

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97.

Name of entity

LACHLAN STAR LIMITED

ACN or ARBN

88 000 759 535

Quarter ended ("current quarter")

30 SEPTEMBER 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	17,147	17,147
1.2 Payments for		
(a) exploration and evaluation	(2,082)	(2,082)
(b) development	(4,729)	(4,729)
(c) production	(8,284)	(8,284)
(d) administration	(1,272)	(1,272)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	44	44
1.5 Interest and other costs of finance paid	(78)	(78)
1.6 Other: new ventures and royalties	(713)	(713)
Net Operating Cash Flows	33	33
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(591)	(591)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Cash acquired on acquisition of subsidiary		
Net investing cash flows	(591)	(591)
1.13 Total operating and investing cash flows (carried forward)	(558)	(558)

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1.13	Total operating and investing cash flows (brought forward)	(558)	(558)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	15,088	15,088
1.15	Costs associated with the issue of shares, options etc	(1,174)	(1,174)
1.16	Proceeds from borrowings	115	115
1.17	Repayment of borrowings	(1,913)	(1,913)
1.18			
1.19	Other (provide details if material)		
Net financing cash flows		12,116	12,116
Net increase (decrease) in cash held		11,558	11,558
1.20	Cash at beginning of quarter/year to date	4,515	4,515
1.21	Deposits at call		
1.23	Effects of foreign exchange	50	50
1.22	Cash at end of quarter	16,123	16,123

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	237
1.24	Aggregate amount of loans to the parties included in item 1.10	—

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows:

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan and lease facilities	9,383	9,383
3.2 Credit standby arrangements	297	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(2,002)
4.2 Development	(5,500)
4.3 Production	(8,631)
4.4 Administration (including TSX listing related costs)	(2,170)
Total	(18,303)

December 2011 quarter forecast gold revenue is A\$22.8 million at a forecast gold price of US\$1,650 per ounce. Forecast gold revenue and cash outflows are based on an assumed A\$/US\$ exchange rate of 1:1 and an assumed US\$ / Chilean Peso exchange rate of 1:500.

Reconciliation of cash

	Current quarter \$A'000	Previous quarter \$A'000
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows		
5.1 Cash on hand and at bank (at call)	3,623	4,515
5.2 Deposits at call	4,000	-
5.3 Bank overdraft	-	-
5.4 Term Deposits	8,500	-
Total: cash at end of quarter (item 1.22)	16,123	4,515

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter %	Interest at end of quarter %
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid-up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Issued during quarter				
7.3 +Ordinary securities	56,967,517	56,967,517		
7.4 Issued during quarter	See Note 1 below, Special Warrants			
7.5 +Convertible debt securities (description and conversion factor)				
7.6 Issued during quarter				
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	375,002		\$1.20	18/11/2011
	375,002		\$1.50	18/11/2012
	166,667		\$1.20	31/12/2012
	166,669		\$1.20	20/12/2013
	166,669		\$1.50	20/12/2013
	3,597,090		\$1.20	20/05/2013
7.8 Issued during quarter	33,643		\$1.20	20/5/2013
	See Note 1 below, Special Warrants			
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

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Note1

Special Warrants

On 29 August 2011 the Company announced that it had completed a private placement of special warrants ("**Special Warrants**" or "**Offering**"). The Offering raised gross proceeds of \$15,088,000 through the issuance of 18,400,000 Special Warrants, priced at \$0.82 per Special Warrant.

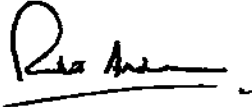
Upon satisfaction of all escrow release conditions, each Special Warrant will be exercisable for no additional consideration into one unit (a "**Unit**"), each Unit consisting of one ordinary share (an "**Ordinary Share**") and one-half option ("**Warrant**") with a strike price of \$1.20 for a period of 24 months following closing of the Offering. As partial consideration for their services in connection with the Offering, the Agents were granted options to acquire an aggregate of 1,104,000 Special Warrants at a strike price of \$1.20.

The proceeds of the Offering were released from escrow on receipt of shareholder approval at a general meeting of the Company held on 26 September 2011.

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: _____
Company Secretary

Date: 31 October 2011

Print name: Robert Anderson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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