

Quarterly Report for the Period ending 31 December 2010

Corporate

At the end of the December quarter Lachlan Star had cash deposits of \$5.8 million and listed tradeable securities totalling \$5.2 million.

On the 24th of December, the Company closed the acquisition of the CMD Gold Mine in Chile and joined the ranks of gold producers. This has been achieved without the risk associated with the exploration and development phases of a mine development and for a relatively modest cash outlay of US\$9 million plus \$10 million of Lachlan Star shares.

CMD Gold Mine (100%)

The CMD Gold Mine is located in Chile, approximately 350km north of Santiago and at an elevation of 1,000m. Access to the project is excellent via a sealed road.

The mine was developed in 1995 and has produced over 835,000 ounces of gold plus minor copper and silver since then. It is located immediately adjacent to Teck's large Andacollo copper-gold mine that is forecast to produce 80,000 tpa of copper and 60,000 ounces of gold for in excess of 20 years.

Gold production is currently sourced from the Churrumata, Tres Perlas and Las Loas open pits with gold recovered via a large heap leach facility that is running at around 1/3 of available plant capacity.

Lachlan Star assumed management control of the operation during the quarter and commenced optimising the operations and an aggressive exploration program was started. Initial results from the exploration included:

- **12 m at 6.9 g/t Au from 9 m down hole in CHU 18 within a broader intersection of 22m at 3.9 g/t Au from 8 m down hole at the Churrumata deposit.**
- **20 m at 2.3 g/t Au from 4 m down hole in TR 12 at the Toro deposit**
- **15 m at 1.0 g/t Au from surface in CHU 19 at the Churrumata deposit**
- **8 m at 1.2 g/t Au from 36 m in TR 08 at the Toro deposit**

A complete list of results is included in Table 3 at the end of this report.

Churrumata

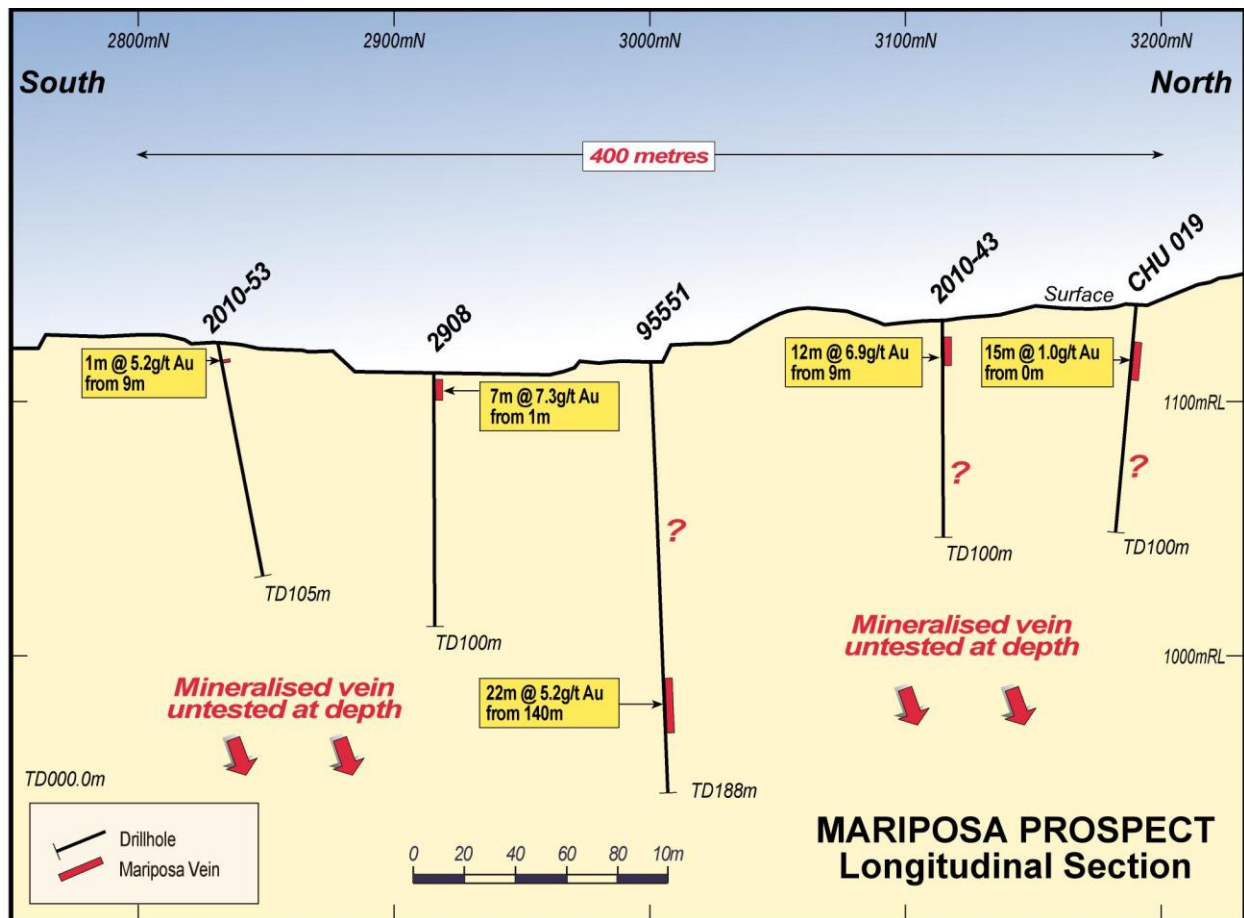
Drilling at Churrumata has targeted both vein (narrower, high grade) and Manto style (broader, lower grade) styles of mineralisation. The Company's strategy is to define higher grade vein mineralisation to be processed through the CIL circuit at CMD, while the lower grade Manto style mineralisation will be processed via the heap leach facility.

CHU 018 was successful in intersecting the vein and returned 22m at 3.9 g/t Au including **12 m at 6.9 g/t Au** from near surface.

CHU 018 was drilled to test the up dip extension of the Mariposa Vein intersected in existing hole #95551 which returned **22m at 5.16g/t including 11m at 8.64 g/t Au**. The new and historical drilling indicates that the vein is continuous over a strike length of at least 400 m and has an estimated true width of 10m as shown in Figure 1.

Further drilling of this high grade structure is underway with a view of incorporating it into the resource estimate that is currently being completed for the Churrumata deposit.

Figure 1 – Mariposa Drilling



CHU 019 targeted near surface Manto style mineralisation and returned 15 m at 1.0 g/t Au from surface. This follows the previously reported results of 8 m at 1.2 g/t Au in CHU 06 and 42 m at 0.6 g/t Au in CHU 05 which are typical of the Manto style of mineralisation in the area.

Toro

Drilling has been targeted predominately at Manto mineralisation, with TR 12 returning 20 m at 2.3 g/t Au from 4 m down hole. This hole is immediately adjacent to the planned Toro 6 Pit, which is scheduled for production during 2011.

This follows the previously reported 10 m at 2.3 g/t Au from 4m in TR 07 and **8 m at 10.6 g/t Au** from 94 m in TR 10.

These results are part of a broader strategy of targeting higher grade zones of near surface Manto mineralisation that can be incorporated into the mine plan in the near term. The higher grade, near surface nature of this mineralisation is encouraging and further drilling of this area is due to recommence in February.

Las Loas

Diamond drilling of the north west extension of the Las Loas deposit is underway with two holes completed. Drill results are expected in the near future.

Resources and Exploration Targets

Coffey Mining (Coffey) were engaged during the quarter to estimate JORC compliant Resources for the CMD project. This work is underway, and subsequent to the end of the quarter, Coffey provided resource estimates for the Tres Perlas and Chisperos deposits.

The Resource estimate covers the Tres Perlas and Chisperos deposits only and is shown in Table 1 below. Further Resource Statements will be provided for the remaining projects once they have been completed by Coffey Mining.

Table 1 -Resources

CMD									
Mineral Resources (Jan 2010) above 0.3 g/t Au									

Deposit	Indicated			Inferred			Total		
	Tonnes (Mt)	Grade (Au)	Ounces (Kozs)	Tonnes (Mt)	Grade (Au)	Ounces (Kozs)	Tonnes (Mt)	Grade (Au)	Ounces (Kozs)
Tres Perlas	15.6	0.5	252	19	0.5	333	35	0.5	585
Chisperos	1.0	1.1	36	1.4	1.0	43	2.4	1.0	79
Total	16.6	0.5	288	20.8	0.6	376	37.3	0.6	664

The combined resource of 664,000 ounces for Tres Perlas and Chisperos is 150,000 ounces (29%) higher than previously stated exploration target¹ and is at a slightly higher grade than that contained in the exploration target¹. The resources do not incorporate the results of the drilling from the recently completed 2010 program. Resource estimates for the remaining deposits are being prepared and will be released as and when they become available. The remaining exploration targets are shown in Table 2 below.

Table 2 – Exploration Targets¹

Project	Potential Quantity (Mt)		Potential Grade (g/t Au)	
	lower	upper	lower	upper
Las Loas	8.2	10.9	1.06	1.10
Churrumata	12.1	16.2	0.75	0.76
El Sauce	3.7	7.2	0.57	0.60
Toro	13.3	21.2	0.53	0.55
Socorro	0.5	2.3	0.65	0.80
Totals	37.8	57.8	0.72	0.73

A review of the exploration data for the El Sauce prospect has enabled the Company to devise an exploration target¹ for that prospect of between 3.7 Mt and 7.3 Mt with grades of around 0.6 g/t Au.

The total exploration targets¹ are between 0.9 million ounces and 1.4 million ounces in addition to the JORC Resources of 0.66 million ounces.

Resource estimation work is progressing well with an estimate for the Toro deposit scheduled for completion next, following by Churrumata. The estimate for Las Loas will be completed once the current drill program has been completed to determine the extent of mineralisation to the northwest, where approximately 450m of untested strike length exists on the CMD tenements.

Luir Gold (26.2%)

Lachlan Star holds a 26.2% interest in Luir Gold, a TSX and ASX listed exploration company with gold and iron ore assets in Zambia. The Company's holding in Luir was valued at \$5.2 million (at a Luir Gold share price of \$0.175) at the end of the quarter compared to a cost of \$4.6 million.

During the quarter, 1.65 million Luir Gold shares were sold on market for net proceeds of \$272,000. Subsequent to the end to the quarter, the Company sold a further 0.21 million Luir shares for net proceeds of \$33,000.

During the quarter the Company signed a Lock Up Agreement with Carlton Resources PLC (Carlton) in respect of Lachlan Star's 26.2% shareholding in Luir Gold Limited (ASX: LGM). The

agreement committed Lachlan Star to sell into a takeover bid by Carlton at a price of 20c per share, for a maximum of 2/3 of the outstanding shares in Luiji Gold. Under the terms of the Lock Up Agreement Carlton had until 17 January 2011 to launch a bid for Luiji Gold (or such other date as may be mutually agreed upon), and Lachlan Star retained the ability to accept a superior proposal in the meantime. Under Carlton's proposed bid, Luiji Gold shareholders would receive 20c cash for 2/3 of their shares, and retain 1/3 of their shares. Carlton is a public, unlisted company 28% owned by Nyota Minerals Limited, which is listed on the ASX and AIM and has a market capitalisation of approximately \$180m.

Subsequent to the end of the quarter, the Carlton Lock Up expired on the 17th of January. Discussions between Carlton and the Company are ongoing with respect to the Lachlan Star shareholding in Luiji Gold which may or may not result in the Company selling some or all of its position to Carlton.

During the quarter, Luiji Gold adopted a shareholder rights plan (also called a Poison Pill) which gives the Luiji Gold Board the right to determine what constitutes a Permitted Bid and a Permitted Lock Up Agreement. In the event that a bid or a lock up agreement are not deemed to be Permitted (at the sole discretion of the Luiji Gold Board), then the Shareholder Rights plan becomes effective and allows existing shareholders the right to buy up to 100 new shares for each existing share they own.

Poison Pills are not permitted under Australian Takeover Law, but as Luiji Gold is a British Columbia company it is allowed to enact such a plan immediately and without shareholders being able to vote on the plan for 6 months.

Lachlan Star is of the view that enacting such a plan is not conducive to engaging with potential bidders for Luiji Gold and again displays that the Luiji Gold management are unable to create and realise shareholder value.

The track record of the Luiji Gold management is poor and can be summarised by the following announcements made to the ASX over the past 7 months:

Date	Announcement
15 June 2010	Luiji Gold announces that it has received a letter of Default from the Zambian Government with respect to LML 48, the mining licence that holds the 800,000 ounces of resources
29 June 2010	Luiji Gold announces that it has lodged a response to the Default letter refuting that it is in Default
29 July 2010	Luiji Gold announces that LML 48 has been cancelled by the Zambian Government and that an appeal has been lodged
2 August 2010	Luiji Gold announces that the Zambian Government has rejected the appeal over the cancellation of LML 48
18 August 2010	Lachlan Star lodges a notice to call a Special Meeting to remove the management of Luiji Gold
31 August 2010	Luiji Gold announces that it has lodged a High Court Appeal against the cancellation of LML 48 in Zambia
15 September 2010	The Zambian High Court orders a temporary stay on the cancellation of LML 48. The Zambian Government awards a 1 year extension on LPL209
25 October 2010	Special meeting notice to remove management is withdrawn (as it became apparent that the motion would not be successful)
20 December 2010	Poison Pill plan adopted by the Luiji Board
21 December 2010	Luiji Gold announces that Carlton Resources is in discussions to make a bid for Luiji Gold

Over this period, Luiiri Gold has:

- had the LML covering its main asset cancelled,
- entered into a High Court legal case with the Zambian government,
- alienated its largest shareholder, and
- adopted a Poison Plan without shareholders being able to vote on it

Furthermore, there have been no announcements by Luiiri Gold for over 4 months with respect to the status of the tenure in Zambia. Lachlan Star notes that Luiiri Gold's LPL 173 was due to expire on 1st October 2010 and Luiiri Gold is still to provide an update with respect to this licence.

During the past 12 months, the Luiiri Gold share price has fallen from a high of 40 c to its current price of around 12.5c a share, representing a fall of approximately 70%. Over the same period, the gold price (the main commodity Luiiri Gold is exposed to) has risen by approximately 25% and the S&P/ASX Gold Index has risen by 38%.

Lachlan Star is considering all options for its stake in Luiiri Gold which may include the sale of its shares or requisitioning another Special Shareholders Meeting with a view to removing the board and management of Luiiri Gold given the lack of performance since the withdrawal of the last meeting requisition.

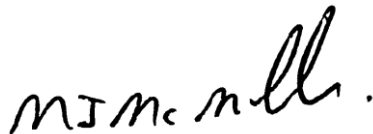
Projects

Bushranger Copper Project - EL 5574 (100%)

A strategic review was carried out in the quarter to determine the optimal route for the Company to realise value from this asset. A small field program is planned for the March quarter.

More information about the Company can be found at our website www.lachlanstar.com.au.

For and on behalf of the Board



Mick McMullen
Chairman

About Lachlan Star Limited

Lachlan Star Limited is an emerging minerals exploration and development company headquartered in Perth, Western Australia. The company is focused on acquiring and developing assets within the gold, copper and bulk commodities sectors within Australia and overseas. The company has a board of directors and management team with an impressive track record of advancing resource projects through to production.

Lachlan Star's current projects include a 100% interest in the CMD Gold Mine in Chile, the Bushranger copper and gold project in NSW and the Princhester magnesite deposit in QLD as well as a 26.2% holding in Luiiri Gold Limited.

Lachlan Star has 3.2 billion shares on issue.

*Directors and Management – Mick McMullen - Chairman
Declan Franzmann - Executive Director
Tom Duckworth - Director(non executive)
Peter Babin - Director(non executive)*

Visit: www.lachlanstar.com.au

Competent Persons Statement

The information in this report that relates to the Mineral Resources of Tres Perlas and Chisperos is based on information compiled by David Slater, who is a Member of The Australasian Institute of Mining and Metallurgy. David Slater is employed full time by Coffey Mining Pty Ltd. David Slater has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves". David Slater consents to the inclusion in the report of the matters based on his information in the form and context in which it appears

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled Mr Michael McMullen, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr McMullen is employed by McMullen Geological Services Pty Ltd. Mr McMullen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McMullen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears

¹ For the exploration targets, any statement referring to potential quantity and grade of the target is expressed as ranges. The potential quantity and grade is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource

Table 3 –Exploration Results

Toro								
Hole_ID	Grid_E	Grid_N	Dip	Grid_Az	From (m)	To (m)	Interval (m)	Gold (g/t)
TR 01	5,403	1,781	-56.1	257.7			NSR	
TR 02	5,476	1,603	-67.5	254.5				TBA
					31.0	33.0	2.0	0.5
TR 03	5,535	1,383	-54.9	278	16.0 25.0 29.0 57.0	17.0 27.0 31.0 58.0	1.0 2.0 2.0 1.0	0.4 0.7 0.4 1.3
TR 04	5,636	1,377	-63.6	270	31.0	36.0	6.0 of manto	TBA
					43.0	51.0	8.0 of manto	TBA
TR 05	5,401	2,271	-60.9	256.4	6.0	10.0	4.0	0.9
TR 06	5,596	1,194	-60	270	9.0 59.0	10.0 61.0	1.0 2.0	0.9 0.5
TR 07	5,500	1,716	-60	249.3	4.0 31.0	14.0 33.0	10.0 2.0	2.3 0.5
TR 08	5,595	1,189	-58.5	256.6	36.0 51.0 95.0	44.0 58.0 100.0	8.0 7.0 5.0	1.2 0.9 0.6
TR 09	5,608	1,188	-55.5	250.5	54.0 87.0	58.0 88.0	4.0 1.0	1.1 1.9
TR 10	5,811	1,162	-61.2	245	21.0 30.0 69.0 94.0	26.0 36.0 76.0 102.0	5.0 6.0 7.0 8.0	0.5 0.6 0.4 10.6
TR 11	5,590	1,190	-57.3	245.3	56.0 92.0	59.0 93.0	3.0 1.0	1.1 0.7
TR 12	6,081	2,034	-49.4	237.9	4.0	24.0	20.0	2.3
					92.0	93.0	1.0	1.4
					109.0	124.0	15.0	0.9
					141.0	142.0	1.0	1.2
					147.0	151.0	4.0	1.6
TR 13	6,045	2,060	-62.2	264.5	88.0	91.0	3.0	0.7

NB: Assay results for diamond tail of TR 02 not presently available.

Churrumata								
Hole_ID	Grid_E	Grid_N	Dip	Grid_Az	From (m)	To (m)	Interval (m)	Gold (g/t)
CHU 01	6,876	2,968	-90	0	22.0	28.0	6.0	0.8
CHU 02	6,786	2,860	-64.8	90.6	23.0 124.0	25.0 138.0	2.0 14.0	1.2 0.6
CHU 03	6,795	2,899	-90	0	36.0 54.0	41.0 55.0	5.0 1.0	0.6 5.0
CHU 04	6,834	2,933	-90	0	15.0 36.0 80.0	17.0 38.0 84.0	2.0 2.0 4.0	0.6 0.4 0.5
CHU 05	6,868	2,862	-90	0	- 55.0	8.0 97.0	8.0 42.0	0.5 0.6
CHU 06	6,875	2,880	-90	0	3.0 40.0 65.0	11.0 59.0 66.0	8.0 19.0 1.0	1.2 0.7 1.1
CHU 07	6,773	2,830	-62.3	67.4	9.0	10.0	1.0	5.2
CHU 08	6,755	2,772	-60	100	43.0 49.0 57.0 73.0 112.0 147.0 165.0	46.0 50.0 67.0 81.0 114.0 150.0 170.0	3.0 1.0 10.0 8.0 2.0 3.0 5.0	0.6 1.3 0.7 0.5 0.7 0.6 0.8
CHU 17	6,866	3,009	-70.4	258.9	52.0	67.0	15.0	0.9
CHU 18	6,885	3,115	-60	90	8.0	30.0	22.0	3.9
CHU 19	6,914	3,190	-59.9	99.1	-	15.0	15.0	1.0

- NSR – No significant Result
- TBA – results not received yet