

17 November 2010

Company Announcements Office
ASX Limited

Via ASX Online

Dear Optionholder

NON-RENOUCEABLE RIGHTS ISSUE

The Directors of Lachlan Star Limited (“Lachlan”) announced on 17 November 2010 a 1 for 2 pro-rata non-renounceable rights issue (“Rights Issue”) to shareholders at an issue price of \$0.01 per New Share to raise up to approximately \$5.4 million. There is no minimum subscription for the Rights Issue.

Lachlan also announced the Record Date of 5:00pm (WST) on 25 November 2010 for the purposes of determining shareholders entitled to participate in the Rights Issue (“Record Date”). An Offer Document containing full details of the Rights Issue will be dispatched to all shareholders on 1 December 2010.

Under the terms of the options you currently hold there is no entitlement to participate in the Rights Issue unless you exercise your options and are entered onto the register as a shareholder on or before the Record Date. The purpose of this letter is to give you notice in order to permit you to participate in the Rights Issue, should you wish to do so.

If you are not a shareholder and wish to participate in the Rights Issue, it will be necessary for you to exercise all or part of your options, and the shares in respect of those options must have been allotted to you before the Record Date. If you wish to do so, you should complete a Notice of Exercise of Options and lodge the Notice with the Company, together with your payment for the number of shares you wish to take up. If payment for the exercise of options is not received by 25 November 2010, you will not be able to participate in the Offer. If you do not wish to participate in the Rights Issue (in respect of your options), you do not need to take any action.

This letter is only intended to inform you of your rights in relation to your options. This letter is not an offer or an invitation to acquire shares in Lachlan or to participate in the Rights Issue. If in any doubt you should consult your professional adviser before deciding whether to exercise any or all of your options.



Mick McMullen
Chairman