

# **LACHLAN STAR LIMITED**

**ABN 88 000 759 535**

**INTERIM FINANCIAL REPORT**

**31 DECEMBER 2019**

## **CORPORATE DIRECTORY**

### **Directors**

K Eckhof  
G Steinepreis  
B Aylward  
D Smith

### **Company Secretary**

D Smith

### **Auditors**

Bentleys Audit and Corporate (WA) Pty Ltd  
London House Level 3, 216 St Georges Terrace  
Perth WA 6000

### **Bankers**

Westpac Banking Corporation  
Level 13 109 St Georges Terrace  
Perth, WA, 6000

### **Registered Office**

Level 1, 33 Ord Street  
West Perth WA 6005  
Telephone: +61 89420 9300  
Facsimile: +61 89420 9399

### **Share Registries**

Computershare Investor Services Pty Limited  
Level 11  
172 St Georges Terrace  
Perth WA 6000

Investor Enquiries: 1300 850 505  
(within Australia)  
Investor Enquiries: +61 3 9415 4000  
(outside Australia)  
Facsimile: +61 3 9473 2500

### **Securities Exchange Listing**

Securities of Lachlan Star Limited are listed on ASX Limited.

ASX Code: LSA - ordinary shares

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## **DIRECTORS' REPORT**

The directors present their report consisting of Lachlan Star Limited ("Lachlan" or "Company") and the entities it controlled at the end of or during the half-year ended 31 December 2019 together with the consolidated financial report for the half-year ended 31 December 2019, and the independent review report thereon.

### **Directors**

The directors of the Company in office at any time during or since the end of the half-year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

G Steinepreis	(Non-Executive Chairman)
B Aylward	(Non-Executive Director)
D Smith	(Non-Executive Director)
K Eckhof	(Executive Director)

### **Corporate**

At the Company's Annual General Meeting held on 18 November 2019 all resolutions were passed on a show of hands.

### **Auditor's Independence Declaration**

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 8 and forms part of the directors' report for the half-financial year ended 31 December 2019.

### **Review of operations**

The consolidated entity's net loss after tax for the half-year ended 31 December 2019 was \$220,288 (2018: \$252,852 loss) after recognising corporate compliance and management costs of \$125,020 (2018: \$126,578).

## **PRINCHESTER MAGNESITE PROJECT – ML5831 AND ML5832 (100%)**

The Princhester Magnesite Project is located 85km northwest of Rockhampton, Queensland and comprises two granted Mining Leases (ML), ML5831 and ML5832. The ML's are close to the Bruce Highway and are within 2 kilometres of the main north coast railway line (**Figure 1**).



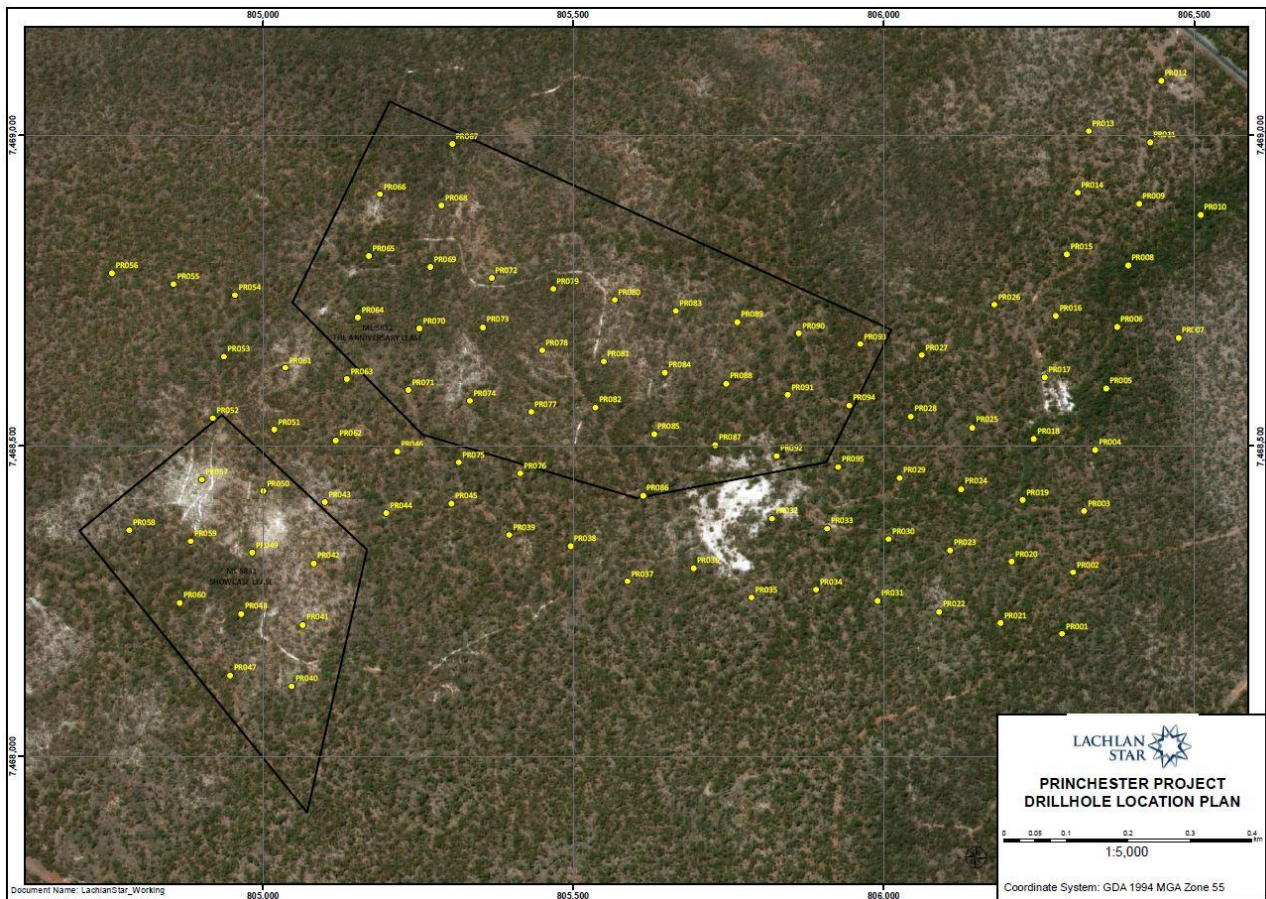
Figure 1: Location of Princhester Project, Queensland

During the reporting period the the Company has been in discussions with the relevant land owners and the Queensland Department of Natural Resources, Mines and Energy (DNRME) regarding proposed work and access requirements, for the planned program of verification sampling and extension sampling. The field visit planned for the December quarter was delayed due to logistical constraints.

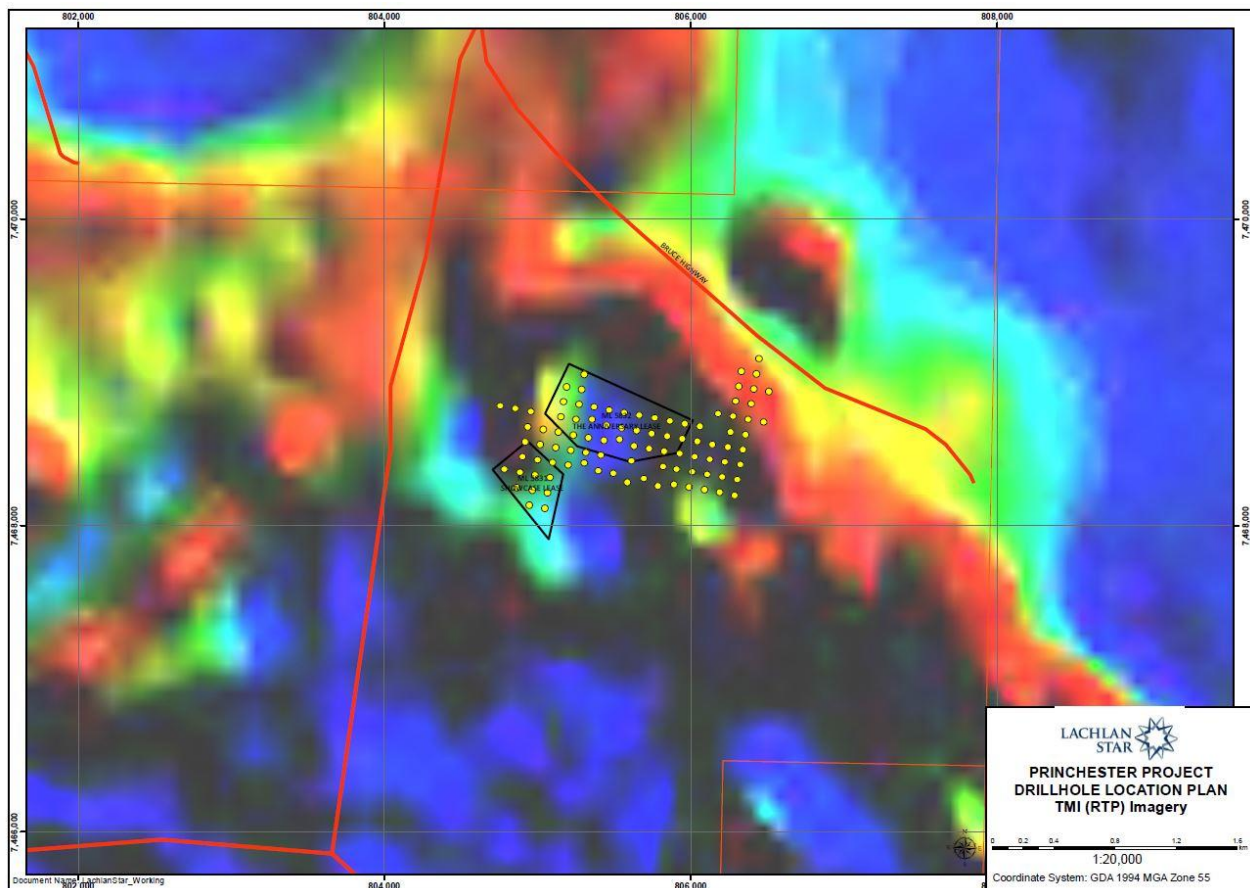
Following period end, on 31 January 2020, the Company announced that it was commencing a program of verification and extension sampling for the March quarter. The field visit will verify the historic drilling and determine areas suitable for further exploration targeting expansion of the magnesite mineralised zone. In addition the environmental rehabilitation of previous drilling and exploration activities will be reviewed.

Assaying, multi-element scan and basic metallurgical comparison work will be undertaken by ALS laboratory's in Perth, with results expected in March. This sampling will improve the confidence in the historic exploration and interpretation of the magnesite mineralisation (**Figure 2** and **Figure 3**).





**Figure 2: Princhester Project historic drilling on satellite image**



**Figure 3: Princhester Project regional aeromagnetic data and project drilling location**

*Conceptual exploration target*

Based on the level of exploration work previously undertaken in respect of the MLs, and the size and mineralised nature of the Princhester Magnesite Project, the Company has generated an exploration target tonnage of between **4.13Mt and 5.44Mt of magnesite** at a grade between **46% to 47% MgO**.

*Magnesite*

Magnesite is an ore for magnesium production and the source of a range of industrial minerals.

There are two main uses for magnesite. The first is as feedstock in the production of dead-burned magnesia and for refractory brick use in lining furnaces in the steel industry and non-ferrous metal processing units and cement kilns. The second use is for processing to caustic calcined magnesia which is used principally as a food supplement in agribusiness and in fertilisers as well for fillers in paints, paper and plastics. Raw magnesite is used for surface coatings, landscaping, ceramics and as a fire retardant.

*Evaluation of new mineral resource opportunities*

The Company has allocated part of its working capital budget to the identification and evaluation of new mineral resource opportunities in Australia and overseas. The Company will also consider the acquisition and development of any other investments, both within the mining industry and in market segments unrelated to the mining industry. No decision to invest in any of the projects currently being reviewed has been made at this stage.

**Competent Persons Statement**

*The information in this report that relates to exploration results, including the exploration target, is based on information compiled by Mr Bernard Aylward. Mr Aylward is a Non-Executive Director of the Company. Mr Aylward is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Aylward consents to the inclusion in the announcement of matters based on his information in the form and context it appears.*

**Forward Looking Statements and Important Notice**

*This report contains forecasts, projections and forward-looking information. Although the Company believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions it can give no assurance that these will be achieved. Expectations and estimates and projections and information provided by the Company are not a guarantee of future performance and involve unknown risks and uncertainties, many of which are out of Lachlan Stars' control.*

*Actual results and developments will almost certainly differ materially from those expressed or implied. Lachlan Star has not audited or investigated the accuracy or completeness of the information, statements and opinions contained in this announcement. To the maximum extent permitted by applicable laws, Lachlan Star makes no representation and can give no assurance, guarantee or warranty, express or implied, as to, and takes no responsibility and assumes no liability for the authenticity, validity, accuracy, suitability or completeness of, or any errors in or omission from, any information, statement or opinion contained in this report and without prejudice, to the generality of the foregoing, the achievement or accuracy of any forecasts, projections or other forward looking information contained or referred to in this report.*

**Subsequent Events**

No matter or circumstance has arisen since 31 December 2019 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.



**Daniel Smith**  
Director

Perth, 12<sup>th</sup> March 2020



**Bentleys Audit & Corporate  
(WA) Pty Ltd**

London House  
Level 3,  
216 St Georges Terrace  
Perth WA 6000

PO Box 7775  
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

[bentleys.com.au](http://bentleys.com.au)

To the Board of Directors

**Auditor's Independence Declaration under Section 307C of the  
Corporations Act 2001**

As lead audit partner for the review of the financial statements of Lachlan Star Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**DOUG BELL CA**  
**Partner**

Dated at Perth this 12<sup>th</sup> day of March 2020



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		31-Dec-19	31-Dec-18
	Note	\$	\$
<b>Revenue from continuing operations</b>			
Finance income		1,085	4,568
<b>Expenses</b>			
Corporate compliance and management		(125,020)	(126,578)
Other expenses	6	(50,847)	(71,067)
Finance expense		(104)	(58)
Share Based Payment Expense		(45,402)	(59,717)
<b>Loss from continuing operations before income tax</b>		<b>(220,288)</b>	<b>(252,852)</b>
Income tax expense		-	-
<b>Loss from continuing operations after income tax</b>		<b>(220,288)</b>	<b>(252,852)</b>
<b>Other comprehensive loss for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(220,288)</b>	<b>(252,852)</b>
 <b>Loss per share from continuing operations attributable to the ordinary equity holders of the Company:</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share		(0.03)	(0.03)

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

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019

		<b>31-Dec-19</b>	<b>30-Jun-19</b>
		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>	<b>Note</b>		
Cash & cash equivalents		1,397,978	1,593,617
Trade & other receivables		115,205	104,506
<b>Total Current Assets</b>		<b>1,513,183</b>	<b>1,698,123</b>
<b>Non-Current Assets</b>			
Exploration & Evaluation		18,632	11,598
<b>Total Non-Current Assets</b>		<b>18,632</b>	<b>11,598</b>
<b>TOTAL ASSETS</b>		<b>1,531,815</b>	<b>1,709,721</b>
<b>Current Liabilities</b>			
Trade & other payables		29,091	32,111
<b>Total Current Liabilities</b>		<b>29,091</b>	<b>32,111</b>
<b>TOTAL LIABILITIES</b>		<b>29,091</b>	<b>32,111</b>
<b>NET ASSETS</b>		<b>1,502,724</b>	<b>1,677,610</b>
<b>Equity</b>			
Contributed equity	<b>7</b>	3,325,554	3,325,554
Reserves		499,428	454,026
Accumulated losses		(2,322,258)	(2,101,970)
<b>TOTAL EQUITY</b>		<b>1,502,724</b>	<b>1,677,610</b>

*The consolidated statement of financial position should be read in conjunction with the notes to the consolidated interim financial report.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Issued Capital</i> \$	<i>Share- based Payment Reserve</i> \$	<i>Options Premium Reserve</i> \$	<i>Accumulated Losses</i> \$	<i>Total</i> \$
<b>At 1 July 2018</b>	<b>3,325,554</b>	<b>-</b>	<b>399,000</b>	<b>(1,682,270)</b>	<b>2,042,284</b>
<i>Loss for the year</i>	-	-	-	(252,852)	(252,852)
<b>Total comprehensive loss for the year</b>	-	-	-	(252,852)	(252,852)
<b>Transactions with owners in their capacity as owners:</b>					
<i>Share-based payment – performance share</i>	-	59,717	-	-	59,717
<b>At 31 December 2018</b>	<b>3,325,554</b>	<b>59,717</b>	<b>399,000</b>	<b>(1,935,122)</b>	<b>1,849,149</b>
<b>At 1 July 2019</b>	<b>3,325,554</b>	<b>55,026</b>	<b>399,000</b>	<b>(2,101,970)</b>	<b>1,677,610</b>
<i>Loss for the year</i>	-	-	-	(220,288)	(220,288)
<b>Total comprehensive loss for the year</b>	-	-	-	(220,288)	(220,288)
<b>Transactions with owners in their capacity as owners:</b>					
<i>Share-based payment – performance share</i>	-	45,402	-	-	45,402
<b>At 31 December 2019</b>	<b>3,325,554</b>	<b>100,428</b>	<b>399,000</b>	<b>(2,322,258)</b>	<b>1,502,724</b>

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated interim financial report.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	31-Dec-19 \$	31-Dec-18 \$
<b>Cash Flows from Operating Activities</b>		
<i>Payments to Suppliers and Employees</i>	(134,690)	(233,291)
<i>Interest Received</i>	1,085	4,568
<b>Net Cash Outflow from Operating Activities</b>	<b>(133,605)</b>	<b>(228,723)</b>
<b>Cash Flow from Investing</b>		
<i>Exploration and Evaluation expenditure</i>	(62,034)	(7,982)
<b>Net Cash Outflow from Operating Activities</b>	<b>(62,034)</b>	<b>(7,982)</b>
<i>Net Increase/(Decrease) In Cash and Cash Equivalents</i>	(195,639)	(236,705)
<i>Cash and Cash Equivalents at beginning of Year</i>	1,593,617	2,022,742
<b>Cash and Cash Equivalents at end of Year</b>	<b>1,397,978</b>	<b>1,786,037</b>

*The consolidated statement of cash flows should be read in conjunction with the notes to the consolidated interim financial report.*

## **1. Reporting entity**

Lachlan Star Limited ("Lachlan" or "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "group").

## **2. Basis of preparation**

### *Statement of compliance*

The consolidated interim financial report is a general-purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134: "*Interim Financial Reporting*".

The consolidated interim financial report does not include all of the information required in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report as at and for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The functional and presentation currency of the Company is Australian dollars. The financial report was authorised for issue by the on 12<sup>th</sup> March 2020. Lachlan Star Limited is a company limited by shares, incorporated and domiciled in Australia.

### 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. In the current period there are no 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 or judgements, which have significant effect on the amounts recognised in the financial statements

## **3. Accounting policies**

In the period ended 31 December 2019 the group reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and are effective for annual reporting periods beginning on or after 1 July 2019.

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2019 and the corresponding interim reporting period, excluding the following:



### **3. Accounting policies (continued)**

#### **(a) Exploration and evaluation expenditure**

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition.

Subsequent exploration and evaluation costs related to an area of interest are initially capitalised when incurred and then written off except where they may be carried forward as an item in the statement of financial position where the rights of tenure of an area are current and one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and/or evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered through use or sale.

The following New Standards and Interpretations are most relevant to the consolidated entity:

#### **AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. There was no effect on the statement of financial position or statement of profit or loss and other comprehensive income as a result of adoption of AASB 16.

### **4. Contingent assets and liabilities**

There have been no changes of a material nature in contingent liabilities or contingent assets since the last annual reporting date.

### **5. Subsequent events**

No matter or circumstance has arisen since 31 December 2019 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.

**LACHLAN STAR LIMITED**  
**31 DECEMBER 2019 INTERIM FINANCIAL REPORT**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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	31 December 2019 \$	31 December 2018 \$
<b>6. Expenses</b>		
<b>Other expenses</b>		
Accounting and audit fees	27,215	33,500
Office rental, communications and consumables	19,321	18,704
Travelling expenses	3,483	10,444
Other expenses	828	8,420
	50,847	71,068

**7. Contributed equity**

	Number	\$
<b>(a) Ordinary shares</b>		
1 July 2019	753,865,663	3,325,554
31 December 2019	753,865,663	3,325,554
1 July 2018	753,865,663	3,325,554
31 December 2018	753,865,663	3,325,554

**(b) Options**

As at the reporting date the company had the 105,000,000 unlisted options on issue. The options have an exercise price of 0.5 cents each and expire on 31 December 2021.

**(c) Performance Rights**

As at the reporting date the company had the 80,000,000 performance rights on issue.

**8. Segment information**

*(a) Description of segments*

The consolidated entity reports one segment, being mineral exploration, 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.

**DIRECTORS' DECLARATION**

In the opinion of the directors of Lachlan Star Limited (the "Company"):

- (a) the financial statements and notes as set out on pages 9 to 15 are in accordance with the *Corporations Act 2001* including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory reporting requirements; and
- (b) 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 is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



**Daniel Smith**  
Director

Perth, 12<sup>th</sup> March 2020

## Independent Auditor's Review Report

### To the Members of Lachlan Star Limited

We have reviewed the accompanying financial report of Lachlan Star Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

### 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Independent Auditor's Review Report

To the Members of Lachlan Star Limited (Continued)

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## Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Lachlan Star Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

**BENTLEYS**  
Chartered Accountants

**DOUG BELL CA**  
Partner

Dated at Perth this 12<sup>th</sup> day of March 2020