LACHLAN STAR LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ABN 88 000 759 535

ANNUAL REPORT

30 JUNE 2015

CORPORATE DIRECTORY

Directors

DT Franzmann (Non-Executive Director)
AJ Cipriano (Non-Executive Director)

Company Secretary

RA Anderson

Auditors

PricewaterhouseCoopers
Brookfield Place, 125 St Georges Terrace
Perth WA 6000

Bankers

Macquarie Bank Limited
235 St Georges Terrace
Perth WA 6000

Registered Office

c/o KPMG
235 St Georges Terrace
Perth WA 6000
Telephone: +61 89263 7171
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Share Registries

Computershare Investor Services Pty Limited
Level 2
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Perth WA 6000

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Securities Exchange Listings

Securities of Lachlan Star Limited are listed on ASX Limited, currently suspended from trading

ASX Code: LSA - ordinary shares

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Financial performance

The consolidated entity's loss after tax for the year ended 30 June 2015 was $10,743,723 (2014: loss $16,485,016) after recognising (i) an impairment loss of $36,703,972 (2014: $10,853,402) against the CMD Gold Mine assets (refer Note 1(a)(i) to the financial statements (ii) a net gain of $32,015,449 (2014: $Nil) on the disposal of the Company's subsidiary DMC Newco Pty Ltd ("DMC") incorporating the CMD Gold Mine (refer Note 1(a) to the financial statements). The net gain arises due to the full impairment of DMC's mining assets in a prior reporting period (iii) a $3,779,489 gain (2014: $Nil) on the sale of certain non-core mining properties to Compañía Minera Teck Carmen de Andacollo ("CDA").

Financial position

An analysis of the significant movements in Statement of Financial Position line items is provided below:

Cash and cash equivalents

As at 30 June 2015 the Group had cash reserves of $63,776, a decrease of $2,010,038 from 30 June 2014 as set out in the Consolidated Statement of Cash Flows. This includes a positive cash movement of $426,017 on the disposal of subsidiaries.

Trade and other receivables

Trade and other receivables have decreased by $3,676,654 since 30 June 2014, primary as a result of the disposal of DMC and its operating subsidiaries.

Inventories

Inventories have decreased by $19,880,467 since 30 June 2014 as a result of the disposal of DMC and its operating subsidiaries.

Mine development properties

Mine development properties have decreased by $14,967,367 since 30 June 2014 as a result of an impairment charge and the disposal of DMC and its operating subsidiaries.

Property, plant and equipment

Property, plant and equipment has decreased by $17,838,026 since 30 June 2014, primarily as a result of an impairment charge and the disposal of DMC and its operating subsidiaries.

Total liabilities

Total liabilities have decreased by $45,226,516 since 30 June 2014, primarily as a result of the disposal of DMC and its operating subsidiaries together with the purchase of the Company's debt to Sprott Resource Lending Partnership ("Sprott") by an entity associated with a former director.

Contributed equity

The contributed equity increase of $1,359,505 since 30 June 2014 is shown below:

Ordinary shares	**2015 Number**	**2015 $**
1 July	147,632,273	224,521,579
Issue of shares for cash	16,403,486	1,308,104
Costs of issue of shares	-	(12,850)
Share based payments	1,357,500	64,251
30 June	165,393,259	225,881,084

Reserves

Reserves have decreased by $6,395,008 million since 30 June 2014, primarily as a result of the foreign exchange impact of the disposal of DMC and its operating subsidiaries.

Appointment of Administrators and execution of Deed of Company Arrangement

On 16 October 2014, the Company announced that it had agreed on a non-brokered private placement to Hamilton Place Associates LLC ("Hamilton") for proceeds of USD$1.14 million. Hamilton also agreed to a prepaid gold loan working capital facility to the Company's subsidiary CMD, with such working capital advance and associated terms and conditions to be finalised no later than 31 December 2014. This facility was dependent upon the Company having USD$4 million in cash and cash equivalents at 30 November 2014 and Hamilton's representatives having made a site visit to the CMD Gold Mine by that date.

As at 30 November 2014 the Company failed to meet the condition precedent of holding a minimum of USD$4 million cash as required by the working capital financing offer from Hamilton due to the temporary office closure of its customer Johnson Matthey on a public holiday, resulting in a payment not being received as expected. The Company did go on to meet the condition precedent with respect to the cash holding, albeit in the days after the required date.

On 2 January 2015 the Company announced that it remained in discussion with Hamilton regarding the availability of the working capital facility agreed to as part of the October 2014 share placement (refer Corporate above) however it noted that there was no assurance that additional financing would be available as and when required. The Company went on to advise that this, combined with a sustained gold price below USD$1,200 per ounce, may constitute material uncertainty with respect to the Company's and the Lachlan Star Group's ability to continue as a going concern.

On 12 February 2015 the directors, other than Mr Peter Babin, concluded that the various Hamilton proposals were either too conditional or not capable of being progressed with an adequate degree of certainty and in a timeframe that would ensure the ongoing solvency of the Company and hence resolved to appoint Administrators on 13 February 2015. Matthew David Woods and Hayden Leigh White of KPMG were appointed joint and several Administrators of the Company pursuant to section 436A of the Corporations Act 2001 (Cth) ("the Act").

At the date of the Administrators appointment the Company's only secured creditor was Sprott Resource Lending Partnership ("Sprott"). Hamilton acquired the secured debt and associated security interests from Sprott on 19 February 2015. Hamilton took control of the shares in the Company's subsidiary DMC Newco Pty Ltd ("DMC"), the beneficial owner of the CMD Gold Mine, on 26 March 2015 and subsequently seized the DMC shares. On 17 April 2015 Hamilton transferred to itself 100% of the share capital of DMC in consideration for the forgiveness of its secured debt against the Company, thus gaining control of the Company's Chilean assets.

Following a public expressions of interest campaign the Administrators received five proposals from proponents to restructure and recapitalise the Company via a Deed of Company Arrangement ("DOCA"). Following a period of negotiation with each proponent the Administrators selected Ascent Capital Holdings Pty Ltd ("Ascent") as the preferred proponent based on the likely return to creditors as well as an assessment of the relative completion risk. The Ascent DOCA proposal contemplates the recapitalisation of the Company by way of a capital raising ("DOCA Proposal").

The DOCA proposal also provides a mechanism which allows for the Administrators to negotiate and resolve a number of potential further asset recoveries ("the Claims") during the DOCA period within a finite period of time. Should no resolution of the Claims occur within this specified timeframe, then the DOCA Proposal also outlines a number of conditions precedent when once achieved, the Deed Administrators will form either a Creditors' Trust or a Creditors and Members' Trust and become its Trustees and those Claims will be assigned to the Trust for the benefit of creditors and potentially members.

This would then allow for the recapitalisation of the Company and is estimated to result in a return to unsecured creditors of between thirty four cents in the dollar in a "High" scenario and ten cents in the dollar in a "Low" scenario, which has the potential to be materially further enhanced given the potential appreciation of the shares in the Trust and depending on the resolution of the Claims.

The second meeting of creditors was held on Friday 7 August 2015. Creditors of the Company resolved that the Company should execute a DOCA in accordance with the terms of a DOCA Proposal which had been received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX Limited ("ASX") with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX will agree to the shares in the Company being reinstated to official quotation.

On 18 May 2016 the ASX provided in principle approval for the Company's securities to be reinstated to official quotation subject to the satisfaction of a number of conditions precedent (the "ASX Conditions Precedent") which are considered standard conditions for recapitalisations of this nature. The ASX has allowed until 13 February 2018 in order for the Company to comply with the ASX Conditions Precedent.

The above represents a key milestone in the recapitalisation of the Company pursuant to the DOCA. The DOCA proponent, Ascent, and the Deed Administrators are now progressing towards the satisfaction of the ASX Conditions Precedent, including, but not limited to, the preparation for a meeting of shareholders to seek approval of the Company's recapitalisation proposal.

The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company); and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

ASIC have re-extended the due date for lodgement of the Company's outstanding financial statements together with any full year or interim financial account lodgements subsequently falling due within the extension period, from 30 June 2016 to the earlier of 30 November 2017, with a further extension requested to 31 December 2017, or such time as the Company lodges a disclosure document with ASIC in connection with the issue of securities as contemplated by the Deed of Company Arrangement. ASIC have also extended the period within which the Company must hold its AGM to 31 January 2018. The Company was delisted from the Toronto Stock Exchange on 25 March 2015 as a result of being placed into Administration.

Corporate

On 15 September 2014 the Company announced that its Chilean subsidiary Compañía Minera Dayton ("CMD") had sold certain mining properties to Compañía Minera Carmen de Andacollo ("CDA") for US$3.5 million in cash.

Subsequent to approval by shareholders at the Company's November 2014 AGM the Company issued to directors and management 1,357,500 fully paid ordinary shares, 2,300,000 options with an exercise price of A$0.125 per share and an expiry date of 27 November 2016, and 150,000 options with an exercise price of A$0.25 per share and an expiry date of 27 November 2016.

Audit Report

The entity's auditor has included a disclaimer of opinion in the Auditor's Report.

Future operations

Please refer to the "*Appointment of Administrators and execution of Deed of Company Arrangement"* section above.

Bushranger Copper Project - EL 5574 (<10%)

Anglo American Exploration (Australia) Pty Ltd ("Anglo American") provided notice of their intention to form a Joint Venture under the Bushranger Farm-in Agreement, diluting the Company's interest in the Bushranger Copper Project from 100% to 49%. The company elected to dilute further by not participating in subsequent exploration programmes. The Company's current holding is less than 10% and has been converted to a Net Smelter Royalty. This project is carried at a nil value in the Statement of Financial Performance (2014: $2,775,444).

Annual Statement of Mineral Resources and Ore Reserves

Given the Company's disposal of the CMD Gold Mine during the period it currently does not have any Mineral Resources or Ore Reserves.

CMD Gold Mine

On 24 December, 2010 the Company completed the acquisition of the Compania Minera Dayton ("CMD") Gold Mine ("CMD Gold Mine") in Chile and joined the ranks of gold producers. The CMD Gold Mine is located approximately 350km north of Santiago and at an elevation of 1,000 metres. The mine was developed in 1995 and has produced over 1,000,000 ounces of gold plus minor copper and silver since opening.

As noted in the *Appointment of Administrators and execution of Deed of Company Arrangement"* section above, Hamilton acquired the Company's secured debt and associated security interests from Sprott on 19 February 2015. Hamilton took control of the shares in the Company's subsidiary DMC, the beneficial owner of the CMD Gold Mine, on 26 March 2015 and subsequently seized the DMC shares. On 17 April 2015 Hamilton transferred to itself 100% of the share capital of DMC in consideration for the forgiveness of its secured debt against the Company, thus gaining control of the Company's Chilean assets. The Company's carrying values of the CMD Mining Properties and Property, Plant and Equipment were fully impaired in the December 2014 interim financial statements.

Production, Cash Costs and Profitability

Current year CMD operating data presented in this section relates to the nine months ending 31 March 2015.

Gold sales of 38,577 ounces for the nine months (2014: 12 months: 66,624 ounces) are recorded in the financial statements at an average sales price of US$1,237 per Au ounce (2014: US$1,292 per Au ounce). In addition, total silver production of 22,858 ounces for the nine months (2014: 12 months: 61,973 ounces) was also achieved, with an average sales price of US$18 per Ag ounce (2014: US$21 per Ag ounce). These sales represent 100% of production sold at spot prices.

C1 cash costs are a non-IFRS measure that may not be consistent from company to company. In this instance, it is defined as all site production costs but excludes all waste expenditure, depreciation and amortisation and royalties. A reconciliation of C1 cash costs to the IFRS measure Cost of Sales is provided in Table 1 below.

Table 1 – Reconciliation of Cash Cost (US$/oz) per ounce to Cost of Sales

		9 months ended 31 March, 2015	Year ended 30 June, 2014
Cash cost per ounce	US$	835	828
Ounces poured		38,174	66,784
Cash costs	US$000	31,879	55,297
A$ / US average exchange rate for the period		0.857	0.919
Cash costs	A$000	37,181	60,196
Inventory adjustments (doré and stockpiles)	A$000	435	(160)
Depreciation and amortization (other than deferred stripping amortization)	A$000	4,353	7,423
Waste costs expensed and amortised	A$000	19,677	22,933
Royalties	A$000	1,497	1,821
Process inventory provision	A$000	-	(1,090)
Other	A$000	188	137
Copper / silver net revenue	A$000	580	1,867
Cost of Sales	A$000	63,911	93,127

Table 2 below reconciles annual unaudited CMD Gross Operating (Loss) / Profit to consolidated (Loss) Before Income Tax. Current year CMD operating data presented in this table relates to the nine months ending 31 March 2015.

CMD Gross Operating Profit / (Loss) equals revenues and doré in process less cost of sales (including waste expensed and amortised), interest and other site expenses and excluding foreign exchange movements, depreciation, exploration and process inventory adjustments.

Table 2 – Reconciliation of unaudited CMD Gross Operating Profit / (Loss) to consolidated (Loss) Before Income Tax

		Year ended 30 June, 2015	Year ended 30 June, 2014
CMD Gross Operating (Loss) / Profit (unaudited)	US$000	(6,025)	4,400
A$ / US average exchange rate for the period		0.84	0.925
CMD Gross Operating (Loss) / Profit (unaudited)	A$000	(7,174)	4,756
Inventory adjustment	A$000	2,414	3,021
Depreciation and amortization (other than deferred stripping amortization)	A$000	(4,353)	(7,423)
Foreign exchange gain	A$000	2,171	826
Net gain on disposal of subsidiaries	A$000	32,015	-
Sale of mining properties	A$000	3,779	-
Fair value on liabilities carried at fair value	A$000	(960)	(76)
Finance income	A$000	-	30
Finance expense	A$000	(30)	(747)
New venture expenditure written off	A$000	-	(10)
Cost of derivatives	A$000	-	(885)
Other head office related costs	A$000	(1,610)	(2,239)
Administrator’s fees and expenses	A$000	(291)	-
Impairment loss	A$000	(36,704)	(10,853)
Consolidated (Loss) Before Income Tax	A$000	(10,743)	(13,600)

The CMD Gold Mine Gross Operating Loss of US$6.02million was primarily impacted by a lower ore grades and a 24% fall in average monthly ounces poured compared to the prior period.

Operational performance indicators for the current and prior periods are set out in Table 3 below. Current year CMD operating data presented in this table relates to the nine months ending 31 March 2015.
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Table 3 – Performance indicators

		9 months	**12 months**
	Unit	**2015**	**2014**
Ore Mined	dmt	3,458,401	5,310,390
Waste Mined	dmt	7,995,042	9,091,543
Total Mined	dmt	11,453,443	14,401,933
Waste:Ore Ratio	t:t	2.31	1.71
Ore grade Mined	Au g/t	0.54	0.58
Gold Mined	Au oz	60,292	98,545
Ore stacked	dmt	3,350,603	5,349,978
Gold Stacked	Au oz	53,583	94,701
Silver Produced	Ag oz	22,858	61,973
Gold Produced	Au oz	38,174	66,784
Average Sales Price	USD/ Au oz	1,237	1,292
Mining Cost/t Moved	US$/t	$2.15	$2.56
Mining Cost/t Ore	US$/t	$7.11	$6.94
Process Cost/t Ore	US$/t	$6.45	$7.06
G+A Cost/t Ore	US$/t	$1.44	$1.27
Total Cost/t Ore	US$/t	$15.00	$15.27

The directors present their report together with the financial report of the consolidated entity, being Lachlan Star Limited ("Company" or "Lachlan") and its subsidiaries ("consolidated entity" or "group"), at the end of and for the year ended 30 June 2015. Lachlan Star Limited is a listed public company incorporated and domiciled in Australia.

Directors

The names and details of the Company's directors in office at any time during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Scott Graeme Perry

Age 41. Appointed 9 September 2011. Appointed as Chairman 6 January 2014. Resigned 16 October 2014.

Mr Perry is the Chief Executive of Centerra Gold Inc, Previously he was President and Chief Executive Officer of Aurico Gold Inc. ("Aurico"), a TSX and NYSE listed company gold miner. He has a Bachelor of Commerce from Curtin University as well as a CPA designation. He commenced his career with Newmont Mining 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 was a member of the Audit Committee throughout the period under review until his resignation on 16 October 2014. During the past three years Mr. Perry has held the following listed company directorships:

AuRico Metals Inc.	From July 2015 to present

Declan Thomas Franzmann

Age 50. Appointed 26 September 2007.

Mr Franzmann is a mining engineer with more than 24 years mining experience. His previous experience includes operational and technical roles at underground and open pit mines throughout Australia, Asia and Africa. He operates a consulting company providing mine engineering services to a variety of companies and is presently President and Chief Executive Officer of TSX listed African Gold Group Inc.

During the past three years Mr. Franzmann has held the following listed company directorships:

African Gold Group Inc.	From May 2014 to present

Peter Drobeck

Age 63. Appointed 22 November 2012. Deceased 1 November 2017

Mr Drobeck is a practicing geologist with 36 years of professional experience focused on exploration, development, and near-mine exploration in the Americas, Asia, Europe and Africa. Past positions have included Sr. Vice-President of Exploration at AuRico Gold Inc., an intermediate gold producer with operations in Mexico, and Vice-President of Exploration at Electrum Ltd., a private exploration company dedicated to grass roots gold discovery world-wide. Mr Drobeck led the Newcrest Mining team in the 1990's that discovered the giant Caspiche porphyry gold deposit in Chile, and also led the NGEx Resources (formerly Tenke Mining) team in the 2000's that discovered the Filo del Sol Cu-Au-Ag deposit on the Chile – Argentina border, and related porphyry gold-copper deposits in the region.

Mr Drobeck has not held any listed company directorships in the last three years. Mr Drobeck was a member of the Audit Committee throughout the period under review.

Anthony James Cipriano

Age 51. Appointed 17 February 2014.

Mr Cipriano is a Chartered Accountant with 28 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 a member of and Chairman of the Audit Committee throughout the period under review. During the past three years Mr. Cipriano has held the following listed company directorships:

Liontown Resources Limited	From July 2014 to present

Peter Bartley Babin
Non-Executive Director

Age 63. Appointed 17 October 2014. Resigned 18 March 2015.

Mr Babin is an attorney admitted to practice in several of the United States, with more than 26 years' experience in the acquisition, disposition, financing and operations of precious metals mining projects and other natural resources projects. He was previously the Managing Director of DMC Newco Ltd, an unlisted Australian entity whose wholly-owned subsidiary, Compañia Minera Dayton (a Chilean mining company), was acquired by Lachlan Star Limited" on 24 December 2010.

Mr Babin was a member of the Audit Committee from 17 October 2014 to 18 March 2015. During the last three years Mr Babin has not held any listed company directorships.

Company Secretary

Mr Robert Anderson was appointed Company Secretary on 15 October 2007. Mr Anderson is a Chartered Accountant who has previously held company secretarial positions in both ASX-listed and private companies.

Principal activities

During the course of the 2015 financial year the consolidated entity's principal activities were directed towards mineral extraction, exploration and investment in the minerals sector until the appointment of Administrators on 13 February 2015. Please refer to the "*Appointment of Administrators and execution of Deed of Company Arrangement*" section in the Operating and Financial Review.

Environmental regulation and performance

The consolidated entity's exploration and mining activities were concentrated in Australia and Chile. Environmental obligations are regulated under both State and Federal Laws. No environmental breaches have been notified to the Company by government agencies during the year ended 30 June 2015.

Dividends

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the reporting period (2014: Nil).

Audit Committee

Names and qualifications of Audit Committee members

Members of the Committee during the period are set out below. Qualifications of Audit Committee members are provided in the Directors section of this directors' report.

Audit Committee meetings

The number of Audit Committee meetings and the number of meetings attended by each of the members during the reporting period are as follows:

	(a)	(b)
AJ Cipriano (Chairman)	3	3
SG Perry (until 16 October 2014)	2	2
PB Babin (from 17 October 2014 until 18 March 2015)	1	1
P Drobeck	3	3

(a) Number of meetings attended
(b) Number of meetings held during period of office

Identification of independent directors

The independent directors are identified in the Corporate Governance Statement section of this Annual Report as set out on pages 62 to 65.

Auditor's independence declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 19 and forms part of the directors' report for the financial year ended 30 June 2015.

Indemnity of directors and Company Secretary

Deeds of Access and Indemnity have been executed by the parent entity with each of the current directors and Company Secretary. The deeds require the Company to indemnify each director and the Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the director or Company Secretary pursuant to, or arising from or in any way connected with the director or Company Secretary being an Officer of the Company or its subsidiaries.

Significant changes in state of affairs

Please refer to the "*Appointment of Administrators and execution of Deed of Company Arrangement*" section in the Operating and Financial Review.

Remuneration report

The Remuneration Report is set out on pages 13 to 18 and forms part of this Directors' Report.

Insurance of directors and officers

During the financial year the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

Likely developments

Please refer to the "*Appointment of Administrators and execution of Deed of Company Arrangement*" section in the Operating and Financial Review.

Events subsequent to reporting date

The second meeting of creditors was held on Friday 7 August 2015. Creditors of the Company resolved that the Company should execute a DOCA in accordance with the terms of a DOCA Proposal which had been received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX Limited ("ASX") with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX will agree to the shares in the Company being reinstated to official quotation.

On 18 May 2016 the ASX provided in principle approval for the Company's securities to be reinstated to official quotation subject to the satisfaction of a number of conditions precedent (the "ASX Conditions Precedent") which are considered standard conditions for recapitalisations of this nature. The ASX has allowed until 13 February 2018 in order for the Company to comply with the ASX Conditions Precedent.

The above represents a key milestone in the recapitalisation of the Company pursuant to the DOCA. The DOCA proponent, Ascent, and the Deed Administrators are now progressing towards the satisfaction of the ASX Conditions Precedent, including, but not limited to, the preparation for a meeting of shareholders to seek approval of the Company's recapitalisation proposal.

The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company); and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

ASIC have re-extended the due date for lodgement of the Company's outstanding financial statements together with any full year or interim financial account lodgements subsequently falling due within the extension period, from 30 June 2016 to the earlier of 30 November 2017, with a further extension requested to 31 December 2017, or such time as the Company lodges a disclosure document with ASIC in connection with the issue of securities as contemplated by the Deed of Company Arrangement. ASIC have also extended the period within which the Company must hold its AGM to 31 January 2018.

Other than these no other matter or circumstance has arisen since 30 June 2015 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years (i) the consolidated entity's operations, or (ii) the results of those operations, or (iii) the consolidated entity's state of affairs.

Directors' meetings

The number of directors' meetings and the number of meetings attended by each of the directors of the Company during the reporting period are as follows:

	(a)	(b)
SG Perry (Chairman until his resignation as a director on 16 October 2014)	1	1
P Drobeck	5	5
DT Franzmann	4	5
AJ Cipriano	5	5
PB Babin (Chairman from his appointment on 17 October 2014 until his resignation as a director on 18 March 2015)	3	3

(a) Number of meetings attended
(b) Number of meetings held during period of office

Remuneration Committee

The Board considers that the Company is not currently of a size to justify the existence of a Remuneration Committee.

The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company. If the Company's activities increase in size, scope and/or nature the formation of a Remuneration Committee will be considered by the Board and implemented if appropriate.

The Board considers remuneration packages and policies applicable to the executive directors, senior executives, and non-executive directors. It is also responsible for share option schemes, incentive performance packages, and retirement and termination entitlements.

Non-audit services

The auditors did not provide any non-audit services during either the period under review or the corresponding period.

Operating and financial review

An operating and financial review of the consolidated entity for the financial year ended 30 June 2015 is set out on pages 3 to 7 and forms part of this Directors' Report.

Directors' interests

At the date of this report, the relevant interests of the directors in securities of the Company are as follows:

Name	Ordinary shares	Options over ordinary shares
DT Franzmann	1,126,820	-
AJ Cipriano	-	-
P Drobeck	-	-

Shares under option

The following unissued ordinary shares of the Company are under warrant / option:

Expiry date	Exercise price	Number 1/07/14	Issued	Expired / cancelled	Exercised	Number 30/06/15
25/11/14	$1.50	25,000	-	(25,000)	-	-
22/05/15	$2.10	100,000	-	(100,000)	-	-
22/05/15	$2.50	100,000	-	(100,000)	-	-
2/10/15	CDN$0.30	432,870	-	-	-	432,870
7/11/15	CDN$0.30	1,097,561	-	-	-	1,097,561
29/11/15	$0.25	1,200,000	-	(150,000)	-	1,050,000
27/11/16	$0.25		150,000	-	-	150,000
27/11/16	$0.125	-	2,300,000	(400,000)	-	1,900,000
		2,955,431	2,450,000	(775,000)	-	4,630,431

No options have been granted or exercised since the end of the reporting period. During the reporting period there was no forfeiture or vesting of options granted in previous periods.

Proceedings on behalf of the consolidated entity

No person has applied for leave to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Remuneration report

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

Principles used to determine the nature and amount of compensation

The Board determines remuneration policies and practices, evaluates the performance of senior management, and considers remuneration for those senior managers. The Board assesses the appropriateness of the nature and amount of remuneration on an annual basis by reference to industry and market conditions, and with regard to the consolidated entity's financial and operating performance.

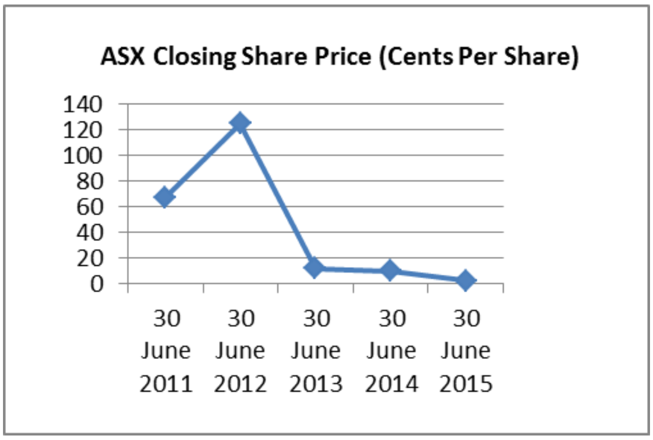
Total non-executive directors' fees are approved by shareholders and the Board is responsible for the allocation of those fees amongst the individual members of the Board. The value of remuneration is determined on the basis of cost to the Company and consolidated entity. Remuneration of directors and executives is referred to as compensation, as defined in Accounting Standard AASB 124, *Related Party Disclosures*.

Compensation levels for key management personnel of the Company and consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board obtains, when required, independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally.

Compensation arrangements include a mix of fixed and performance based compensation. A component of share-based compensation is awarded at the discretion of the Board, subject to shareholder approval when required. Compensation structures take into account the overall level of compensation for each director and executive, the capability and experience of the directors and senior executives, the executive's ability to control the financial performance of the relative business or geographical segment, the consolidated entity's performance (including earnings and the growth in share price), and the amount of any incentives within each executive's remuneration.

Given the focus was on the development of the CMD Gold Mine prior to the Company being placed in Administration the directors did not have regard to the consolidated entity's earnings in the current and previous three financial years in setting remuneration. No dividends were paid or declared during the current or previous three financial years. The Company's closing share price in A$ on ASX at 30 June for the last five years is set out in Figure 1 below, as adjusted for the 1 for 60 share consolidation in June 2011:

Figure 1 – Company Share Price (cents)



The Company's shares were suspended on ASX as at 30 June 2015.

Fixed compensation

Fixed compensation consists of base compensation as well as any employer contributions to superannuation funds. Base compensation may be supplemented by an element of equity based compensation.

Use of remuneration consultants

The Company did not engage remuneration consultants during the current or prior financial year.

Voting and comments made at the Company's Annual General Meeting

This Remuneration Report has not been submitted before shareholders at AGM as the Company is currently under a Deed of Company Arrangement. The Administrators have been granted an extension from the Australian Securities and Investments Commission to defer the next General Meeting to no later than 31 January 2018.

Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at a General Meeting in November 2001, is not to exceed $250,000 per annum. A non-executive director's base fee is $50,000 per annum.

Non-executive directors do not receive any performance related remuneration, however they are paid an hourly rate for work performed over and above their non-executive duties. Directors' fees cover all main Board activities and membership of Board committees. The Company does not have any terms or schemes relating to retirement benefits for non-executive directors. Non-executive directors receive share-based compensation at the discretion of the Board, and subject to approval by shareholders.

Service contracts

The Company is subject to a Deed of Company Arrangement and does not have any contracts with key management personnel.

Short-term bonus

Performance linked compensation is awarded when key management personnel have met the expectation of the Board which, as a whole, is responsible for the remuneration arrangements of the directors and executives of the Company. The short term bonus is an "at risk" bonus provided in the form of cash. The award of the cash bonus is at the Board's discretion.

Loans to and other transactions with key management personnel

Current trade and other payables of include $125,109 (2014: $271,399) to key management personnel in position at reporting date in respect of outstanding fees. These amounts are subject to review and approval by the Deed Administrators.

In the corresponding period the consolidated entity recharged $29,180 and was charged $25,614 on an arm's length basis to / from Nevada Iron Limited, a company of which Mr Michael McMullen was Chairman, for office rent, administration staff, and car parking. Mr McMullen resigned as a director of the Company on 6 April 2014.

The consolidated entity did not have any other loans or transactions with related parties during the current or prior year other than remuneration to directors and their related parties.

Directors' and other key management personnel remuneration, Company and consolidated entity

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named Company and consolidated entity key management personnel receiving the highest remuneration are set out on the following page.

Name	Short term salary and fees ($)	Share based payments - options ($)	Share based payments - shares ($)	Short term incentive (cash bonus) ($)	Termination ($)	Post- employment (superannuation contributions) ($)	Total ($)	Proportion of remuneration performance related (%)	Value of options as a % of remuneration (%)
Directors									
Non-Executive									
Mr SG Perry									
2015 (Resigned 16 October 2014)	44,375	-	-	-	-	-	44,375	-	-
2014	98,087	11,447	-	-	-	-	109,534	-	10.5%
Mr PB Babin									
2015 (appointed 17 October 2014, resigned 18 March 2015)	30,822	-	-	-	-	-	30,822	-	-
2014 (resigned 29 November 2013)	20,652	-	-	-	-	-	20,652	-	-
Mr P Drobeck									
2015	25,000	-	-	-	-	-	25,000	-	-
2014	50,000	11,447	-	-	-	-	61,447	-	18.6%
Mr AJ Cipriano									
2015	22,831	-	-	-	-	2,169	25,000	-	-
2014 (appointed 17 February 2014)	16,908	-	-	-	-	1,564	18,472	-	-
Mr DT Franzmann									
2015	25,000	-	-	-	-	-	25,000	-	-
2014	51,490	11,447	-	-	-	-	62,937	-	18.2%
Executive									
MJ McMullen									
2014 (Executive Chairman to 6 January 2014, non-executive director 7 January 2014 to 6 April 2014, resigned 6 April 2014) (1)	151,592	-	-	-	-	-	151,592	-	-
Executive Officers									
Mr U De Oliveira (Chief Executive Officer)									
2015 (Terminated 7 April 2015)	284,118	-	-	-	-	-	284,118	-	-
2014 (Chief Operating Officer to 30 September 2013)	338,687	19,078	30,000	107,128	-	-	494,893	21.6%	3.9%
Mr RA Anderson (CFO/Company Secretary)									
2015	155,538	-	-	-	-	-	155,538	-	-
2014	159,500	11,447	-	15,000	-	-	185,947	8.1%	6.2%
Total compensation: key management personnel (Company and consolidated entity)									
2015	587,684	-	-	-	-	2,169	589,853		
2014	886,916	64,866	30,000	122,128	-	1,564	1,105,474		

Notes (1) Amounts shown for Mr McMullen include all his remuneration for the period, either as an executive or non-executive director
(2) The above amounts include accrued amounts that may only become payable subject to funding received by the by the Deed Administrators under the Deed of Company Arrangement
(3) Director and other key management personnel fees are paid to the individual or their related entity

Share options

The movement during the reporting period in the number of options in Lachlan Star Limited held, directly, indirectly or beneficially by each key management person are as follows. All share options on issue at 30 June 2015 were vested and exercisable at that date.

Director	Held at 01/07/14 or date of appointment	Issued as compensation	Exercised	Cancelled / Expired	Held at 30/06/15 or date of resignation
P Drobeck	150,000	150,000	-	-	300,000
AJ Cipriano	-	300,000	-	-	300,000
DT Franzmann	150,000	150,000	-	-	300,000
PB Babin	-	-	-	-	-
SG Perry	150,000	-	-	-	150,000
Executive Officer					
RA Anderson	150,000	300,000	-	-	450,000
U De Oliveira	450,000	400,000	-	(600,000)	250,000

The following options over unissued ordinary shares of the Company were granted to key management personnel during the current and prior periods.

2015

Director	Expiry date	Exercise price	Date issued	Vesting date	Number
P Drobeck	27/11/16	$0.125	27/11/14	27/11/14	150,000
AJ Cipriano	27/11/16	$0.125	27/11/14	27/11/14	150,000
AJ Cipriano	27/11/16	$0.25	27/11/14	27/11/14	150,000
DT Franzmann	27/11/16	$0.125	27/11/14	27/11/14	150,000

Executive Officer	Expiry date	Exercise price	Date issued	Vesting date	Number
U De Oliveira	27/11/16	$0.125	27/11/14	27/11/14	400,000
RA Anderson	27/11/16	$0.125	27/11/14	27/11/14	300,000

2014

Director	Expiry date	Exercise price	Date issued	Vesting date	Number
MJ McMullen	29/11/15	$0.25	29/11/13	29/11/13	150,000
P Drobeck	29/11/15	$0.25	29/11/13	29/11/13	150,000
SG Perry	29/11/15	$0.25	29/11/13	29/11/13	150,000
DT Franzmann	29/11/15	$0.25	29/11/13	29/11/13	150,000

Executive Officer	Expiry date	Exercise price	Date issued	Vesting date	Number
U De Oliveira	29/11/15	$0.25	29/11/13	29/11/13	250,000
RA Anderson	29/11/15	$0.25	29/11/13	29/11/13	150,000

No options have been granted since the end of the financial year, nor have any options held by key management personnel been exercised during or since the end of the reporting period. During the reporting period there was no forfeiture or vesting of options granted in previous periods. Details of options that expired during the period are set out on page 12 of this report.

The fair value of options is calculated at the date of grant using the Black-Scholes Option Pricing Model. The following factors and assumptions were used in determining the fair value of options issued during the current and prior periods.

2015 Grant date	Expiry date	Fair value per option	Exercise price at issue date	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
27/11/2014	27/11/2016	$0.00	$0.125	$0.023	51.5%	4%	0%
27/11/2014	27/11/2016	$0.00	$0.25	$0.023	51.5%	4%	0%

2014 Grant date	Expiry date	Fair value per option	Exercise price at issue date	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
29/11/2013	29/11/2015	$0.08	$0.25	$0.20	78.8%	4%	0%

The movement during the current and prior reporting period, by value, of options over ordinary shares for key management personnel and granted as part of their remuneration is detailed below:

2015			Value of Options		
Director	Granted in year ($)	Exercised in year ($)	Forfeited in year ($)	Cancelled / expired in year ($)	Total value in year ($)
P Drobeck	-	-	-	-	-
SG Perry	-	-	-	(11,447)	(11,447)
DT Franzmann	-	-	-	-	-
AJ Cipriano	-	-	-	-	-
PJ Babin	-	-	-	-	-

			Value of Options		
Executive Officer	Granted in year ($)	Exercised in year ($)	Forfeited in year ($)	Cancelled / expired in year ($)	Total value in year ($)
U De Oliveira	-	-	-	(21,417)	(21,417)
RA Anderson	-	-	-	-	-

2014			Value of Options		
Director	Granted in year ($)	Exercised in year ($)	Forfeited in year ($)	Cancelled / expired in year ($)	Total value in year ($)
MJ McMullen	11,447	-	-	(11,447)	-
P Drobeck	11,447	-	-	-	11,447
SG Perry	11,447	-	-	-	11,447
DT Franzmann	11,447	-	-	-	11,447

			Value of Options		
Executive Officer	Granted in year ($)	Exercised in year ($)	Forfeited in year ($)	Cancelled / expired in year ($)	Total value in year ($)
U De Oliveira	19,078	-	-	-	19,078
RA Anderson	11,447	-	-	-	11,447

The value of options granted during the year is the fair value of the options at grant date using the Black-Scholes Option Pricing Model. The value of options exercised during the year is calculated as the market price of shares of the Company on ASX Limited as at close of trading on the date the options were exercised, after deducting the price paid to exercise the options.

Shares

The movement during the reporting period in the number of ordinary shares in Lachlan Star Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Director	Held at 01/07/14 or date of appointment	Net acquired / (disposed)	Granted as compensation	Held at 30/6/15 or date of resignation
DT Franzmann	1,126,820	-	-	1,126,820
SG Perry	314,055	-	-	314,055
P Drobeck	-	-	-	-
AJ Cipriano	-	-	-	-
PB Babin	3,322,384	-	-	3,322,384
Executive Officer				
RA Anderson	393,080	-	-	393,080
U De Oliveira	150,000	-	300,000	450,000

The following ordinary shares of the Company were granted to key management personnel during the period as part of their remuneration for no cash consideration.

2015

Executive Officer	Date issued	Vesting date	Number
U De Oliveira	27/11/14	27/11/14	300,000

2014

Executive Officer	Date issued	Vesting date	Number
U De Oliveira	29/11/13	29/11/13	150,000

Signed in accordance with a resolution of the directors.

Director

Perth, 19 December 2017

Auditor's Independence Declaration

As lead auditor for the audit of Lachlan Star Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
19 December 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	2015 $	2014 $
Revenue from continuing operations			
Revenue	2	55,518,857	94,917,266
Finance income		344	30,105
		55,519,201	94,947,371
Gain on sale of mining properties		3,779,489	-
Net gain on disposal of subsidiaries	4	32,015,449	-
Foreign exchange gain	4	2,171,184	826,222
Expenses			
Cost of sales	3	(63,911,468)	(93,127,220)
Cost of derivatives		-	(885,204)
Other expenses from ordinary activities			
Impairment loss	4	(36,703,972)	(10,853,402)
Corporate compliance and management		(1,526,730)	(1,802,967)
Share based payments expense		(30,830)	(295,167)
Occupancy costs		(7,279)	(49,872)
New venture expenditure written off		-	(9,784)
Other expenses		(46,477)	(90,234)
Finance expense	4	(751,234)	(2,183,861)
Administrator's fees and expenses		(290,609)	-
Fair value (loss) on liabilities carried at fair value		(960,447)	(76,274)
Loss before income tax		(10,743,723)	(13,600,392)
Income tax (expense)	6	-	(2,884,624)
(Loss) for the period	23 (c)	(10,743,723)	(16,485,016)
Other comprehensive (loss) for the period net of income tax			
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations		-	(723,179)
Exchange difference on disposal of subsidiaries		(6,361,587)	-
Total comprehensive (loss) for the period		(17,105,310)	(17,208,195)
		Cents	Cents
Basic (loss) per share	5	(6.7)	(12.5)
Diluted (loss) per share	5	(6.7)	(12.5)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	2015 $	2014 $
Current assets			
Cash and cash equivalents	20(b)	63,776	1,931,560
Trade and other receivables	8	55,479	3,481,022
Inventories	9	-	19,880,467
Total current assets		119,255	25,293,049
Non-current assets			
Trade and other receivables	8	-	250,911
Mine development properties	10	-	14,967,367
Property, plant and equipment	11	-	17,838,226
Exploration and evaluation	12	-	2,775,444
Total non-current assets		-	35,831,948
Total assets		119,255	61,124,997
Current liabilities			
Trade and other payables	14	965,715	21,201,742
Borrowings	18	-	7,710,103
Total current liabilities		965,715	28,911,845
Non-current liabilities			
Borrowings	18	-	11,490,437
Provisions	15	-	5,789,949
Total non-current liabilities		-	17,280,386
Total liabilities		965,715	46,192,231
Net (liabilities) / assets		(846,460)	14,932,766
Equity			
Contributed equity	23(a)	225,881,084	224,521,579
Reserves	23(b),(d)	176,978	6,571,986
Accumulated losses	23(c)	(226,904,522)	(216,160,799)
Total equity		(846,460)	14,932,766

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed equity $	Accumulated losses $	Share based payments reserve $	Foreign exchange reserve $	Total $
Balance at 30 June 2013 (Restated)	215,076,230	(199,675,783)	129,222	7,084,766	22,614,435
Other comprehensive income	-	-	-	(723,179)	(723,179)
(Loss) for the year	-	(16,485,016)	-	-	(16,485,016)
Total comprehensive (loss) for the year	-	(16,485,016)	-	(723,179)	(17,208,195)
Transactions with owners in their capacity as owners:					
Shares issued for cash	9,683,992	-	-	-	9,683,992
Share issue costs	(451,222)	-	-	-	(451,222)
Share based payments	212,579	-	81,177	-	293,756
Balance at 30 June 2014	224,521,579	(216,160,799)	210,399	6,361,587	14,932,766
Other comprehensive income	-	-	-	-	-
(Loss) for the year	-	(10,743,723)	-	(6,361,587)	(17,105,310)
Total comprehensive (loss) for the year	-	(10,743,723)	-	(6,361,587)	(17,105,310)
Transactions with owners in their capacity as owners:					
Shares issued for cash	1,308,104	-	-	-	1,308,104
Share issue costs	(12,850)	-	-	-	(12,850)
Share based payments	64,251	-	(33,421)	-	30,830
Balance at 30 June 2015	225,881,084	(226,904,522)	176,978	-	(846,460)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

For the restated consolidated statement of changes in equity refer to Note 1 (ad) and Note 29.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers and GST recovered		56,443,872	95,345,456
Payments to suppliers and employees		(53,263,036)	(83,882,462)
Interest received		-	31,015
Interest paid		(747,016)	(2,011,333)
Net cash flows from operating activities	20(a)	2,433,820	9,482,676
Cash flows from investing activities			
Sale of mining properties		3,778,762	-
Payments for acquisition of property, plant and equipment	11	(274,456)	(3,251,117)
Payments for mine development		(3,472,563)	(9,240,011)
Disposal of subsidiaries		426,017	-
Net cash flows generated from / (used in) investing activities		457,760	(12,491,128)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	23	1,308,104	9,683,992
Repayment of borrowings		(6,196,872)	(7,816,881)
Receipt of borrowings		-	778,220
Payment of share issue costs	23	(12,850)	(451,222)
Net cash flows (used in) /from financing activities		(4,901,618)	2,194,109
Net (decrease) in cash and cash equivalents		(2,010,038)	(814,343)
Effect of exchange rate fluctuations on cash held		142,254	(65,089)
Cash and cash equivalents at the beginning of the year		1,931,560	2,810,992
Cash and cash equivalents at the end of the year	20(b)	63,776	1,931,560

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

1. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Lachlan Star Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AASs") (including Australian Accounting Interpretations), as adopted by the Australian Accounting Standards Board ("AASB"), other authoritative pronouncements of the AASB, Urgent Issues Group Interpretations, and the Corporations Act 2001. Lachlan is a for-profit entity for the purposes of preparing the financial statements. Compliance with Australian Accounting Standards ensures that the consolidated financial report of Lachlan Star Limited complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The functional and presentation currency of the Company is Australian dollars. The financial report was authorised for issue by the Deed Administrator on 19 December 2017. Lachlan Star Limited is a company limited by shares, incorporated and domiciled in Australia.

Basis of measurement

The financial report is prepared on a historical cost basis as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

Going concern

The Company was delisted from the Toronto Stock Exchange on 25 March 2015 as a result of being placed into Administration.

The consolidated entity reported a net loss after taxation of $10,743,723 for the period and had a net current asset deficiency of $846,460 at balance date. The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe it is appropriate to prepare these accounts on a going concern basis because under the DOCA executed on 31 August 2015 the Company will, if wholly effectuated, extinguish all liabilities associated with the previous administration of the Company subject to the Conditions Precedents being satisfied and is in the process of undertaking a capital raising of a minimum of A$1,828,953 However, the Company is also in a net liability position as at 30 June 2015 and its ability to continue as a going concern is dependant on being able to raise additional funds to recapitalise the Company.

<u>Administration and Deed of Company Arrangement</u>

On 16 October 2014, the Company announced that it had agreed on a non-brokered private placement to Hamilton Place Associates LLC ("Hamilton") for proceeds of USD$1.14 million. Hamilton also agreed to a prepaid gold loan working capital facility to the Company's subsidiary CMD, with such working capital advance and associated terms and conditions to be finalised no later than 31 December 2014. This facility was dependent upon the Company having USD$4 million in cash and cash equivalents at 30 November 2014 and Hamilton's representatives having made a site visit to the CMD Gold Mine by that date.

As at 30 November 2014 the Company failed to meet the condition precedent of holding a minimum of USD$4 million cash as required by the working capital financing offer from Hamilton due to the temporary office closure of its customer Johnson Matthey on a public holiday, resulting in a payment not being received as expected. The Company did go on to meet the condition precedent with respect to the cash holding, albeit in the days after the required date.

On 2 January 2015 the Company announced that it remained in discussion with Hamilton regarding the availability of the working capital facility agreed to as part of the October 2014 share placement (refer Corporate above) however it noted that there was no assurance that additional financing would be available as and when required. The Company went on to advise that this, combined with a sustained gold price below USD$1,200 per ounce, may constitute material uncertainty with respect to the Company's and the Lachlan Star Group's ability to continue as a going concern.

1. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern (continued)

On 12 February 2015 the directors, other than Mr Peter Babin, concluded that the various Hamilton proposals were either too conditional or not capable of being progressed with an adequate degree of certainty and in a timeframe that would ensure the ongoing solvency of the Company and hence resolved to appoint Administrators on 13 February 2015. Matthew David Woods and Hayden Leigh White of KPMG were appointed joint and several Administrators of the Company pursuant to section 436A of the Corporations Act 2001 (Cth) ("the Act").

At the date of the Administrators appointment the Company's only secured creditor was Sprott Resource Lending Partnership ("Sprott"). Hamilton acquired the secured debt and associated security interests from Sprott on 19 February 2015. Hamilton took control of the shares in the Company's subsidiary DMC Newco Pty Ltd ("DMC"), the beneficial owner of the CMD Gold Mine, on 26 March 2015 and subsequently seized the DMC shares. On 17 April 2015 Hamilton transferred to itself 100% of the share capital of DMC in consideration for the forgiveness of its secured debt against the Company, thus gaining control of the Company's Chilean assets.

Following a public expressions of interest campaign the Administrators received five proposals from proponents to restructure and recapitalise the Company via a Deed of Company Arrangement ("DOCA"). Following a period of negotiation with each proponent the Administrators selected Ascent Capital Holdings Pty Ltd ("Ascent") as the preferred proponent based on the likely return to creditors as well as an assessment of the relative completion risk. The Ascent DOCA proposal contemplates the recapitalisation of the Company by way of a capital raising ("DOCA Proposal").

The DOCA proposal also provides a mechanism which allows for the Administrators to negotiate and resolve a number of potential further asset recoveries ("the Claims") during the DOCA period within a finite period of time. Should no resolution of the Claims occur within this specified timeframe, then the DOCA Proposal also outlines a number of conditions precedent when once achieved, the Deed Administrators will form either a Creditors' Trust or a Creditors and Members' Trust and become its Trustees and those Claims will be assigned to the Trust for the benefit of creditors and potentially members.

The Second Meeting of Creditors was held on Friday 7 August 2015. Creditors of the Company resolved that the Company should execute a DOCA in accordance with the terms of a DOCA Proposal which was received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX. The DOCA was executed on 31 August 2015. The DOCA Proposal is conditional on (amongst other things) shareholder approval.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX will agree to the shares in the Company being reinstated to official quotation.

On 18 May 2016 the ASX provided in principle approval for the Company's securities to be reinstated to official quotation subject to the satisfaction of a number of conditions precedent (the "ASX Conditions Precedent") which are considered standard conditions for recapitalisations of this nature. The ASX has allowed until 13 February 2018 in order for the Company to comply with the ASX Conditions Precedent.

The above represents a key milestone in the recapitalisation of the Company pursuant to the DOCA. The DOCA proponent, Ascent, and the Deed Administrators are now progressing towards the satisfaction of the ASX Conditions Precedent, including, but not limited to, the preparation for a meeting of shareholders to seek approval of the Company's recapitalisation proposal.

1. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern (continued)

The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company); and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

ASIC have re-extended the due date for lodgement of the Company's outstanding financial statements together with any full year or interim financial account lodgements subsequently falling due within the extension period, from 30 June 2016 to the earlier of 30 November 2017, with a further extension requested to 31 December 2017, or such time as the Company lodges a disclosure document with ASIC in connection with the issue of securities as contemplated by the Deed of Company Arrangement. ASIC have also extended the period within which the Company must hold its AGM to 31 January 2018.

<u>Recapitalisation of the company</u>

The DOCA outlines a number of conditions precedent when once achieved, the Deed Administrators will form either a Creditors' Trust or a Creditors and Members' Trust and become its Trustees.

The DOCA contemplates the following:

- Ascent acting as Proponent for a capital raising for the Company which will provide for a cash injection into the Trust of $675,000;
- The issue and allotment of 20,000,000 ordinary shares at a deemed issue price of 0.5 cents per share for the benefit of Creditors' claims into the Trust;
- The resolution or otherwise assignment of the Related Party Debt and Claims into the Trust;
- The Princhester and Bushranger assets to be retained by the Company to enable the Company to be reinstated on the ASX; and
- A consolidation of the issued capital of the Company on a 5:1 basis.

<u>Preparation of the financial report on a going concern basis</u>

As a result of the matters outlined above, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

1. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are:

(i) Impairment

AASB 136 requires a company to make a formal estimate of recoverable amount of an asset if an indicator of impairment is present.

On 12 February 2015 the directors, other than Mr Peter Babin, concluded that the various Hamilton proposals were either too conditional or not capable of being progressed with an adequate degree of certainty and in a timeframe that would ensure the ongoing solvency of the Company and hence resolved to appoint Administrators on 13 February 2015.

At the date of the Administrators appointment the Company's only secured creditor was Sprott. Hamilton acquired the secured debt and associated security interests from Sprott on 19 February 2015. Hamilton took control of the shares in the Company's subsidiary DMC, the beneficial owner of the CMD Gold Mine, on 26 March 2015 and subsequently seized the DMC shares. On 17 April 2015 Hamilton transferred to itself 100% of the share capital of DMC in consideration for the forgiveness of its secured debt against the Company, thus gaining control of the Company's Chilean assets. The directors determined to provide an impairment loss of 100% against the carrying value of the CMD gold mine property, plant and equipment and mine development costs in the Company's December 2014 interim financial report.

(ii) Provisions

The consolidated entity recognised a provision for environmental restoration. This provision has been measured based on management's estimates of the probable amount of resources that will be required to settle the obligation and the timing of settlement. Such estimates are subjective and there may be a future need to revise the book value of the provision as a result of changes in estimates.

(iii) Functional currency

Companies in the consolidated entity have to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that management has to analyse several factors, including which currency mainly influences sales prices of product sold by the entity, which currency influences the main expenses of providing services, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities.

For subsidiaries Compania Minera Dayton ("CMD"), Dayton Chile Exploraciones Mineras Limitada ("DCEM"), Minera Andacollo Spa, Minera La Laja Spa, and Minera Rosario Spa the above indicators are mixed and the functional currency is not obvious. Management used its judgment to determine which factors are most important and concluded the US dollar is the functional currency for those companies. For Lachlan Star Limited and its other subsidiaries management have determined that the Australian dollar is the functional currency for those companies given their recurring revenue and expenditure is mostly in Australian dollars.

1. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgements (continued)

(iv) Income taxes

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the group has recognised deferred tax assets relating to carried forward tax losses to the extent it is believed there will be sufficient future taxable profits against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of a subsidiary, which is not part of the tax consolidated group, to be able to satisfactorily substantiate its tax losses at the time they are recouped. It is believed the subsidiary tax losses can be substantiated.

(v) Recovery of ounces of gold in leach pad inventories

Management has estimated the recovery of gold in the leach pad at the CMD Gold Mine based on recovery rates experienced after the September 2000 shutdown. Management evaluate this estimate on an ongoing basis for any changes that may result in adjustments to the financial statements.

(vi) Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the consolidated entity's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. The group is required to determine and report ore reserves in Australia under the principles incorporated in the December 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.As the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the group's financial results and financial position in a number of ways, including recognition of deferred tax on mineral rights, deferred mining expenditure and capitalisation of mine development costs, impairment and units of production method of depreciation and amortisation.

(vii) Exploration and evaluation expenditure

Expenditure which does not form part of the cash generating units assessed for impairment has been carried forward in accordance with Note 1(e) on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the period in which it is incurred. Exploration expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the period in which the decision is made.

1. Significant accounting policies (continued)

(b) Recoverable amount of assets and impairment testing

Goodwill and assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired, by estimating their recoverable amount.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such an indicator exists, a formal assessment of recoverable amount is then made. Where this is less than carrying amount, the asset is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. Fair value less cost to sell is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating fair value less cost to sell, a post-tax discount rate is used which reflects the market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in profit or loss.

(c) Principles of consolidation

Subsidiaries

The consolidated financial report comprises the financial statements of the Company and its controlled entities. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to effect those returns through its power to direct the activities of the entity. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Where a subsidiary enters or leaves the consolidated entity during the year, its operating results are included or excluded from the date control was obtained or until the date control ceased. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those applied by the parent entity.

(d) Receivables

Trade and other receivables are initially stated at fair value and subsequently measured at amortised cost, less impairment losses. Trade receivables comprise amounts due from customers for metal sales in the ordinary course of business.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised within other expenses in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

1. Significant accounting policies (continued)

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the consolidated entity's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area or by its sale, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 1(b).

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine development properties.

(f) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities. Goodwill represents the excess of the cost of acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative it is recognised immediately in profit or loss.

Goodwill is not amortised and is subsequently measured at cost less accumulated impairment losses as determined in accordance with Note 1(b).

Goodwill is allocated to cash generating units for the purposes of impairment testing. The consolidated entity has one cash generating unit, the CMD Gold Mine in Chile.

(g) Earnings per share

The consolidated entity presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options granted.

(h) Share based payments

Fair value of shares and share options granted as compensation is recognised as an expense with a corresponding increase in equity. Fair value is measured at grant date and recognised over the period during which the grantees become unconditionally entitled to the shares or share options. Fair value of share grants at grant date is determined by the share price at that time. The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, any vesting and performance criteria, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. Upon the exercise of the option, the balance of the share-based payments reserve relating to the option is transferred to contributed equity. There are no non-market conditions attached to share options granted.

1. Significant accounting policies (continued)

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the consolidated entity. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the consolidated entity recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the consolidated entity's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(j) Income tax

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the profit or loss except where it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is considered probable.

1. Significant accounting policies (continued)

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), or in Chile Value Added Tax ("VAT"), except where the amount of GST (or VAT) incurred is not recoverable from the Australian or Chilean Tax Office. In these circumstances the GST (or VAT) is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST (or VAT). The cash flow statement discloses the GST (or VAT) component of investing and financing activities as operating cash flows.

(l) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits and termination indemnities arising from services rendered by employees to balance date.

(i)Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulated sick leave is recognized in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurement as a result of experience adjustments and changes in actual assumptions are recognized in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation in the form of options is measured using an option pricing model and is expensed or charged to contributed equity over the vesting period of the options with a corresponding credit to the share based payments reserve.

(iv) Termination Benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed or where there is a contractual liability. The liabilities for termination benefits are recognised as provisions. Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, but only where the effect of discounting is material. Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

1. Significant accounting policies (continued)

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

(o) Foreign currency

Functional and presentation currency

The functional currency of each of the consolidated entity's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance sheet date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in profit or loss.

Foreign operations

The financial performance and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at statement of financial position date
- income and expenses are translated at transaction date or average exchange rates for the period, whichever is more appropriate

Resulting exchange differences arising on translation of foreign operations are recognised in other comprehensive income and are transferred directly to the consolidated entity's foreign currency translation reserve as a separate component of equity. These differences are recognised in profit or loss upon disposal of the foreign operation.

1. Significant accounting policies (continued)

(p) Property, plant and equipment

Recognition and measurement

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial year in which they are incurred.

Impairment

The carrying amount of property, plant and equipment is reviewed whenever there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part. Impairment testing is carried out in accordance with Note 1(b).

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation and impairment

Depreciation on plant and equipment is calculated over the expected useful life to the economic entity commencing from the time the asset is held ready for use. The following useful lives are used in the calculation of depreciation:

- Mine Plant - units of production
- Head office fixtures and fittings - 3 to 5 years

Depreciation is calculated on a unit of production basis so as to write off costs in proportion to the depletion of estimated recoverable ounces.

Assets held under a finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in other profit or loss and other comprehensive income.

1. Significant accounting policies (continued)

(q) Borrowing costs

Borrowing costs comprise interest expense on borrowings, bank fees, the unwinding of the discount on deferred consideration and provisions, the fair value adjustment to a financial liability, and exchange gains / (losses) on foreign currency borrowings.

(r) Investments and other financial assets

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Initial fair value is inclusive of transaction costs except for financial assets and liabilities at fair value through profit and loss. Changes in fair value are either taken to the profit and loss or to an equity reserve (refer below). Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment losses. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(iii) Held-to-maturity investments

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Held-to-maturity investments are stated at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not included in any of the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity in an available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in other comprehensive income as gains and losses from investment securities.

1. Significant accounting policies (continued)

(s) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost. The amounts are unsecured and usually paid within 90 days of recognition.

(t) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period (refer Note 1(ad)).

(u) Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(v) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any estimated selling costs. Cost includes those costs incurred in bringing each component of inventory to its present location and condition.

Supplies and consumables

Mine operating supplies represent consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

Gold in process and doré

Gold in process and doré represents ounces of recoverable gold included in stockpiles, leach pads and the carbon recovery circuit and doré which has been produced but not sold at period end. Cost is determined using the weighted average cost method. The cost of gold in process comprises raw materials, direct labor, other direct costs and related production overheads including plant depreciation. It excludes borrowing costs.

1. Significant accounting policies (continued)

(w) Parent entity financial information

The financial information for the parent entity, Lachlan Star Limited, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Lachlan Star Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation

The Company and its wholly-owned Australian resident controlled entities have formed a tax-consolidated group and are therefore taxed as a single entity. Lachlan Star Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(x) Mine development properties

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, together with subsequent costs to develop the asset to the production phase. Where the directors decide that specific costs will not be recovered from future development, those costs are charged to profit or loss during the financial period in which the decision is made.

Depreciation of mine development properties is calculated on a unit of production basis so as to write off the costs in proportion to the depletion of estimated recoverable ounces.

Production phase stripping costs

Waste stripping costs incurred during the production stage of a pit are accounted for as costs of the inventory produced during the year that the waste stripping costs were incurred, unless these costs provide a future economic benefit. Production phase stripping costs generate a future economic benefit when the related waste stripping activity: (i) provides access to ore to be mined in the future; (ii) increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; (iii) increases the productive capacity or extends the productive life of the mine (or pit). For production phase stripping costs that generate a future economic benefit, the current year waste stripping costs are capitalised.

Depreciation of production phase stripping costs is calculated on a unit of production basis so as to write off the costs in proportion to the depletion of estimated recoverable ounces.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

1. Significant accounting policies (continued)

(z) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases which transfer to a lessee substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. Other lease agreements are treated as operating leases.

Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income except for borrowing costs related to the financing of assets constructed for own use (during the construction period). Capitalised leased assets used in mining operations are depreciated on a unit of production basis so as to write off the costs in proportion to the depletion of estimated recoverable ounces.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(aa) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Site restoration

Provisions for the cost of site restoration are recognised at the time that an environmental disturbance occurs or a constructive obligation is determined. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances as at the reporting date. Estimated costs included in the determination of the provision reflect the risks and probabilities of alternative estimates of cash flows required to settle the obligation. The expected rehabilitation costs are estimated based on the cost of external contractors performing the work or the cost of performing the work internally depending on management's intention.

The timing of the actual rehabilitation expenditure is dependent upon a number of factors including the currently approved life of the CMD Gold Mine and changes in local environmental regulations. Expenditures may occur before and after closure and can continue for an extended period of time depending on rehabilitation requirements. The site restoration provision is measured at the expected value of future cash flows, discounted to their present value. The unwinding of the discount is included in finance costs and results in an increase in the amount of the provision.

The provision is updated each year for the effect of a change in the discount rate and exchange rate, when applicable, and the change in estimate is added or deducted from the related asset and depreciated prospectively over the asset's useful life. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, those of the consolidated entity's environmental policies that give rise to a constructive obligation.

The capitalised cost of closure and rehabilitation activities is recognised in mine development properties and amortised in accordance with Note 1(x).

1. Significant accounting policies (continued)

(ab) Contingencies

Contingent liabilities are defined as possible obligations resulting from past events whose existence depends on future events, obligations that are not recognised because it is not probable that they will lead to an outflow of resources, or obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the statement of financial position other than as part of a business combination, but are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

(ac) Financial liabilities (including borrowings)

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through the profit or loss, borrowings, payables or as derivatives as hedging instruments in an effective hedge, as appropriate. The consolidated entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of borrowings, less directly attributable transaction costs. The subsequent measurement of financial liabilities depend on their classification.

After initial recognition, borrowings and payables are subsequently measured at amortised cost using the effective interest rate method or at fair value. Gains and losses are recognised in other comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm's length market transactions, references to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

(**ad) Change in Accounting Policies**

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from IFRIC 20* are effective 1 July 2013. IFRIC 20 (applied in Australia as Interpretation 20) sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. It states that these costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body, the costs relating to the improved access to that component can be measured reliably and it is probable that future economic benefits associated with the stripping activity (improved access to the ore body) will flow to the entity. The costs will be amortised over the life of the identified component of the ore body. This is different to the consolidated entity's previous accounting policy which was to capitalise stripping costs based on a combined pit waste-to-ore stripping ratio and amortise the costs over the life of the mine. IFRIC 20 has been applied prospectively to the Company's production stripping costs incurred on or after 1 July 2012 resulting in the restatement of comparatives for the year ending 30 June 2013.

For the year ended 30 June 2014 the adoption of this interpretation increased expenditure on mine development properties by US$2,550,000 and increased the CMD net profit before impairment loss and tax by US$110,000.

(ae) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. The consolidated entity does not expect that any adjustments will be necessary as the result of applying the revised standards and interpretations.

2. Revenue

	2015 $	2014 $
Sale of gold	55,473,155	93,783,157
Sale of silver (net of refining)	(69,402)	663,004
Sale of copper	115,104	471,105
	55,518,857	94,917,266

3. Cost of sales

Depreciation and amortisation	9,606,880	14,138,237
Inventory adjustments	(1,437,692)	(2,777,972)
Mine operational expenses including reagents, utilities, maintenance and personnel expenses	54,245,216	79,946,043
Royalties	1,497,064	1,820,912
	63,911,468	93,127,220

4. Expenses

Loss before income tax includes the following specific expenses:

Impairment loss		
Exploration and evaluation (i)	2,775,444	-
Property, plant and equipment (ii)	18,007,101	5,902,200
Mine development properties (ii)	15,921,427	4,951,202
	36,703,972	10,853,402
Finance costs		
Interest and finance charges	751,234	2,195,199
Exchange gains on foreign currency borrowings	-	(11,338)
	751,234	2,183,861
Rental expense relating to operating leases		
Minimum lease payments	-	49,730
Total rental expenses relating to operating leases	-	49,730
Foreign exchange gain		
Net foreign exchange gain included in finance costs	-	11,338
Net foreign exchange gain shown separately as foreign exchange gain	2,171,184	826,222
Total foreign exchange gain	2,171,184	837,560
Net gain on disposal of subsidiary	32,015,449	-

On 12 February 2015 the directors resolved to appoint Administrators. At the date of the Administrators appointment the Company's only secured creditor was Sprott Resource Lending Partnership ("Sprott"). Hamilton acquired the secured debt and associated security interests from Sprott on 19 February 2015. Hamilton took control of the shares in the Company's subsidiary DMC Newco Pty Ltd ("DMC"), the beneficial owner of the CMD Gold Mine, on 26 March 2015 and subsequently seized the DMC shares. On 17 April 2015 Hamilton transferred to itself 100% of the share capital of DMC in consideration for the forgiveness of its secured debt against the Company, thus gaining control of the Company's Chilean assets.

(i) An impairment loss of 100% was made against the carrying value of Bushranger exploration asset.
(ii) An impairment loss of 100% was made against the carrying value of the CMD gold mine property, plant and equipment and mine development costs totaling $33,928,528 was made in the Company's financial report for the 6 months ending 31 December 2014. As a consequence of this provision the disposal of the Company's Chilean assets during the 6 months ending 30 June 2015 resulted in a book gain on disposal of the Chilean assets of $32,015,449.

5. Earnings per share

	2015 Number	2014 Number
Weighted average number of ordinary shares:		
1 July	147,632,273	99,107,273
Weighted number of shares issued	12,349,475	32,623,218
30 June (basic)	159,981,748	131,730,491
30 June (diluted)	159,981,748	131,730,491
(Loss) attributable to ordinary shareholders for basic and diluted (loss) per share:	($10,743,723)	($16,485,016)
Basic and diluted loss per share (cents per share)	(6.7)	(12.5)

All potential ordinary shares, being options to acquire ordinary shares, are not considered dilutive in the calculation of the diluted 2015 and 2014 loss per share as the exercise of the options would not increase the loss per share.

6. Income tax benefit

	2015 $	2014 $
Numerical reconciliation of income tax expense / benefit to prima facie tax expense / benefit:		
Loss before income tax	(10,743,723)	(13,600,392)
Prima facie income tax benefit on pre-tax loss at the Australian income tax rate of 30% (2014: 30%)	(3,223,117)	(4,080,118)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments expense	9,367	88,369
Net gain on disposal of subsidiaries	(9,604,634)	-
Overseas related costs	-	10,991
	(12,818,384)	(3,980,758)
Difference in overseas tax rate	3,717,826	973,507
Prior year losses written off	-	2,578,234
Current year tax losses and temporary differences not brought to account	9,100,558	3,314,387
Income tax expense	-	2,885,370
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	-	18,315,060
Deductible temporary differences	-	7,593,234
	-	25,908,294
Income tax expense		
Current tax	-	-
Deferred tax	-	2,884,624
	-	2,884,624
Deferred income tax expense included in income tax (expense) / benefit comprises:		
Decrease in deferred tax assets	-	2,577,753
Increase / (decrease) in deferred tax liabilities	-	306,871
	-	2,884,624

7. Auditors' remuneration

	2015 $	2014 $
PricewaterhouseCoopers Australia		
Statutory audit and review:	6,750	115,133
Related practices of PricewaterhouseCoopers Australia		
Non statutory audit and review:	-	99,991
	6,750	215,124

8. Trade and other receivables

Current		
Trade receivables	-	1,848,229
Other receivables and prepayments - third parties	55,479	1,632,793
	55,479	3,481,022
Non-current		
Other receivables and prepayments - third parties	-	250,911
	-	250,911

Exposure to risk on trade and other receivables is set out in Note 28.

9. Inventories

Current		
Gold in process – at cost	-	16,098,789
Stockpiles - at cost	-	527,435
Doré – at cost	-	1,031,267
Copper concentrate– at cost	-	79,811
Consumables – at cost	-	2,143,165
	-	19,880,467

10. Mine development properties

Cost		
Balance at beginning of period	66,354,933	58,132,945
Effect of movements in exchange rates	17,966,386	(1,186,029)
Capitalised during the year	3,473,705	9,408,017
Disposal of subsidiaries	(87,795,024)	-
Balance at end of period	-	66,354,933
Accumulated amortization		
Balance at beginning of period	51,387,566	36,451,599
Amortisation	8,298,925	10,564,178
Impairment loss (refer Note 1(a)(i))	15,921,427	4,951,202
Effect of movements in exchange rates	12,187,106	(579,413)
Disposal of subsidiaries	(87,795,024)	-
Balance at end of period	-	51,387,566
Carrying amount at beginning of period	14,967,367	21,681,346
Carrying amount at the end of period	-	14,967,367

11. Property plant and equipment

	Fixture and fittings $	Vehicles $	Land and buildings $	Mine plant $	Total $
2015					
Cost:					
Balance at beginning of period	569,798	47,946	83,152	48,697,940	49,398,836
Effect of movements in exchange rates	117,622	11,194	19,400	11,362,362	11,510,578
Additions	-	-	-	274,456	274,456
Disposal of subsidiaries	(687,420)	(59,140)	(102,552)	(60,334,758)	(61,183,870)
Balance at end of period	-	-	-	-	-
Accumulated depreciation:					
Balance at beginning of period	178,496	47,946	-	31,334,168	31,560,610
Depreciation charge for period	12,298	-	-	1,732,045	1,744,343
Impairment loss (refer Note 1(a)(i))	465,792	-	-	17,541,309	18,007,101
Effect of movements in exchange rates	31,496	11,194	-	9,829,126	9,871,816
Disposal of subsidiaries	(688,082)	(59,140)	-	(60,436,648)	(61,183,870)
Balance at end of period	-	-	-	-	-
Carrying amount at beginning of period	391,302	-	83,152	17,363,772	17,838,226
Carrying amount at end of period	-	-	-	-	-
2014					
Cost:					
Balance at beginning of period	588,245	51,146	85,733	46,831,002	47,556,126
Effect of movements in exchange rates	(18,447)	(3,200)	(2,581)	(1,384,179)	(1,408,407)
Additions	-	-	-	3,251,117	3,251,117
Balance at end of period	569,798	47,946	83,152	48,697,940	49,398,836
Accumulated depreciation:					
Balance at beginning of period	154,272	51,146	-	22,000,431	22,205,849
Depreciation charge for period	30,412	-	-	4,110,749	4,141,161
Impairment loss (refer Note 1(a)(i))	-	-	-	5,902,200	5,902,200
Effect of movements in exchange rates	(6,188)	(3,200)	-	(679,212)	(688,600)
Balance at end of period	178,496	47,946	-	31,334,168	31,560,610
Carrying amount at beginning of period	433,973	-	85,733	24,830,571	25,350,277
Carrying amount at end of period	391,302	-	83,152	17,363,772	17,838,226

12. Exploration and evaluation

	2015 $	2014 $
Cost at beginning of period	7,990,484	7,990,484
Additions	-	-
Cost at end of financial period	7,990,484	7,990,484
Impairment provision	(7,990,484)	(5,215,040)
Carrying amount at end of period	-	2,775,444
Carrying amount at beginning of period	2,775,444	2,775,444

13. Deferred tax

The following deferred tax assets and liabilities have been brought to account and netted off in the statement of financial position.

	2015 $	2014 $
Deferred tax asset		
Equity raising costs	-	514,093
Tax losses	-	18,315,060
Impairment loss	-	11,340,000
Site restoration	-	775,741
Other	-	87,439
	-	31,032,333
Deferred asset not recognized	-	(25,908,139)
	-	5,124,194
Deferred tax liability		
Property plant and equipment	-	2,113,527
Mine properties	-	1,087,462
Inventories	-	1,923,206
	-	5,124,194
Net deferred tax asset	-	-

A reconciliation of the movement in the net deferred tax asset is a follows:

2015	Tax losses $	Site restoration $	Property plant and equipment $	Mine properties $	Inventories $	Total $
Opening	4,348,454	775,741	(2,113,527)	(1,087,462)	(1,923,206)	-
Disposal of subsidiaries	(4,348,454)	(775,741)	2,113,527	1,087,462	1,923,206	-
Closing	-	-	-	-	-	-
2014						
Opening	7,147,529	800,219	(1,864,923)	(1,121,421)	(1,985,477)	2,975,927
(Charged) / credited to profit or loss	(2,578,104)	-	(307,266)	-	-	(2,885,370)
Effect of movements in exchange rates	(220,971)	(24,478)	58,662	33,959	62,271	(90,557)
Closing	4,348,454	775,741	(2,113,527)	(1,087,462)	(1,923,206)	-

14. Trade and other payables

	2015 $	2014 $
Current		
Trade payables – third parties	317,734	14,498,011
Non-trade payables and accrued expenses – third parties	522,872	4,949,684
Non-trade payables and accrued expenses – related parties	125,109	271,399
Employee benefits	-	1,482,648
	965,715	21,201,742

These amounts will be verified to Proof's of Debt submitted by the creditors which are adjudicated by the Creditors' Trustee prior to making any distribution of funds.

Information about the consolidated entity's exposure to foreign exchange risk is provided in Note 28.

15. Provisions

	2015 $	2014 $
Non-current		
Site restoration:		
Balance at beginning of the period	5,041,715	5,034,691
Effect of movements in exchange rates	1,145,956	(161,204)
Change in estimate	-	168,228
Disposal of subsidiaries	(6,187,671)	-
Balance at end of the period	-	5,041,715
Termination:		
Balance at beginning of the period	748,234	908,381
Effect of movements in exchange rates	164,523	(24,206)
Change in provision	-	(135,941)
Disposal of subsidiaries	(912,757)	-
Balance at end of the period	-	748,234
Carrying value	-	5,789,949

16. Related party disclosures

Lachlan Star Limited is the ultimate parent entity.

The consolidated entity did not have any transactions with related parties during the period other than (i) remuneration to directors and other key management personnel, as disclosed in the Remuneration Report as set out on pages 13 to 18 (ii) the October 2014 share placement to Hamilton, a party associated with the former director Mr Peter Babin (iii) a retainer payable to the Company Secretary of $600 per week accruing from 28 March 2015, payable subject to funding obtained by the Deed Administrator.

In the corresponding period the consolidated entity recharged $29,180 and was charged $25,614 on an arm's length basis to / from Nevada Iron Limited, a company of which Mr Michael McMullen was Chairman, for office rent, administration staff, and car parking. Mr McMullen resigned as a director of the Company on 6 April 2014.

Amounts due from / to related parties are set out in Note 8 and Note 14 respectively. Amounts due to related parties are due in the normal course of business and have no interest terms attaching to them.

17. Capital commitments

There were no capital commitments at 30 June 2015 or 30 June 2014.

18. Borrowings

	2015	2014
Current	$	$
Bank loans – unsecured	-	646,014
Lending institution loans – secured	-	1,820,004
Other loans - vendors of the CMD Gold Mine – unsecured	-	46,166
Finance leases – secured	-	5,197,919
	-	7,710,103
Non-current		
Lending institution loans – secured	-	2,166,708
Finance leases – secured	-	9,323,729
	-	11,490,437
Financing arrangements		
Finance available		
Bank loans - unsecured	-	646,290
Lending institution loans – secured	-	3,986,436
Other loans - vendors of the CMD Gold Mine	-	46,166
Finance leases	-	14,521,648
Finance available at balance date	-	19,200,540
Facilities utilised at balance date		
Bank loans - unsecured	-	646,290
Lending institution loans – secured	-	3,986,436
Other loans - vendors of the CMD Gold Mine	-	46,166
Finance leases	-	14,521,648
Finance utilised at balance date	-	19,200,540

There were no unused finance facilities at 30 June 2015 or 30 June 2014.

Finance leases are secured by the assets to which they relate. Information about the consolidated entity's exposure to foreign exchange and interest rate risk is provided in Note 28.

Finance leases

Minimum lease payments		
Not later than one year	-	5,833,209
Later than one but not later than five years	-	9,835,128
Total future minimum lease payments	-	15,668,337
Less future finance charges	-	(1,146,689)
Present value of future minimum lease payments	-	14,521,648

Exposure to risk on borrowings is set out in Note 28. The Company complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods.

19. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of financial position	2015 $	2014 $
Current assets	99,386	1,380,409
Total assets	99,386	19,555,312
Current liabilities	966,457	2,455,973
Total liabilities	966,457	4,622,546
Equity		
Contributed equity	225,881,084	224,521,579
Share based payments reserve	176,978	210,399
Accumulated losses	(226,925,133)	(209,799,212)
Net (liabilities) / assets	(867,071)	14,932,766
Loss for the year	(17,125,921)	(17,208,591)
Total comprehensive loss for the year	(5,097,487)	(18,710,288)

The parent entity provided a non-binding letter of support dated 25 September 2014 to its subsidiary, Compañía Minera Dayton, advising of its intention to provide financial support to that company up until at least 25 September 2015. This letter of support was not called upon before 17 April 2015 when Hamilton transferred to itself 100% of the share capital of DMC, and therefore control of its subsidiary Compañía Minera Dayton, in consideration for the forgiveness of its secured debt against the Company.

The parent entity did not have any other contingent liabilities or capital commitments as at 30 June 2015 or 30 June 2014.

The Company and its wholly-owned Australian resident controlled entities have formed a tax-consolidated group and are therefore taxed as a single entity. Lachlan Star Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

20. Reconciliation of (loss) after income tax to net cash flows used in operating activities

(a) Cash flows generated from / (used in) operating activities

	2015 $	2014 $
(Loss) for the period after tax	(10,743,723)	(16,485,016)
Adjustment for non-cash items		
Foreign exchange	-	(244,461)
Net gain on disposal of subsidiaries	(32,015,449)	-
Impairment loss	36,703,972	10,853,402
Fair value loss / (gain) on liabilities carried at fair value	960,447	(200,201)
Non-cash interest expense	-	263,722
Depreciation and amortization	10,043,268	14,705,378
Share based payments expense	30,830	295,167
Inventory provision	-	(1,090,225)
Sale of mining properties	(3,779,489)	-
Changes in assets and liabilities:		
Decrease in receivables	1,977,600	510,873
Increase / (decrease) in payables	936,517	(2,836,177)
Decrease in deferred tax asset	-	2,884,926
(Decrease) / increase in provisions	(69,231)	31,423
(Increase) / decrease in inventories	(1,610,922)	793,865
Net cash inflows from operating activities	2,433,820	9,482,676

(b) Reconciliation of cash and cash equivalents

Cash at bank and at call	63,776	1,931,560

(c) Non cash financing and investing activities

The consolidated entity's exposure to interest rate risk is discussed in Note 28. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

21. Consolidated entities

Name	Country of incorporation	Ownership interest 2015	2014
Legal parent			
Lachlan Star Limited	Australia		
Legal subsidiaries			
Ord Investments Pty Ltd	Australia	100%	100%
Toodyay Uranium Pty Ltd	Australia	100%	100%
DMC Newco Pty Ltd	Australia	-	100%
Compañía Minera Dayton	Chile	-	99.99%
Dayton Chile Exploraciones Mineras Limitada	Chile	-	99.93%
Minera Andacollo Spa	Chile	-	100%
Minera La Laja Spa	Chile	-	100%
Minera Rosario Spa	Chile	-	100%

22. Events subsequent to reporting date

The second meeting of creditors was held on Friday 7 August 2015. Creditors of the Company resolved that the Company should execute a DOCA in accordance with the terms of a DOCA Proposal which had been received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX Limited ("ASX") with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX will agree to the shares in the Company being reinstated to official quotation. On 18 May 2016 the ASX provided in principle approval for the Company's securities to be reinstated to official quotation subject to the satisfaction of a number of conditions precedent (the "ASX Conditions Precedent") which are considered standard conditions for recapitalisations of this nature. The ASX has allowed until 13 February 2018 in order for the Company to comply with the ASX Conditions Precedent.

The above represents a key milestone in the recapitalisation of the Company pursuant to the DOCA. The DOCA proponent, Ascent, and the Deed Administrators are now progressing towards the satisfaction of the ASX Conditions Precedent, including, but not limited to, the preparation for a meeting of shareholders to seek approval of the Company's recapitalisation proposal.

The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company); and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

ASIC have re-extended the due date for lodgement of the Company's outstanding financial statements together with any full year or interim financial account lodgements subsequently falling due within the extension period, from 30 June 2016 to the earlier of 30 November 2017, with a further extension requested to 31 December 2017, or such time as the Company lodges a disclosure document with ASIC in connection with the issue of securities as contemplated by the Deed of Company Arrangement. ASIC have also extended the period within which the Company must hold its AGM to 31 January 2018.

Other than these no other matter or circumstance has arisen since 30 June 2015 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years (i) the consolidated entity's operations, or (ii) the results of those operations, or (iii) the consolidated entity's state of affairs.

23. Capital and reserves

(a) Contributed equity:

	2015 Number	2015 $	2014 Number	2014 $
Ordinary shares				
1 July	147,632,273	224,521,579	99,107,273	215,076,230
Issue of shares for cash	16,403,486	1,308,104	47,500,000	9,683,992
Costs of issue of shares	-	(12,850)	-	(451,222)
Share based payments	1,357,500	64,251	1,025,000	212,579
30 June	165,393,259	225,881,084	147,632,273	224,521,579

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 have been fully paid, have no par value, and the Company does not have a limited amount of authorised capital.

(b) Share based payments reserve

Movements in the share based payments reserve are set out in the statement of changes in equity on page 22. This reserve represents the fair value at grant of share options issued. The fair value is recognised as an expense over the vesting period. The reserve is reversed to contributed equity when shares are issued on exercise of the options or when the options are cancelled or expire.

(c) Accumulated losses

	2015 $	2014 $
1 July	(216,160,799)	(199,675,783)
(Loss) for the period	(10,743,723)	(16,485,016)
30 June	(226,904,522)	(216,160,799)

(d) Foreign exchange reserve

The foreign exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity. The movement in the foreign exchange translation reserve is set out in the statement of changes in equity on page 22.

24. Key management personnel disclosures

(a) Key management personnel compensation

	2015 $	2014 $
Short term benefits	587,684	1,009,044
Post-employment benefits	2,169	1,564
Share based payments	-	94,866
	589,853	1,105,474

The above amounts include accrued amounts that may only become payable subject to funding received by the by the Deed Administrators under the Deed of Company Arrangement

Detailed remuneration disclosures are provided in the Remuneration Report as set out on pages 13 to 18.

(b) Transactions with other related parties

In the corresponding period the consolidated entity recharged $29,180 and was charged $25,614 on an arm's length basis to / from Nevada Iron Limited, a company of which Mr Michael McMullen was Chairman, for office rent, administration staff, and car parking. Mr McMullen resigned as a director of the Company on 6 April 2014.

Current trade and other payables of $125,109 (2014: $271,394) were payable to key management personnel in position at reporting date in respect of outstanding fees and expenses. The admission of these current period liabilities are subject to assessment by the Deed administrators under the terms of the DOCA.

25. Segment information

(a) Description of segments

The consolidated entity reports one segment, being gold mining, exploration and evaluation, and corporate to the chief operating decision maker, being the board of Lachlan Star Limited, in assessing performance and determining the allocation of resources. In determining operating segments, the consolidated entity has had regard to the information and reports the chief operating decision maker uses to make strategic decisions regarding resources.

(b) Segment information provided to the board of directors

The Board of Directors assesses the performance of the segment based on financial performance indicators. Financial information for the segment is contained within the Operating and Financial Review as set out on pages 3 to 7. The consolidated entity derived 100% of its revenue from the sale of metals to one customer in one geographic region, Chile. The geographic location of non-current assets, other than deferred tax, is set out in the table below:

	2015 $	2014 $
Chile	-	33,053,743
Australia	-	2,778,205
	-	35,831,948

26. Contingent assets and liabilities

There were no contingent assets or contingent liabilities at 30 June 2015.

27. Share based payments

The number and weighted average exercise price of share options is as follows:

	2015			2014		
	Weighted average exercise price	**Number of options**	**Expiry date**	**Weighted average exercise price**	**Number of options**	**Expiry date**
Outstanding 1 July	$0.43	2,955,431		$1.26	7,758,488	
Expired / cancelled during the period	$0.75	775,000		$1.19	7,883,488	
Issued during the period	$0.13	2,450,000		$0.28	3,080,431	
Outstanding 30 June	$0.22	4,630,431		$0.43	2,955,431	
Outstanding at 30 June	$0.22	4,630,431		$0.43	2,955,431	
Outstanding 30 June	CDN$0.30	432,870	2/10/15	$1.50	25,000	25/11/14
	CDN$0.30	1,097,561	7/11/15	$2.10	100,000	22/05/15
	$0.25	1,050,000	29/11/15	$2.50	100,000	22/05/15
	$0.25	1,900,000	27/11/16	CDN$0.30	432,870	2/10/15
	$0.125	150,000	27/11/16	CDN$0.30	1,097,561	7/11/15
				$0.25	1,200,000	29/11/15

The fair value of services received in return for options for the consolidated entity is measured by reference to the fair value of share options granted using the Black-Scholes model, as set out below.

Fair value of share options and related assumptions	**2015**	**2014**
Fair value at measurement date	$Nil	$0.06 to $0.08
Share price at date of issue	$0.023	$0.20 to $0.24
Exercise price	$0.125 to $0.25	$0.25 to CDN$0.30
Expected volatility	51.5%	71.9% to 78.8%
Actual option life	24 months	24 months
Expected dividends	Nil	Nil
Risk-free interest rate	4%	4%
Share-based cost recognised	$Nil	$234,650

The current year volatility represents the Company's historic volatility over the twelve months to the time of issue and was intended to reflect the movement of the Company's share price volatility towards its peers as its assets mature. Further details of options issued to directors and executives are set out in the Remuneration Report on pages 13 to 18.

28. Financial risk management

The consolidated entity's activities expose it to credit risk, market risk (including interest rate risk, foreign exchange risk and price risk), and liquidity risk. This note presents qualitative and quantitative information about the consolidated entity's exposure to each of the above risks, its objectives, policies and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The consolidated entity's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in interest rates and exchange rates, however these risks are currently negligible. The consolidated entity uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and ageing analysis for credit risk.

There are no formal targets set for return on capital. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated entity. Exposure to credit risk is considered minimal but is monitored on an ongoing basis.

Cash transactions are limited to financial institutions considered to have a suitable credit rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position at balance date. The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure.

None of the receivables as at 30 June 2015 are past due or impaired.

The consolidated entity's maximum exposure to credit risk at the reporting date was:

	2015	**2014**
	$	**$**
Carrying amount:		
Cash and cash equivalents	63,776	1,931,560
Trade and other receivables	55,479	3,732,133
	119,255	5,663,693

28. Financial risk management (continued)

(b) Market risk

(i) Cash flow and fair value interest rate risk

The significance and management of the risks to the consolidated entity is dependent on a number of factors including:

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

The risk is managed by the consolidated entity maintaining an appropriate mix between fixed and floating rate investments.

The consolidated entity's exposure to interest rate risk is considered minimal. The effective interest rates of financial assets and financial liabilities with interest obligations at the reporting date are as follows.

	Variable rate instruments at call 2015 ($)	Fixed rate instruments 2015 ($)	Weighted average interest rate 2015	Variable rate instruments at call 2014 ($)	Fixed rate instruments 2014 ($)	Weighted average interest rate 2014
Financial assets						
Cash and cash equivalents	63,776	-	-	1,931,560	-	0.06%
Financial liabilities						
Borrowings	-	-	-	575,029	14,592,908	6.34%

The values above were the carrying amount of the consolidated entity's interest bearing financial instruments at 30 June 2015 and 30 June 2014.

Sensitivity analysis

A 10% increase or decrease in the weighted average year-end interest rate of variable rate instruments, being nil basis points (2014: 25 basis points), would have increased / (decreased) equity by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014:

	2015 $	2014 $
(Decrease) / Increase		
Profit and loss	-	(5,987)
Increase / (Decrease)		
Profit and loss	-	5,987

28. Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk

Up until the disposal of the CMD Gold Mine the consolidated entity was exposed to foreign exchange risk on metal sales proceeds and mining costs which are quoted in currencies (US$ and Chilean Peso) other than the functional currency of the Company, being the A$. The consolidated entity did not hedge this risk, however it monitored these exchange rates so that this currency exposure was maintained at an acceptable level. There was a natural hedge in place to the extent US$ costs are covered by US$ revenues.

The major exchange rates relevant to the consolidated entity were as follows. Current year rates are shown at 31 March 2015 as that approximates the effective date of the disposal of the CMD Gold Mine for which these foreign exchange rates are most relevant.

	Average 9 months ended 31 March 2015	**As at 31 March 2015**	**Average year ended 30 June 2014**	**As at 30 June 2014**
A$ / US$	0.853	0.769	0.918	0.944
A$ / CDN$	0.971	0.985	0.983	1.007
US$ / Peso	600	627	533	552
A$ / Peso	512	479	489	521

The consolidated entity's exposure to foreign exchange risk at statement of financial position date was as follows, based on carrying amounts in A$:

2015

	A$	**US$**	**Peso**	**CDN$**	**Totals A$**
Cash and cash equivalents	63,776	-	-	-	63,776
Trade and other receivables	55,479	-	-	-	55,479
Trade and other payables	(943,211)	-	-	(22,504)	(965,715)
	(823,956)	-	-	(22,504)	(846,460)

2014

	A$	**US$**	**Peso**	**CDN$**	**Totals A$**
Cash and cash equivalents	937,163	137,940	497,872	358,585	1,931,560
Trade and other receivables	85,647	2,081,520	1,557,341	7,625	3,732,133
Borrowings	-	(17,227,568)	(1,972,972)	-	(19,200,540)
Provisions	-	(5,065,935)	(724,014)	-	(5,789,949)
Trade and other payables	(411,084)	(79,449)	(20,611,806)	(99,403)	(21,201,742)
	611,726	(20,153,492)	(21,253,579)	266,807	(40,528,538)

Sensitivity analysis

Had the Australian dollar weakened / strengthened by 10% against the US dollar for the 9 months ended and as at 31 March 2015, with all other variables held constant, the group's post-tax (loss) for that period would not have changed (2014: $1,403,279 million higher / $1,148,028 million lower) and its foreign currency exchange reserve would remain as $Nil (2014: $2.96 million higher / $2.42 million lower). Comparative figures are as at and for the 12 months ended 30 June 2014.

28. Financial risk management (continued)

(b) Market risk (continued)

(iii) Price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the consolidated entity's commodity output, being mainly gold, which is denominated in US$. This risk has not been hedged in the current reporting period.

The terms of the Sprott Facility were amended in June 2014 such that the CDN$3.75 million outstanding balance of the Facility was converted to a gold loan. Monthly principal and interest payments were replaced by a monthly gold loan payment based on a fixed number of gold ounces multiplied by the monthly closing gold price. At the date of the Administrators appointment the Company's only secured creditor was Sprott. Hamilton acquired the secured debt and associated security interests from Sprott on 19 February 2015.

The consolidated entity is not exposed to equity securities price risk at 30 June 2015 or 30 June 2014.

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as and when they fall due. The consolidated entity'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.

The following are the contractual maturities of consolidated financial liabilities:

	2015	**2014**
	$	**$**
Trade and other payables:		
Carrying amounts	965,715	21,201,742
Contractual cashflows	965,715	21,201,742
Payable 6 months or less	965,715	21,201,742
Borrowings		
Carrying amounts	-	19,200,540
Contractual cashflows	-	20,420,826
Payable 6 months or less	-	4,495,074
6 to 12 months	-	3,972,338
1 to 5 years	-	11,953,414

(d) Fair values

The carrying amounts of consolidated financial assets and financial liabilities shown in the statement of financial position approximate their fair values. The basis for determining fair values is disclosed in Note 1(r).

AASB 13 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

28. Financial risk management (continued)

(d) Fair values (continued)

The following table presents the group's financial liabilities measured and recognised at fair value. There were no financial assets measured and recognised at fair value at 30 June 2015 or 30 June 2014.

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial liabilities				
Borrowings	-	-	-	-
	-	-	-	-

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial liabilities				
Borrowings	-	3,985,782	46,222	4,032,004
	-	3,985,782	46,222	4,032,004

The Level 2 borrowings in the comparative period was a gold loan payable to Sprott which had a fair value based on the forward price of gold discounted at period end, and Level 3 borrowings comprised contingent consideration payable for the CMD Gold Mine which has a fair value determined using discounted cash flow analysis.

At the date of the Administrators appointment in February 2015 the Company's only secured creditor was Sprott. Hamilton acquired the secured debt and associated security interests from Sprott on 19 February 2015. Hamilton took control of the shares in the Company's subsidiary DMC Newco Pty Ltd ("DMC"), the beneficial owner of the CMD Gold Mine, on 26 March 2015 and subsequently seized the DMC shares. On 17 April 2015 Hamilton transferred to itself 100% of the share capital of DMC in consideration for the forgiveness of its secured debt against the Company, thus gaining control of the Company's Chilean assets.

The following table presents the change in value of these instruments:

2015	**Contingent consideration**	**Gold loan**	**Total**
	$	**$**	**$**
Opening balance	46,222	3,985,782	4,032,004
Fair value (gain) / loss	(10,000)	166,725	156,725
Repayment of borrowings	(24,447)	(1,176,089)	(1,200,536)
Foreign exchange	-	803,702	803,702
Liability settled on disposal of subsidiary	(11,775)	(3,780,120)	(3,791,895)
Closing balance	-	-	-

2014	**Contingent consideration**	**Gold loan**	**Total**
	$	**$**	**$**
Opening balance	306,354	-	306,354
Additions	-	3,710,271	3,710,271
Fair value (gain) / loss	(200,298)	275,511	75,213
Repayment of borrowings	(47,925)	-	(47,925)
Accretion	3,100	-	3,100
Foreign exchange	(15,009)	-	(15,009)
Closing balance	46,222	3,985,782	4,032,004

29. Changes In Accounting Policies

The International Accounting Standards Board published IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* on 19 October 2011, applicable in Australia as Interpretation 20. The interpretation, which is applicable to the Company for the financial period commencing 1 July 1 2013, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The main requirements of the interpretation are as follows:

- Waste removal costs (stripping costs) incurred in the production phase of a surface mine are accounted for in accordance with IAS 2 *Inventories* to the extent they relate to current period production.
- Production stripping costs are recognized as a non-current asset (“stripping activity asset”) if all the following criteria are met (i) it is probable that future economic benefits will flow to the entity (ii) the entity can identify the component of the ore body to which access has been improved (iii) the costs incurred can be measured reliably. The stripping activity asset is amortised over the useful life of the component of the ore body to which access has been improved.
- When the costs of a stripping activity asset versus current period inventory are not separately identifiable, costs are allocated based on a production method.
- Application of the interpretation is on a prospective basis, with transitional adjustments being recognized in opening retained earnings.

The interpretation must be applied retrospectively and the group has to write off existing stripping cost asset balances to retained earnings on the date of transition, unless they relate to an identifiable component of the ore body. The impact of this change in accounting policy on the financial statements as at the beginning of the immediately preceding comparative period is as follows:

	Contributed equity $	**Accumulated losses $**	**Share based payments reserve $**	**Foreign exchange reserve $**	**Total $**
Balance at 1 July 2013 (Audited)	215,076,230	(200,403,237)	129,222	7,812,220	22,614,435
Change in accounting policy IFRIC 20	-	727,454	-	(727,454)	-
Balance at 1 July 2013 (Restated)	215,076,230	(199,675,783)	129,222	7,084,766	22,614,435

(1) In the opinion of the directors of Lachlan Star Limited:

(a) the financial statements and notes set out on pages 20 to 58 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

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

(b) subject to Note 1(a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001.*

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors.

Director

Perth, 19 December 2017

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

Report on the financial report

We were engaged to audit the accompanying financial report of Lachlan Star Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Lachlan Star Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Because of the matter described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independence

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

Basis for disclaimer of opinion

On 17 April 2015, in settlement of a secured debt, the company transferred to its creditor, its interest in DMC Newco Pty Ltd (DMC) which was the beneficial owner of the CMD Gold Mine. The entire consolidated revenue of $55,518,857 and over 90% of the consolidated comprehensive loss of the consolidated entity of $17,105,310 for the year relates to DMC. We were not granted access to management and the auditors of DMC, including DMC's auditors' audit documentation. As a result, we were unable to determine whether any adjustments were necessary in respect of DMC's income and expenses for the year and its elements making up the statement of changes in equity and consolidated statement of cash flows.

Note 1(a) also indicates that the consolidated entity incurred a net loss after tax of $10,743,723 during the year ended 30 June 2015, and as of that date, had a net current asset deficiency of $846,460. As a result the consolidated entity is dependent on successfully raising additional funding. These conditions, along with other matters set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a

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going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Disclaimer of opinion

Because of the significance of the matter described in the *Basis for disclaimer of opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

Report on the Remuneration Report

We were engaged to audit the remuneration report included in pages 13 to 18 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Disclaimer of opinion

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the remuneration report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
19 December 2017

Introduction

Lachlan Star Limited had in place corporate governance practices that are formally embodied in corporate governance policies and codes adopted by the Board (“the Policies”). The aim of the Policies was to ensure that the Company is effectively directed and managed, that risks are identified, monitored and assessed and that appropriate disclosures are made.

In preparing the Policies, the directors considered the ASX Corporate Governance Council’s “Corporate Governance Principles and Recommendations” (“ASX Principles”). The Board has adopted these ASX Principles, subject to the departures noted below.

The directors incorporated the ASX Principles into the Policies to the extent that they were appropriate, taking into account the Company’s size, the structure of the Board, its resources and its proposed activities. The Board has adopted the following Policies.

Statement and Charters

- Corporate Governance Statement
- Board Charter
- Audit Committee Charter

Policies and Procedures

- Code of Conduct
- Trading in Company Securities
- Shareholder Communication Strategy
- Continuous Disclosure Policy
- Safety Policy
- Environmental Policy

The Company was placed into Administration on 13 February 2015 from which date the management of the Company fell to the Administrators. The disclosures in this Corporate Governance Statement relate to the period 1 July 2014 to 13 February 2015 unless stated otherwise.

The Company’s corporate governance policies are available on the Company’s website at www.lachlanstar.com.au .

Skills, experience, expertise and term of office of each director

A profile of each director containing the applicable information is set out in the directors' report.

Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Number of Audit Committee meetings and names of attendees

The number of Audit Committee meetings and names of attendees is set out in the directors' report.

Names and qualifications of Audit Committee members

The names and qualifications of Audit Committee members are set out in the directors’ report.

Explanations for departures from best practice recommendations

From 1 July 2014 to 13 February 2015 (the "Reporting Period") the Company complied with each of the eight Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than as set out below:

Principle Reference	**Recommendation Reference**	**Notification of Departure**	**Explanation for Departure**
1	1.5	The Company does not have a diversity policy.	The Board is confident that its recruitment practices result in the employment of the most suitable candidates without discriminating unfairly against any potential employee on the basis of gender, age, ethnicity, culture, or on any other basis.
2	2.1	A separate Nomination Committee has not been formed	The Board considers that the Company is not currently of a size to justify the formation of a Nomination Committee. The Board as a whole undertakes the process of reviewing the skills base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
2	2.4	From 17 October 2014 to 18 March 2015 a majority of the board were not independent directors.	The Board considers that it was of an effective composition, size and commitment to adequately discharge its responsibilities and duties during this period. The resignation of a director rectified this position.
2	2.5	From 17 October 2014 to 18 March 2015 the Chairman was not independent	The Board considered that the Company was not of a size or complexity that required an independent Chairman during this period. The Company has not appointed a Chairman since 18 March 2015 as it is currently under Administration.
6	6.3	The Company has not adopted a policy to encourage participation at meetings of security holders	The Board considers that shareholders currently receive both the information and adequate notice to participate at meetings of security holders.
7	7.1, 7.2	The Company does not have a Risk Committee	The Board considers that it was of an effective composition, size and commitment to adequately discharge its responsibilities and duties during this period, however no formal review of the risk management framework occurred during the period.

Explanations for departures from best practice recommendations (continued)

Principle Reference	Recommendation Reference	Notification of Departure	Explanation for Departure
7	7.3	The Company does not have an internal audit function	The Board considers that the Company is not currently of a size to justify the formation of an internal audit function. The Board considers that it, in conjunction with the CFO, was of an effective composition, size and commitment to adequately discharge its responsibilities and duties during this period.
8	8.1	A separate Remuneration Committee has not been formed	The Board considers that the Company is not currently of a size to justify the formation of a Remuneration Committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company.

Performance evaluation of the Board, its committees and senior executives

The Board reviews and evaluates the performance of the Board and its committees, which involves consideration of all the Board's key areas of responsibility. A performance evaluation of senior executives was not undertaken during the year by the Chairman.

Material business risks

Management has not reported to the Board as to the effectiveness of the Company's management of its material business risks.

Company's remuneration policies

The Company's remuneration policies are set out in the Remuneration Report on pages 13 to 18.

The Company has separate remuneration policies for executive and non-executive directors. Non-executive directors receive a fixed fee and, when appropriate, share options. Executive directors receive a salary or fee and, when appropriate, performance based remuneration, shares and share options. The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

Identification of independent directors

The Company's independent directors were considered to be Mr Anthony Cipriano, Mr Peter Drobeck and Mr Scott Perry. Mr Perry resigned on 16 October 2015. These directors were not considered to have a material relationship with the Company or another group company during the Reporting Period as professional advisor, consultant, supplier, customer, or through any other contractual relationship, nor did they have any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company. The Board considers "material" in this context to be where any director related business relationship represents the lesser of at least 5% of the Company's or the director-related business revenue.

Mr Franzmann is not considered an independent director as he has held an executive position in the Company within the last three years.

Equity based remuneration schemes

The Board has adopted a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The Company requires all executives and directors to sign annual statements of compliance with this policy throughout the period.

Gender diversity

As at 30 June 2015 the proportion of males and females employed by the group was as follows:

	Male	Female	Total	% Female
Directors	3	0	3	100%
Other	0	0	0	0%
Total	3	0	3	100%

Director skills and diversity

The Board seeks to appoint directors with a suitable skill set for the operations and geographic regions in which the Company operates. Appointments are considered without discriminating unfairly against any potential director on the basis of gender, age, ethnicity, culture, or on any other basis.

Additional information required by the ASX Limited ("ASX") Listing Rules and not disclosed elsewhere in this report is set out below.

a) Shareholdings as at 13 November 2017

Substantial shareholders

The following shareholders have lodged substantial shareholder notices with ASX:

Name of Shareholder	Number of shares	% held
Sentry Investments Inc., Sentry Capital Corp, Sean Driscoll	26,430,382	16.0%
Sprott Asset Management LP	21,777,733	13.1%
Baker Steel Capital Managers LLP	17,393,457	10.5%
Hamilton Place Associates LLC	16,403,486	10.0%
James W Stuckert	8,820,850	5.3%

Voting Rights

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

Twenty Largest Shareholders

		Number of shares	% held
1.	Canadian Register Control	128,473,199	77.68
2.	National Nominees Limited	11,316,310	6.84
3.	HSBC Custody Nominees (Australia) Limited	6,875,980	4.16
4.	J P Morgan Nominees Australia Limited	3,540,259	2.14
5.	BNP Paribas Noms Pty Ltd <DRP>	1,892,167	1.14
6.	HSBC Custody Nominees (Australia) Limited - A/C 3	600,000	0.36
7.	Citicorp Nominees Pty Limited	580,589	0.35
8.	Ubirata De Oliveira	450,000	0.27
9.	Zero Nominees Pty Ltd	367,712	0.22
10.	Mr Hamish Bohannan + Ms Julie Bohannan <Putsborough Super Fund A/C>	347,348	0.21
11.	Hyndford Holdings Pty Ltd	297,846	0.18
12.	Ms Chongchit Cooper <Cooper Fund A/C>	274,735	0.17
13.	Markyle Pty Ltd <SG Butler Family A/C>	253,930	0.15
14.	Guido Osvaldo Rojas Fuenzalida	250,000	0.15
15.	Merrill Lynch (Australia) Nominees Pty Limited	228,818	0.14
16.	Mr Thomas Ernest Duckworth + Mrs Jennifer Audrey Duckworth <Superannuation A/C>	220,989	0.13
17.	Object ID Design Pty Ltd <Armageddon Super Fund A/C>	208,334	0.13
18.	Monex Boom Securities (HK) Ltd <Clients Account>	203,266	0.12
19.	Mr Robert Andueza + Mrs Cindy Andueza <Andueza S/F A/C>	200,000	0.12
20.	Mr Gabriel Urra Castillo	195,000	0.12
	Total	**156,776,482**	**94.78**

a) Shareholdings as at 13 November 2017 (continued)

Distribution of equity security holders

Size of Holding			Number of shareholders	Number of fully paid shares
1	to	1,000	803	175,593
1,001	to	5,000	339	877,983
5,001	to	10,000	78	577,694
10,001	to	100,000	119	4,249,603
100,001	and over		40	159,512,386
			1,379	165,393,259

The Company is currently under Administration and its shares suspended from trading on ASX, therefore no shareholders are considered to have a marketable parcel of ordinary shares at this time.

b) Unlisted option holdings as at 13 November 2017

Nil

c) On-market buyback

There is no current on-market buyback.

d) Interest in mining and exploration permits

Exploration / Mining Lease	Location	% interest
ML 5831	Princhester, Queensland	100%
ML 5832	Princhester, Queensland	100%
EL 5574	Bushranger, New South Wales	Net Smelter Royalty