recovery in the United States. This uncertainty has resulted in the following conditions, which may have an impact on the operations and cash flows of the Company:

- volatility in commodity prices and foreign exchange rates;
- continued uncertainty in the credit markets affecting the ability of some companies to access capital;
- increased counterparty risk; and
- volatility in the prices of publicly traded entities.

These conditions may impact Lachlan's ability to obtain debt financing in the future on favourable terms.

Shortages and Price Volatility – Operations and Equipment

Lachlan is dependent on various commodities (such as diesel fuel, electricity, steel, concrete and cyanide) and equipment to conduct its operations. The shortage of such commodities, equipment and parts, or a significant increase in their cost, could have a material adverse effect on the Company's ability to carry out its operations and therefore limit, or increase the cost of, production. The Company is also dependent on access to and supply of water to carry out its mining operations, and such access and supply may not be readily available or may change. Market prices of commodities can be subject to volatile price movements which can be material, occur over short periods of time and be affected by factors that are beyond Lachlan's control. If the costs of certain commodities consumed or otherwise used in connection with Lachlan's operations and development projects were to increase significantly, and remain at such levels for a substantial period, Lachlan may determine that it is not economically feasible to continue commercial production at, or the development of, the CMD Gold Mine or other properties, which could have an adverse impact on Lachlan's financial performance and results of operations.

Speculative Nature of Mineral Exploration, Development, Mining and Processing

The exploration for, and development of, mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately mitigate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, allowable production, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Lachlan and its subsidiaries not receiving an adequate return on invested capital. There is no assurance that commercial quantities of ore will be discovered on any of the Company's exploration properties. There is no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond Lachlan's control.

Mining operations involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration for and development and production of copper and other base or precious metals, including unusual and unexpected geologic formations, water conditions, surface or underground conditions, seismic activity, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability, mechanical equipment performance problems, the unavailability of materials and equipment, accidents, labour force disruptions, force majeure factors, unanticipated transportation costs and weather conditions. Mining and processing operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability. Any of these factors can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

Lachlan's processing facilities are dependent on continuous mine feed to remain in operation. Insofar as the CMD Gold Mine may not maintain material stockpiles of ore or material in process, any significant disruption in either mine feed or processing throughput, whether due to equipment failures, adverse weather conditions, supply interruptions, labour force disruptions or other causes, may have an immediate adverse effect on results of operations. A significant reduction in mine feed or processing throughput at the CMD Gold Mine could cause the unit cost of production to increase to the point where the Company could determine that some or all of its reserves were uneconomic to exploit.

Mineral Exploration and Mining Risks

The operations of Lachlan are subject to the hazards and risks normally incidental to exploration, development, and production activities of precious metals mining properties, any of which could result in damage to life or property, environmental damage and possible legal liability for such damage. The activities of Lachlan may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which Lachlan has interests. Hazards and risks, such as unusual or unexpected formations, faults and other geologic structures, rock bursts, pressures, cave-ins, flooding, pit wall failures, ground and slope failures and inventory theft, could have an adverse impact on Lachlan's operations. Severe weather conditions, including those resulting from global climate change, may adversely impact Lachlan's operations.

Further, few mining properties that are explored are ultimately developed into producing mines. Major expenses are required to establish reserves by drilling and to construct mining and processing facilities. Large amounts of capital are frequently required to purchase necessary equipment. Delays due to equipment malfunction or inadequacy may adversely affect Lachlan's results of operations. It is impossible to ensure that the current or proposed exploration programs on properties in which Lachlan has an interest will result in profitable commercial mining operations.

Mining, processing, development, and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, and water supply are important determinants which affect capital and operating costs. Lack of such infrastructure or unusual or infrequent weather phenomena, sabotage, terrorism, government, or other interference in the maintenance or provision of such infrastructure could adversely affect Lachlan's operations, financial condition, and results of operations.

Available insurance does not cover all the potential risks associated with a mining company's operations. Lachlan may also be unable to maintain insurance to cover insurable risks at economically feasible premiums, and insurance coverage may not be available in the future or may not be adequate to cover any resulting loss. Moreover, insurance against risks associated with exploration and production, such as the validity and ownership of unpatented mining claims and mill sites and environmental pollution or other hazards, is not generally available to Lachlan or to other companies in the mining industry on acceptable terms. As a result, Lachlan might become subject to liability for environmental damage or other hazards for which it is completely or partially uninsured, or for which it elects not to insure because of premium costs or other reasons. Losses from these events may cause Lachlan to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

Need for Additional Capital

The mining, processing, development, and exploration of the CMD Gold Mine or other properties may require substantial additional capital. Failure to obtain such capital on acceptable terms and on a timely basis may result in the delay or indefinite postponement of exploration, development or production at the CMD Gold Mine or other properties, or even a loss of property interest therein. Additional capital or other types of financing may not be available if needed or, if available, the terms of such financing may be unfavourable to Lachlan.

Uncertain Profitability of Extraction of Mineral Resources

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty of measured, indicated and inferred mineral resources, these mineral resources may never be upgraded to proven and probable mineral reserves. In addition, while Lachlan is presently mining inferred mineral resources, inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There can be no certainty that Lachlan's inferred mineral resources will be converted to indicated or measured mineral resource status or that the mining of such inferred mineral resources prior to their conversion to a higher category will prove to be economic or profitable. Investors are cautioned not to assume that any part of mineral deposits in these categories will ever be converted into mineral reserves or recovered.

Reliability of Operating Estimates and Mine Plan – No Feasibility Study

Lachlan's expected operating costs and expenditures, production schedules, economic returns and other projections of results from its mining projects which are referred to in this AIF and in the CMD Technical Report (as defined herein), are determined and, if applicable, valued based on assumed or estimated future metal prices, cut-off grades, operating costs, capital costs, expenditures and other factors that may prove to be inaccurate. For example, significant declines in market prices for base and precious metals or extended periods of inflation would have an adverse effect on the economic projections. In addition, material reductions in estimates of mineralization or increases in capital costs and expenditures, or in Lachlan's ability to maintain a projected budget, could also have a material adverse effect on projected production schedules and economic returns, as well as on Lachlan's overall results of operations or financial condition.

A feasibility study has not been prepared to support Lachlan's mine plan for the CMD Gold Mine. No assurance can be given that the operation of the CMD Gold Mine on this basis will prove to be economic or profitable.

Competition for Properties

The mineral exploration and mining business is competitive in all of its phases. Lachlan competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Lachlan, in the search for and the acquisition of attractive mineral properties. The ability of Lachlan to operate successfully in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration. Lachlan may be unable to compete successfully with its competitors in acquiring such properties or prospects on terms it considers acceptable, or at all.

Licences, Permits and Government Regulation

Lachlan's mining and processing operations and exploration activities are subject to various laws and regulations governing the protection of the environment, exploration, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety, and other matters. The legal and political circumstances outside of North America may cause these risks to be different from, and in many cases, greater than, comparable risks associated with operations within North America. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations could have a material adverse impact on Lachlan, increase costs, cause a reduction in levels of production and/or delay or prevent the development of new mining properties. Compliance with these laws and regulations is part of the business and requires significant expenditures. Changes in regulations and laws, including those pertaining to the rights of leaseholders or the payment of royalties, net profit interests or similar amounts, could adversely affect Lachlan's operations or substantially increase the costs associated with those operations. Lachlan is unable to predict what legislation or revisions may be proposed that might affect its business or when any such proposals, if enacted, might become effective.

Lachlan requires licenses and permits from various governmental authorities to exploit its properties, and the process for obtaining licenses and permits from governmental authorities often takes an extended period of time and is subject to numerous delays and uncertainties. Such licenses and permits are subject to change in various circumstances. Failure to comply with applicable laws and regulations may result in injunctions, fines, suspensions or revocations of permits and licenses and other penalties. There can be no assurance that Lachlan has been or will be at all times in compliance with all such laws and regulations and with its licenses and permits or that Lachlan has all required licenses and permits in connection with its operations. Lachlan may be unable to obtain on a timely basis or maintain in the future all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

Litigation

The Company could become involved in disputes with other parties in the future which result in litigation. If Lachlan is unable to resolve these disputes favourably, this may have a material adverse impact on its financial condition, cash flow and results of operations.

Currency Risk and Liquidity Risk

Currency fluctuations may affect the revenues which Lachlan will realize from its operations because gold is sold in the world market in U.S. dollars. The costs of Lachlan are incurred principally in Chilean pesos. The Chilean peso "dollar agreement" fluctuates in line with a basket of currencies currently consisting of the U.S. dollar, the Euro and the Japanese yen, whereby the Central Bank of Chile from time to time re-weights the percentage of emphasis placed on a given currency in the basket and may from time to time replace one world currency in the basket with another world currency. The appreciation of non-U.S. dollar currencies, in particular the Chilean peso, against the U.S. dollar increases the cost of gold production in U.S. dollar terms.

Presently, Lachlan does not hedge its currency risk. Lachlan may, however, in the future decide to transact currency hedging to reduce the risk associated with currency fluctuations. Currency hedging involves risks and may require margin activities. Sudden fluctuations in currencies could result in margin calls that could have an adverse effect on Lachlan's financial position if Lachlan were to undertake currency hedging. While the Chilean peso is currently convertible into Canadian and U.S. dollars, it may not always be convertible in the future. The majority of Lachlan's cash assets are held in Australian, Canadian and US dollars.

Liquidity risk is the risk that Lachlan will not be able to meet its financial obligations as and when they fall due. Lachlan's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under a range of financial conditions. Lachlan's unaudited current carrying amount for trade and other payables as of August 31, 2014 was A$20.1 million.

Limited Operating History

Lachlan has a limited operating history and there can be no assurance of its ability to operate the CMD Gold Mine profitably. The Company only commenced commercial production on one property in December 2010 and prior to such production recorded only losses from its exploration activities. There are risks and uncertainties associated with managing the potential future growth of the Company. There can be no assurance that additional losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in future years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which exploration losses are incurred, the execution of any joint venture agreements with strategic partners, Lachlan's acquisition of additional properties and other factors, many of which are beyond the Company's control. The development of the Company's non-production or exploration properties will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that Lachlan will generate any revenues from those properties. There can be no assurance that underlying assumed levels of expenses will prove to be accurate.

Credit Risk and Interest Rate Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations and includes risk in areas of Lachlan’s business such as: cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Lachlan’s maximum exposure to credit risk as of August 31, 2014 (unaudited) was A$3.23 million. The Company manages credit risk by limiting its cash transactions to financial institutions considered to have a suitable credit rating.

The significance and management of the interest rate risk to Lachlan is dependent on a number of factors, including:

- interest rates (current and forward) and the currencies that are held;
- the level of cash and liquid investments;
- maturity dates of investments; and
- the proportion of investments that are fixed rate or floating rate.

Lachlan does not currently use derivative financial instruments to hedge financial risk exposure and therefore it is exposed to daily movements in interest rates. Lachlan manages interest rate risk by maintaining an appropriate mix between fixed and floating rate investments.

Changing Political, Legal and Economic Conditions

Lachlan’s most significant property is located in Chile and, as such, a substantial portion of Lachlan’s business is exposed to various degrees of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism; hostage taking; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes to policies and regulations impacting the mining sector; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls, and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies or shifts in political attitude towards foreign investment in natural resources. Changes, even if minor in nature, may adversely affect the Corporation’s operations.

Future political and economic conditions in countries in which Lachlan operates may result in these governments adopting different policies respecting foreign investment, and development and ownership of mineral resources. Any changes in such policies may result in changes in laws affecting ownership of assets, foreign investment, mining exploration and development, taxation, rates of exchange, gold sales, environmental protection, labour relations, price controls, repatriation of income, and return of capital, which may affect both the ability of Lachlan to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore, develop, and operate those properties to which it has rights relating to exploration, development, and operation. Future governments in these countries may adopt substantially different policies, which might extend to, as an example, expropriation of assets.

Tax regimes in the countries in which Lachlan operates may be subject to differing interpretations and are subject to frequent change. Lachlan’s interpretation of taxation law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and Lachlan’s operations may be assessed, which could result in significant additional taxes, penalties and interest.

Hedging and Derivatives

In December 2013 Lachlan purchased gold put options at a US$1,200 strike price in respect of 3,000 ounces of gold per month from January 2014 to June 2014. The put options provided protection against a downward movement in the gold price, but leave the Company full exposed to any upward movement in the gold price. None of these options were exercised.

Presently, Lachlan does not hedge for commodity risk. Lachlan may, however, in the future determine to acquire gold hedge (or derivative product) obligations. Lachlan may also in the future determine to employ hedge/derivative products in respect of other commodities, interest rates and/or currencies. Hedge (or derivative) products are used to manage the risks associated with gold price volatility, changes in commodity prices, interest rates, foreign currency exchange rates and energy prices. If Lachlan determines to use derivative instruments, this will involve certain inherent risks, including: (a) credit risk - the risk of default on amounts owing to Lachlan by the counterparties with which Lachlan has entered into such transactions; (b) market liquidity risk – the risk that Lachlan has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; and (c) unrealized mark-to-market risk – the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates will result in Lachlan incurring an unrealized mark-to-market loss in respect of such derivative products.

In the case of a gold forward sales program, if entered into by Lachlan in the future, if the metal price rises above the price at which future production has been committed under a forward sales hedge program, Lachlan may have an opportunity loss. However, if the metal price falls below that committed price, revenues will be protected to the extent of such committed production. There can be no assurance that Lachlan will be able to achieve future realized prices for gold that exceed the spot price as a result of any forward sales hedge program it may decide to enter into.

Dependence on Key Personnel

In order to operate successfully, Lachlan must find and retain qualified employees. Lachlan and other companies in the mining industry compete for personnel and Lachlan is not always able to fill positions in a timely manner. In addition, due to the numerous development projects currently underway in multiple countries, the mining industry has experienced a high rate of employee turnover and the risk of failing to attract and retain appropriate numbers of qualified personnel is elevated. If Lachlan is unable to attract and retain qualified personnel or fails to establish adequate succession planning strategies, Lachlan's operations could be adversely affected.

In addition, Lachlan has a relatively small executive management team and if the services of a number of these executives were no longer available, Lachlan and its business could be adversely affected. Lachlan does not carry key-man life insurance with respect to its executives.

Title to Properties

The validity of mining claims which constitute most of Lachlan's property holdings may, in certain cases, be uncertain and is subject to being contested. Lachlan's titles, particularly its titles to undeveloped properties, may be defective. Certain of Lachlan's mining properties are subject to various royalty and land payment agreements. At present, any failure by Lachlan to meet its payment obligations under these agreements would not result in the loss of related property interests. Certain of Lachlan's properties may be subject to the rights or the asserted rights of various community stakeholders, including indigenous people. The presence of community stakeholders may also impact on the Company's ability to develop or operate its mining properties. In certain circumstances, consultation with such stakeholders may be required and the outcome may affect the Company's ability to develop or operate its mining properties. If a dispute were to arise, it might result in reduced access to properties or a delay in operations.

Labour and Employment Relations

Production at the CMD Gold Mine is dependent upon the efforts of, and maintaining good relationships with, employees of Lachlan. Relations between Lachlan and its employees may be impacted by changes in labour relations which may be introduced by, among others, employee groups, unions, and the relevant governmental authorities in the jurisdictions where Lachlan carries on business. Adverse changes in such legislation or in the relationship between Lachlan and its employees may have a material adverse effect on Lachlan's business, results of operations, and financial condition.

Business Strategy

The results of Lachlan's operations could be adversely affected by its acquisition strategy and Lachlan may not realize the anticipated benefits of its acquisitions.

As part of Lachlan's business strategy, it has sought, and will continue to seek, to acquire new mining and development opportunities in the mining industry. Any acquisition that Lachlan may choose to complete which may be of a significant size may change the scale of Lachlan's business and operations, and may expose Lachlan to new geographical, political, operational, financial and geological risks. Lachlan's success depends on its ability to: identify appropriate acquisition candidates; negotiate acceptable arrangements, including arrangements to finance acquisitions; and integrate the acquired businesses and their personnel. Lachlan may be unable to complete any acquisition or business arrangement that it pursues on favourable terms. Any acquisitions or business arrangements completed may not ultimately benefit Lachlan's business and could impair its results of operations, profitability and financial results. Acquisitions and business arrangements are accompanied by risks including, without limitation: a significant change in commodity prices after Lachlan has committed to complete the transaction and established the purchase price or exchange ratio; an acquired material ore body may prove to be below expectations; Lachlan may have difficulty integrating and assimilating the operations, technologies and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization to support the expansion of Lachlan's operations resulting from these acquisitions; the integration of the acquired business or assets may divert management's attention and disrupt Lachlan's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. If Lachlan chooses to raise debt capital to finance any such acquisition, Lachlan's leverage will be increased. If Lachlan chooses to use equity as consideration for such acquisition, existing Shareholders may suffer dilution. Alternatively, Lachlan may choose to finance any such acquisition with its existing resources. There can be no assurance that Lachlan would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Dilution

Lachlan may undertake additional offerings of Ordinary Shares and of securities convertible into Ordinary Shares in the future. The increase in the number of Ordinary Shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of Ordinary Shares. In addition, as a result of such additional Ordinary Shares, the voting power of Lachlan's existing Shareholders will be diluted.

No Dividends

Lachlan has never paid a dividend on its Ordinary Shares, and does not expect to do so in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board and will depend upon Lachlan's capital requirements, results of operations and such other factors as the Board considers relevant. Accordingly, it is likely that investors will not receive any return on their investment in the Ordinary Shares other than possible capital gains.

Conflicts of Interest

Certain directors of Lachlan are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures that are potential competitors of the Company. Situations may arise in connection with potential acquisitions or investments where the other interests of these directors may conflict with the interests of Lachlan. Directors of the Company with such conflicts of interest will be subject to, and will follow the procedures set out in, applicable corporate and securities legislation, regulations, rules and policies.

Level of Indebtedness

Although Lachlan has been successful in paying its debt in the past, there can be no assurance that it can continue to do so. Lachlan's level of indebtedness now or in the future could have important consequences for its operations and the value of its Ordinary Shares including: (a) limiting Lachlan's ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of Lachlan's growth strategy or other purposes;

(b) limiting Lachlan's ability to use operating cash flow in other areas because of its obligations to service debt; (c) increasing Lachlan's vulnerability to general adverse economic and industry conditions, including increases in interest rates; (d) limiting Lachlan's ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation; and (e) limiting Lachlan's ability to refinance indebtedness or increasing the costs associated therewith.

Lachlan expects to obtain the funds to pay its expenses and to pay principal and interest on its debt by utilizing cash reserves and cash flow from operations. Lachlan's ability to meet these payment obligations on an ongoing basis will depend on its future financial performance, which will be affected by financial, business, economic and other factors. Lachlan will not be able to control many of these factors, such as economic conditions in the markets in which it operates. Lachlan cannot be certain that its future cash flow from operations will be sufficient to allow it to pay principal and interest on Lachlan's debt and meet its other obligations. If cash flow from operations is insufficient or if there is a contravention of its debt covenants, Lachlan may be required to refinance all or part of its existing debt, sell assets, borrow more money or issue additional equity. There can be no assurance that Lachlan will be able to refinance all or part of its existing debt on terms that are commercially reasonable.

Financial Control System

Lachlan has invested resources to document and assess its system of internal controls over financial reporting and it is continuing its evaluation of such internal controls. Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

THE CMD GOLD MINE

The following is the summary of the technical report produced by Geoinvestment ("**the Author**") dated effective September 26, 2014 entitled "CMD Gold Mine, Andacollo, Chile Technical Report" (the "**CMD Technical Report**") prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). The detailed disclosure of the CMD Technical Report is incorporated into this AIF by reference.

Introduction

This Technical Report has been prepared by Geoinvestment as requested by Lachlan Star in order to provide an updated report of the Mineral Resources and Mineral Reserves at Churrumata Sur and Tres Perlas Norte (Phase 8) areas and keeping the resources and reserves from Tres Perlas (Phase 6 & 7), Chisperos and Toro sectors, updated according to the 2013 mineral extraction, within their Andacollo Operation in Chile, South America.

Location

The CMD Gold Mine property is located on the outskirts of the town of Andacollo in the Province of Elqui in Chile's Region IV, at latitude of 30º 13' 35" south and a longitude of 71º 5' 30" West (UTM 6,665,300N, 298,000E) and comprises 1,164 Ha of mining rights over two areas designated as "the Old Pits" and "Las Loas" and 77 Ha of prospecting rights around the mining rights.

Ownership

Lachlan Star Limited has an effective 100% beneficial interest in mineral holdings mined by the CMD Gold Mine through its 100% ownership of DMC Newco Pty Ltd, which owns 99.99998% of Compañía Minera Dayton (CMD) and 99.93% of Dayton Chile Exploraciones Mineras Limitada (DCEL).

Under Chilean law, Chilean companies must have at least two registered shareholders. The company lawyer resident in Chile owns a very minor share in both companies to comply with the Chilean requirement of having more than one shareholder. The 0.00002% of CMD and 0.071% of DCEL is held by a Chilean lawyer in trust for DMC Newco to satisfy this requirement. In turn, CMD has a legal interest of 100% of the shares of three subsidiary companies Minera La Laja SpA, Minera Andacollo SpA and Minera Rosario SpA (collectively the "Subsidiaries").

The diagram on Page 1 shows the ownership organisation structure. CMD Gold Mine refers to the assets owned by CMD and DCEL.

Geology

The CMD Gold Mine is located in the lower Cretaceous volcano-plutonic arc that forms the coastal range. The arc is typical of volcanic arcs that form at subduction zones as a response to partial melting of the subducted crust.

The mineralization at the CMD Gold Mine is hosted by the Quebrada Marquesa Formation, which comprises a sequence of intermediate and felsic volcanics and volcanogenic sediments as lava flow, pyroclastic and epiclastic units. The stratigraphy strikes generally north and dips to the east at shallow angles.

Mineralization

The dacite units at the CMD Gold Mine contain generally bulk tonnage, low-grade mineralization. This apparent stratigraphic control on the mineralization occurs as a result of the alteration of the originally porous dacite units by hydrothermal fluids, probably associated with cooling of the Andacollo Porphyry. Less porous rocks such as andesites and dykes were not altered and mineralized as strongly as the dacite "mantos".

Other types of mineralization present include:

- Relatively narrow mineralized veins that predominantly strike to the northwest and are steeply dipping; and
- Shear zone hosted mineralization, possibly remobilised, with variable width although of considerable strike lengths. The Mariposa shear in the Churrumata West pit, which has been mined over the last two years, is typical of these structures.

Project Status

The CMD Gold Mine is an operating gold mine consisting of a series of open pit mining areas, crushing, heap leach and processing facilities with associated infrastructure. Until August 2014, CMD Gold Mine has exploited this site for about 19 years.

The exploration programme is continuing with a view to expanding production and lengthening the mine life, mainly within Churrumata Sur and Tres Perlas Norte (Phase 8) area. The Mineral Resource Update presented in this report corresponds to the amount drilled up to April 22, 2014. Mine planning was developed between June and July 2014 in order to determine CMD´s mineral reserves.

Mineral Resources

The CMD Gold Mine resources estimation, has been generated by Geoinvestment, and corresponds to an upgrade made to Churrumata Sur and Tres Perlas Norte (Phase 8) sectors, based on the last infill drilling campaign carried out to April 22, 2014 and on prior campaigns performed in 2011 and 2012. Resources and reserves from Tres Perlas (Phases 6 and 7), Chisperos, Toro and Las Loas sectors, are kept similar to the estimated on 2013, updated according to the extracted between 2013 and 2014. All mineral resource models have been depleted for mining as of April 29 2014. The mineral resource models were derived via geological interpretation and modelling of the mineralized zones. Various mineralized bodies have been estimated via Ordinary Kriging (OK) grade estimation technique.
The summarized Mineral Resource Estimates, as shown in Table 1.7_1 and Section 14, have been determined using topographic surfaces as of April 29 2014 and have been prepared and reported in accordance with NI 43-101.

The Tres Perlas–Churrumata global resources, considered resources optimized in a global open-pit shell using a US$1,800/Oz gold price (higher than the 3-year gold trailing price), though with actual cash operating costs (not de-rated costs). For the others resources models, Toro and Chisperos, the reported estimation correspond to the total resources.

The resource estimate in this upgrade has been classified as Measured, Indicated and Inferred Mineral Resources based on the confidence of the input data, geological interpretation, and grade estimation. Furthermore, the mineral resource classification is also consistent with the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the Code) as prepared by the Joint Ore Reserves

Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia (JORC). A summary of the Mineral Resources as of April 29 2014 is provided in Table 1.7_1.

Table 1.7_1
CMD Gold Mine
Summary of Mineral Resources (cut off 0,15 g/t Au) depleted for mining as of April 29 2014

Deposit	Resource Category	Lower Cutoff Au(g/t)	Tonnes (Mt)	Grade (Au g/t)	Metal (koz Au)
Tres Perlas-Churrumata	Mesured	0.15	14.3	0.52	239
	Indicated	0.15	69.1	0.43	951
	Infered	0.15	57.8	0.41	759
Chisperos	Mesured	0.3	0.0	0.0	0.0
	Indicated	0.3	0.4	0.7	8.3
	Infered	0.3	0.8	0.9	21.5
Toro	Mesured	0.15	0.0	0.0	0.0
	Indicated	0.15	16.2	0.61	316.0
	Infered	0.15	10.9	0.4	126.0

Mineral Reserves and Production Property Economic Assessment

The Mineral Reserve of Tres Perlas Norte (Phase 8) sector was estimated based on the Mineral Resources determined by Geoinvestment as of April 29 2014, using the optimum pit designs and the economical technical parameters defined according to the current prices and costs experimented in the exploitation of the mine and the processing of the plant. Gold price utilised for pit optimization, and therefore for the design, was US$ 1,300/oz.

For Churrumata Sur case, it was not considered in the mining plan due to the great amount of waste to remove, which gives negative flows during 2015. Nevertheless, it is considered an in pit resource, waiting for a better gold price.

The cash flow model has been generated on a pre-tax basis. As of 31 December 2013, the CMD Gold Mine had available tax losses of approximately US$95.5 million and a capital repatriation credit of a further US$120.7 million. The large tax loss available as a deduction against future profits means that the issue of tax is immaterial unless the life of mine can be extended for a very long period or the gold price increases significantly.

The financial performance over the life of mine for the Probable Mineral Reserve shows production of 120,246 Oz of gold over the mine life and a NPV of US$19.4 million at a discount rate of 10%, considering own mineral exploitation. Adding the purchase of minerals from third parties, shows production of 169,100 Oz of gold over the mine life and NPV of US$37.0 is obtained at a discount rate of 10%.

For the Probable Mineral Reserve Case, the payback period for undiscounted net free cash flow is not feasible to be calculated due that investment expenses are still ongoing up to 2017. At the base price of US$1,520 /Oz, corresponding to the real price average from last three years. Investment expenses are recovered within each year, except for 2017 in which expenditure for kUS$ 9,930 corresponding to closure plan is registered.

A summary of the Mineral Reserves as of April 29 2014 is shown in Table 1.8_1. It should be noted that the Mineral Resources are not additive to the Mineral Reserves.

Table 1.8_1
CMD Gold Mine
Summary of Mineral Reserves Estimated as at 29 April 2014

Deposit	Probable Mineral Reserves		
	Tonnes [Mt]	Au Grade [g/t]	Ounces (koz)]
Tres Perlas	6,5	0,64	134
Churrumata	3,1	0,63	63
Toro	0,6	0,65	13
Total	**10,3**	**0,64**	**210**

Conclusions

The mining exploitation of the different pits of the deposits has permitted a geological knowledge and confirmation of the continuity of the mineralized bodies (mantos), which are vertically downthrown by normal faults with a NS/70°W-90° orientation. Infill exploration campaigns have also confirmed this continuity. The outcome of this is the continuity of Tres Perlas to the North (Phase 8) and Churrumata to the South.

Additionally, within the exploitation of the pits, N30°-45°W/70°S-90° oriented veins have been discovered. These are the feeders, which correspond to high-grade bodies that could potentially be exploited in a more selective manner. Also has allowed a more detailed explaining of this kind of mineralized bodies in Tres Perlas Norte and Churrumata Sur.

The resource estimation complies with regulations required by NI 43-101 and JORC 2012, as does too the reserves calculation, where currently Churrumata Sur is not feasible to extract due its high waste/ore ratio, and therefore generating negative flows during 2015.

The geological understanding of the CMD Gold Mine has evolved greatly since the commencement of the Lachlan Star exploration programme in 2011 and its continuation in 2014. The knowledge acquired to date and exploration success in 2012 confirms and increases the economic potential of the CMD Gold Mine and surrounding areas, and the successful exploration campaign has culminated in the updated Mineral Resource and Mineral Reserves Estimation in Tres Perlas Norte and Churrumata Sur areas.

Recommendations

Continue with the infill exploration campaigns, mainly in the Tres Perlas area and focus a campaign to define mineralized bodies under and between the already exploited pits, in view of the objective of moving the inferred mineral resources into the measured or indicated mineral resource categories, and also to allow incorporating resources from higher grade bodies, not feasible to extract by means of pits, and to extend CMD Gold Mine life of mine in the medium term.

The budget for 2015 for infill exploration is US$833,000 for the upgrading of the CMD Gold Mine mineral resources, which includes drilling at Tres Perlas – El Sauce.

The budget for CMD's 2014 exploration programme is KUS$5,688, targeting drilling of the Underground veins area and the addition of new resources.

Continuous improvement of samples' laboratory mechanical preparation and the batch samples shipments shall be included in individual files, and shall contain in the heading: shipment code, sending date, sending responsible person, laboratory to dispatch, samples amount indicating individual quantities of blanks, standards and originals. In the detail it shall be included only the sample code, and preferably the sample weight also.

A public place with restricted access shall be maintained, for storage of grade certificates in digital format, separated by file type (pdf and Excel). The grade certificate's date of reception shall be recorded (according to the e-mail date in which it was received).

Perform an update of the geological model, reducing the blocks size for a better modelling of mineralized structures.

It is considered that the proposed exploration and mineral resource development strategy is entirely appropriate and reflects the potential of the CMD Gold Mine.

The CMD gold plant has a potential for further optimization according to the data analysis calculated with the operational information.

The crushing plant capacity could be increased from 14,000 tpd up to 16,000 if their utilization times were increased in the primary and secondary crushing to 72% and in the tertiary crushing to 85%.

It is estimated that 5% to 10% of gold extraction could be gained if the leaching cycle were increased at least 50%.

Marginal improvements are feasible by means of increasing the cyanide strength in the leaching solution and implementing a curing stage. Both options require major cyanide consumptions that would eventually increase the operational costs, and at the end are counterproductive, especially considering the high cyanide prices.

Cyanide consumption could be lowered with a reduction of the copper in the PLS solution, which could be reached by the operation of the CRC plant.

DIVIDENDS

Lachlan has not, within the last three years, declared or paid any dividends on its Ordinary Shares, and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, Lachlan anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on the earnings, if any, the financial condition of the Company, the requirements of the Corporations Act, and such other factors as the directors of Lachlan consider appropriate.

DESCRIPTION OF CAPITAL STRUCTURE

Under the Corporations Act and its Constitution, the Company is not limited in the number of Ordinary Shares it can issue. However, under the ASX listing rules, in order for a corporation listed on the ASX to issue an amount of securities greater than 15% of the total number of existing shares then issued and outstanding, the corporation must seek shareholder approval.

In addition, an ASX Listing Rule enables 'eligible entities' to seek shareholders' approval at an AGM to issue Equity Securities (that is to say, Ordinary Shares or securities, such as options, convertible into Ordinary Shares) representing up to 10% of its issued share capital over a 12 month period after the AGM ("10% Placement Facility**"**). The 10% Placement Facility is in addition to the Company's 15% placement capacity without shareholder approval noted above. An 'eligible entity' for the purposes of this Listing Rule is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of $300 million or less. As at the date of this AIF the Company is an eligible entity. The actual number of Equity Securities that the Company will have the capacity to issue under the ASX Listing Rule will be calculated at the date of issue of the Equity Securities in accordance with the formula and conditions prescribed in the ASX Listing Rules.

At the date of this AIF, Lachlan has 147,632,273 fully paid Ordinary Shares and 2,955,431 options to acquire Ordinary Shares. No other shares in the capital of Lachlan of any other classes or other securities are issued or outstanding.

Ordinary Shares have the right to one vote per share at meetings of the Company, to receive dividends as declared and, in the event of a winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held. Ordinary Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking fund or purchase fund provisions. All securities are issued with the approval of the directors. See also "*Description and General Development of the Business –General Description and Three Year History*".

MARKET FOR SECURITIES

Trading Price and Volume

The Ordinary Shares are currently listed on the ASX under the trading symbol "LSA" and are listed on the TSX under the trading symbol "LSA". The following table sets forth the reported high and low sale prices and the trading volume for the Ordinary Shares on the ASX and TSX on a monthly basis for the year ended June 30, 2014. The data is sourced from IRESS, a principal provider of share market information in Australia and Canada.

Month	ASX Volume	ASX High (A$)	ASX Low (A$)	TSX Volume	TSX High (C$)	TSX Low (C$)
Jul-13	525,343	0.29	0.11	314,500	0.28	0.11
Aug-13	359,220	0.34	0.20	280,000	0.39	0.24
Sep-13	548,893	0.35	0.21	1,389,000	0.33	0.185
Oct-13	316,413	0.21	0.155	1,821,500	0.23	0.17
Nov-13	282,042	0.30	0.18	1,122,000	0.32	0.205
Dec-13	62,253	0.20	0.19	257,000	0.23	0.205
Jan-14	241,021	0.21	0.18	763,000	0.25	0.19
Feb-14	296,622	0.29	0.17	2,387,000	0.29	0.17
Mar-14	296,015	0.32	0.21	3,274,500	0.32	0.18
Apr-14	233,588	0.23	0.15	1,226,500	0.21	0.17
May-14	106,235	0.23	0.12	2,085,000	0.18	0.10
Jun-14	1,528,494	0.115	0.08	3,595,000	0.145	0.09

Prior Sales

Since the beginning of the financial year ended June 30, 2014, the following warrants / options of Lachlan not listed or quoted on a marketplace were issued or exercised:

Issue Date	Expiry Date	Exercise Price (A$)	Issued Number	Ordinary Shares issued on Exercise of Options
02/10/13(1)	02/10/15	CDN$0.30	432,870	-
07/11/13(2)	07/11/15	CDN$0.30	1,097,561	-
29/11/13(2)	29/11/15	$0.25	1,550,000	-
		Total:	3,080,431	-

Notes:

1. 432,870 warrants were issued to brokers as part of their finder's fee in relation to a capital raising in accordance with Shareholder approval received at a meeting held on November 4, 2013.
2. 1,097,561 warrants were issued to brokers as part of their finder's fee in relation to a capital raising, of which 722,561 were issued in accordance with Shareholder approval received at a meeting held on November 4, 2013.
3. 1,550,000 options were issued to directors and management in accordance with Shareholder approval received at the Company's annual general meeting held on November, 29, 2013. Of these, 350,000 options have been cancelled due to the cessation of employment of the director or employee.

All warrants / options outstanding at June 30, 2014 and the date of this AIF vested on the grant date.

DIRECTORS AND OFFICERS

Names, Addresses, Occupations and Security Holdings

Lachlan's Constitution provides that all directors shall retire by rotation annually. Retiring directors are eligible for re-election at the annual general meeting.

The following sets forth at the date of this AIF the name of each director and executive officer of Lachlan, their province or state and country of residence, their position(s) with the Company, their principal occupation during the preceding five years, and the date they first became a director of the Company.

Name and Residence	Position with the Company	Principal Occupation During Past Five Years	Director Since	Ordinary Shares beneficially owned directly or indirectly
Directors				
Declan T. Franzmann Queensland, Australia	Non-Executive Director	Mining engineer through his private consulting company, Citraen Pty Ltd. (2005 to present); Chief Executive Officer, director and President of African Gold Group (April 2014 to present). Formerly executive director of Lachlan (September 26, 2007 to August 31, 2008 and October 1, 2010 to April 30, 2013); non-executive director of Lachlan (September 1, 2008 to November 30, 2010); director of Every Day Mine Services Limited (March 2007 to November 2010); director of Luiri Gold Limited (August 2009 to November 2010).	September 26, 2007(1)	1,126,820 (0.76%)
Anthony J Cipriano(2) Western Australia, Australia	Non-Executive Director	Non-executive director of Liontown Resources Limited (July 1, 2014 to present); Formerly 27 years' experience as Chartered Accountant working at Deloitte until his retirement in 2013. This included nearly 15 years as a partner, the last 12 years as leader of Deloitte's Perth Tax Practice, a member of the Deloitte National Tax Executive and most recently Deloitte National Tax Leader for Energy & Resources. A recent graduate of the Australian Institute of Company Directors.	February 17, 2014 (1)	Nil (0%)
Scott G. Perry (2) Ontario, Canada	Non-Executive Director	Chief Executive Officer, director and President of AuRico Gold Inc. (July 2012 to present), Executive Vice-President and Chief Financial Officer at AuRico Gold Inc. (February 2008 to July 2012).	September 9, 2011 (1)	314,055 (0.21%)
Peter Drobeck (2) Colorado, USA	Non-Executive Director	Director Exploration – New Projects, Silver Standard Resources (May 2012 to present). Formerly Senior Vice President Exploration, AuRico Gold Inc. (September 2008 to December 2011).	November 21, 2012 (1)	Nil (0%)
Executive Officers				
Ubirata De Oliveira Rio Grande do Sul, Brazil	Chief Executive Officer(3)	Formerly Chief Operating Officer, CuCo Resources Ltd (October 2010 to April 2012); General Manager, First Quantum Minerals Ltd. (September 2009 to September 2010)	Not applicable	150,000 (0.1%)

Name and Residence	Position with the Company	Principal Occupation During Past Five Years	Director Since	Ordinary Shares beneficially owned directly or indirectly
Robert A. Anderson Western Australia, Australia	Chief Financial Officer and Company Secretary	Chartered Accountant consulting through his private consulting company, Hyndford Holdings Pty Ltd. (2002 to present); Formerly Company Secretary of Carnarvon Petroleum Limited (November 2005 to December 2011); Chief Financial Officer of Carnarvon Petroleum Limited (November 2005 to May 2010); Chief Financial Officer of Northern Iron Limited (May 2007 to September 2010); Company Secretary of Northern Iron Limited (May 2007 to December 2010);	Not applicable	393,080 (0.27%)

Notes:

(1) There is currently no set date when this term of office will expire.
(2) Indicates a member of the audit committee of the Board (the "**Audit Committee**")
(3) Appointed as Chief Executive Officer on September 30, previously Chief Operating Officer.

As of the date of this AIF, the directors and executive officers of Lachlan, as a group, beneficially owned, controlled or directed, directly or indirectly, 1,983,955 Ordinary Shares of Lachlan representing 1.34% of the issued and outstanding Ordinary Shares, and held options to acquire an additional 1,050,000 Ordinary Shares, representing 35.53% of the outstanding options and 0.70% of the Ordinary Shares on a fully-diluted basis.

Corporate Cease Trade Orders and Bankruptcies

No director or executive officer of Lachlan is, as at the date hereof or has been within the ten years prior to the date hereof, a director, chief executive officer or chief financial officer of any company (including Lachlan) that was the subject of a cease trade or an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued: (1) while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (2) after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in that capacity.

No director or executive officer of Lachlan nor, to the knowledge of Lachlan, any Shareholder holding a sufficient number of securities of Lachlan to materially affect the control of Lachlan: (a) is, as at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including Lachlan) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or Shareholder.

Penalties or Sanctions

No director or executive officer of Lachlan or, to the knowledge of Lachlan, a Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities authority, or has had any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors and officers of Lachlan are, or may become, directors or officers of other companies with businesses which may conflict with the business of the Company. Directors are required to act honestly and in good faith with a view to the best interest to the Company and to abstain from voting in connection with any matter that may pose a conflict of interest between the Company and any director. To the best of the Company's knowledge, there are no known existing or potential conflicts of interest between the Company and any director or officer of the Company as a result of their outside business interest at the date hereof. However, certain of the directors and officers serve as directors and/or officers of other companies. Accordingly, conflicts of interest may arise which would influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Company, there are no legal proceedings or regulatory actions material to the Company to which the Company is a party or to which any of its properties is or was subject during the financial period ended June 30, 2014, nor are there any such proceedings known to the Company to be contemplated, except as set out below.

In June 2011, a subsidiary terminated the contract of one of its mining contractors in Chile, "Maestranza Martinez Torres y Cia. Ltda" (Martimec") for non-performance under the terms of their mining contract. Martimec requested the appointment of an arbitrator under Chilean law who would be called to rule on the early termination of the contract. Even though the arbitrator was appointed, any such proceedings are suspended due to the fact that Martimec was declared bankrupt under applicable Chilean law. The decision pertaining to the initiation of the arbitration proceedings is now subject to approval by the creditors of Martimec. The Company remains confident that the contract was terminated in accordance with its terms. The Company intends to defend itself vigorously if this arbitration proceeds, including considering bringing a counterclaim against Martimec.

A mining contractor has submitted a claim against a subsidiary for compensation as a result of their mining contract not being renewed in August 2013. The subsidiary considers this an ambit claim and has submitted a strong and well-founded response, the purpose of which is to obtain a favourable ruling that completely rejects the former contractor´s claim.

There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority nor are there any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor making an investment decision and the Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the financial period ended June 30, 2014.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL CONTRACTS

No director or executive officer of the Company or a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Ordinary Shares or any associate or affiliate of any of the foregoing persons or companies has any material interest, direct or indirect, in any transaction within the three most recently completed financial years of the Company or during the current financial year, that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Australian transfer agent and registrar for the Ordinary Shares is Computershare Investor Services Pty Limited, having an address at Level 2, 45 St Georges Terrace, Perth, WA Western Australia 6000.

The Canadian transfer agent and registrar for the Ordinary Shares is Equity Financial Trust Company at its principal offices in Toronto, Ontario and Vancouver, British Columbia.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business the Company has not entered into any material contracts since the beginning of the most recently completed financial year, or before the most recently completed financial year that are still in effect.

EXPERTS

Information of a scientific or technical nature regarding the CMD Gold Mine included in this AIF is based upon the CMD Technical Report. The CMD Technical Report was prepared for Lachlan by Mr. Enrique Quiroga (Comision Calificadora de Recursos yReservas Mineras), by Mr. Sergio Alvarado (Comision Calificadora de Recursos yReservas Mineras), and Ms. Leticia Conca (Comision Calificadora de Recursos yReservas Mineras), each a "Qualified Person" as such term is defined in NI 43-101.

As at the date hereof, none of Mr. Quiroga, Mr. Alvardo, Ms. Conca their associates or their affiliates own, beneficially, directly or indirectly, or has received or is entitled to receive any securities of Lachlan. None of the aforementioned firm or persons, nor any directors, officers or employees of such firm, are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found under the Company's profile on SEDAR at www.sedar.com and on the ASX at www.asx.com.au and on Lachlan's website www.lachlanstar.com.au. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of securities and securities authorized for issuance under equity compensation plans, is contained in the Company's management information circular for its most recent annual meeting of security holders that involved the election of directors.

Additional financial information is provided in the Company's financial statements and MD&A for its most recently completed financial year.

AUDIT COMMITTEE

Audit Committee Charter

The purpose of the Audit Committee is to assist the Board in fulfilling its obligations and responsibilities relating to financial reporting, internal controls, corporate governance and the internal and external audit processes.

The full text of the charter of Lachlan's Audit Committee is attached to this AIF as Appendix A. This Charter was adopted by the Board on August 20, 2014.

Composition of the Audit Committee

The Audit Committee members are Mr. Cipriano (Chairman of the Audit Committee) , Mr. Perry and Mr. Drobeck, who are independent directors within the meaning of NI 52-110.

Relevant Education and Experience

The education and experience of each of Messrs Cipriano, Perry, and Drobeck that is relevant to the performance of his responsibilities as an audit committee member is set out below

Anthony James Cipriano

Mr Cipriano is a Chartered Accountant with 27 years' accounting and finance experience. Mr Cipriano was formerly a partner at Deloitte and at the time of his retirement in 2013 he was the Deloitte National Tax Leader for Energy & Resources and leader of its Western Australian Tax Practice. Mr Cipriano has significant experience working across tax, accounting, legal and financial aspects of corporate transactions. He is also a graduate of the Australian Institute of Company Directors.

Mr Cipriano was appointed a member and Chairman of the Audit Committee on 17 February 2014 on his appointment as a director.

Scott Graeme Perry

Mr Perry is currently the President and Chief Executive Officer of Aurico Gold Inc. (“Aurico”), a TSX and NYSE listed company with gold mining operations in Mexico and a market capitalisation of approximately CDN$1billion. He has a Bachelor of Commerce from Curtin University as well as a CPA designation. He commenced his career with Newmont in Australia before moving to Barrick Gold where he rose to be the Chief Financial Officer for Barrick’s Russian and Central Asian division, culminating in the secondment as Chief Financial Officer and board member of Highland Gold, a London listed company with gold operations in Russia. Mr. Perry joined Aurico in early 2008, where his responsibilities included financial reporting, execution of business plans, investor relations and corporate merger and acquisition activity. In July 2012 he was appointed President and Chief Executive Officer of Aurico. Mr Perry is resident in Toronto and well known in the investor community in North America and adds North American depth to the Lachlan Star team.

Mr Perry was appointed a member of the Audit Committee on October 3, 2011 and was Chairman of that Committee from November 11, 2011 to February 17, 2014.

Peter Drobeck

Mr. Drobeck has served as a Vice President for two corporations in the past, AuRico Gold Inc., and Electrum Resources Ltd., where he dealt with all issues relating to exploration as well as typical duties of a member of the Executive Leadership Team of both companies. He has over 34 years’ of continuous experience in the mining industry, and currently leads evaluations of new projects and acquisitions for Silver Standard Resources, Inc., an intermediate silver producer.

Mr. Drobeck was appointed a member of the Audit Committee on November 21, 2012.

Pre-Approval Policies and Procedures

The Audit Committee shall explicitly approve, in advance, all audit and non-audit engagements of the external auditors provided, however, that non-audit engagements may be approved pursuant to a pre-approval policy established by the Committee. No such policy has yet been established by the Audit Committee.

External Auditor Service Fees

The following table provides details of the aggregate fees billed by Lachlan’s external auditor, PricewaterhouseCoopers (“**PWC**”) for each of the last two financial years.

	Financial year ended June 30, 2014 (A$)	**Financial year ended June 30, 2013 (A$)**
Audit fees	208,384	157,896
Audit-related fees	Nil	Nil
Tax fees	Nil	7,400
All other fees	Nil	Nil
	208,384	165,296

Audit fees were paid for professional services rendered by PWC for the audit and audit review of Lachlan’s annual and half yearly and financial statements, including those of its subsidiaries.

Tax fees for the year ending June 30, 2013 were paid in respect of advice on the taxation treatment of deferred stripping costs and a potential royalty.

AUDITOR

The auditors of the Company are PricewaterhouseCoopers, having an address at Brookfield Place, 125 St Georges Terrace Perth WA 6000.

GLOSSARY OF MINING TERMS

The following is a glossary of mining terms that are used in this AIF.

Abbreviation	Definition	Abbreviation	Definition
Au	Gold	Mt	million tonnes
g/t	grams per tonne	OK	Ordinary Kriging
ha	hectare, being a unit of area defined as 10,000 square metres	Oz	troy ounce
koz	1,000 ounces	Tonne	metric tonne, being a unit of mass equal to 1,000 kilograms

APPENDIX A
LACHLAN STAR LIMITED
AUDIT COMMITTEE CHARTER

In this Charter, a reference to the "Company" means Lachlan Star Limited and the economic entity constituted by Lachlan Star Limited and the entities that it controls from time to time.

1. PURPOSE AND OBJECTIVE

The Audit Committee ("Committee") is a committee of the board of directors ("Board") of the Company. The Committee's purpose is to assist the Board in fulfilling its obligations and responsibilities relating to financial reporting, internal controls, corporate governance and the internal and external audit processes.

2. AUTHORITY

2.1. The Board authorizes the Committee to investigate any activity within its terms of reference or involving financial accounting and financial reporting and internal controls.

2.2. The Board authorizes the Committee to seek any information it requires from any employee and from external parties, to engage external legal or professional advice and to ensure the attendance of Company officers at meetings, as the Committee deems appropriate.

2.3. The Committee shall receive appropriate funding, as determined by the Committee, for payment of compensation to the external auditors and to any legal or other advisers employed by the Committee, and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

2.4. The Committee may communicate directly with the internal and external auditors.

3. COMPOSITION, PROCEDURES AND ORGANIZATION

3.1. The Committee shall consist of at least three independent, non-executive members of the Board.

3.2. Except as permitted by all applicable legal and regulatory requirements:

(a) each member of the Committee shall be "independent" as defined in accordance with Canadian National Instrument 52-110 – Audit Committees; and

(b) each member of the Committee shall be "financially literate" with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

3.3. The Board shall review Committee membership on an annual basis and at other times as the Board may deem appropriate. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.

3.4. The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

4. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Committee are as follows:

4.1. Monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgements.

4.2. Prepare a statement, in accordance with applicable law, for inclusion in the Company's annual report that describes the Committee's composition, activities and responsibilities.

4.3. Review the terms of reference and effectiveness of any internal audit process, and the working relationship between internal financial personnel and the external auditor.

4.4. Gain an understanding of the current areas of greatest financial risk and whether management is managing these effectively.

4.5. Review the annual financial statements and the results of the audit with management and the external auditors prior to the release or distribution of such statements, and obtain an explanation from management of all significant variances between comparative reporting periods.

4.6. Review all public disclosure concerning audited or unaudited financial information before its public release and approval by the Board, including management's discussion and analysis, financial information contained in any prospectus, private placement offering document, annual report, annual information form, takeover bid circular, and any annual and interim earnings press releases, and determine whether they are complete and consistent with the information known to Committee members.

4.7. Determine whether the auditors are satisfied that the financial statements have been prepared in accordance with applicable generally accepted accounting principles.

4.8. Review and resolve any significant disagreement between management and the external auditors in connection with the preparation of the financial statements.

4.9. Monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services.

4.10. Review the performance of the external auditors, and in the event of a proposed change of auditor, review all issues relating to the change, including the information to be included in any notice of change of auditor as required under applicable securities laws, and the planned steps for an orderly transition.

4.11. Review the post-audit or management letter containing the recommendations of the external auditor and management's response and subsequent follow-up to any identified weakness.

4.12. Review the evaluation of internal controls and management information systems by the external auditor, and, if applicable, the internal audit process, together with management's response to any identified weaknesses and obtain reasonable assurance that the accounting systems are reliable and that the system of internal controls is effectively designed and implemented.

4.13. Establish a procedure for the:

(a) confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and

(b) receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.

4.14. Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

4.15. Review and assess the adequacy of this Charter from time to time and recommend any changes to the Board for approval.

4.16. Review and assess the adequacy of insurance coverage, including directors' and officers' liability coverage.

4.17. Review the Certificates of Interim and Annual Filings as completed by the CEO, CFO and CMD Manager of Finance

4.18. Perform other functions as requested by the full Board.

5. MEETINGS

5.1. The Committee shall elect from its members a Chairman, who shall not also be the chairman of the Board. The Chairman shall have the duties and responsibilities set out in Schedule A hereto.

5.2. The secretary of the Committee (the "Secretary") will be the company secretary or such other person appointed by the Board.

5.3. A record of the minutes of, and the attendance at, each meeting of the Committee shall be kept and maintained by the Secretary. The Secretary shall ensure the minutes are maintained in a secure environment and shall ensure approved minutes are circulated to the Board forthwith.

5.4. The Committee shall meet at least once in each financial reporting period, each such meeting being designed to coincide with the Company's reporting of its interim and annual financial results. Therefore, if pursuant to applicable regulatory or stock exchange requirements the Company is required by to report financial results on an annual and half-yearly basis, the Committee shall meet at least twice per year, and if the Company is required to report financial results on an annual and quarterly basis, the Committee shall meet at least four times per year. The Committee shall hold additional Committee meetings as and when the Committee may otherwise deem appropriate.

5.5. No business may be transacted by the Committee except at a meeting at which a quorum is present. Two Committee members shall constitute quorum.

5.6. The times and places where meetings of the Committee shall be held and the procedures at such meetings shall be as determined, from time to time, by the Committee. Committee meetings may be held in person or over the telephone or as the Committee may otherwise deem fit.

5.7. Notice of each meeting of the Committee shall be given to each member of the Committee. Members may waive notice of any meeting. Attendance at a meeting shall be deemed to constitute waiver of notice, unless specific objection to notice is raised at the commencement of the meeting.

5.8. The Committee may invite such other persons to attend its meetings, including the managing director, the chief financial officer, the company secretary, general counsel and the external auditor, as it deems necessary.

SCHEDULE A

DUTIES OF THE CHAIRMAN OF THE AUDIT AND COMPENSATION COMMITTEE

In addition to the duties and responsibilities set out in the Charter of the Audit Committee, the Chairman of the Audit Committee has the duties and responsibilities described below:

1. Provide overall leadership to facilitate the effective functioning of the Committee, including:

    (a) overseeing the structure, composition, membership and activities delegated to the Committee;

    (b) chairing every meeting of the Committee and encouraging free and open discussion at meetings of the Committee;

    (c) scheduling and setting the agenda for Committee meetings with input from other Committee members, the Chair of the Board of Directors and management as appropriate;

    (d) facilitating the timely, accurate and proper flow of information to and from the Committee;

    (e) arranging for management, internal and external auditors and others to attend and present at Committee meetings as appropriate;

    (f) arranging sufficient time during Committee meetings to fully discuss agenda items;

    (g) encouraging Committee members to ask questions and express viewpoints during meetings; and

    (h) taking all other reasonable steps to ensure that the responsibilities and duties of the Committee, as outlined in its Charter, are well understood by the Committee members and executed as effectively as possible.

2. Foster ethical and responsible decision making by the Committee and its individual members.

3. Encourage the Committee to meet in separate, regularly scheduled, non-management, closed sessions with the independent auditors.

4. Following each meeting of the Committee, report to the Board of Directors on the activities, findings and any recommendations of the Committee.

5. Carry out other such duties as may reasonably be requested by the Board of Directors.