LACHLAN STAR

LACHLAN STAR LIMITED

Quarterly Report for the Period Ending 30 September 2013

HIGHLIGHTS

CMD GOLD MINE (100%, CHILE)

- Lachlan Star Ltd.'s CMD Gold Mine has shown continuing improvement in most operating parameters, including safety, gross operating profit*, cash costs of production, gold production, mining costs, waste to ore ratio, processing costs, and G&A costs, providing our shareholders with ever-improving leverage to gold. Key improvements include:
    - A 70 % increase in Gross Operating Profit* for the CMD Gold Mine to US$3.65 million for the quarter;
    - C1 cash costs reduced by 28% to US$821 per ounce
    - Gold production increased 6% quarter on quarter to 17,056 ounces of gold in the September quarter, a record under the Company's ownership;
    - Gold stacked increased 8% quarter on quarter to 22,355 ounces in the September quarter, a record under the Company's ownership;
    - Waste to ore ratio reduced by 10% quarter on quarter to 2.24:1, a new record low under the Company's ownership
    - Total costs reduced by 11% to $15.94 per tonne of ore stacked for the quarter, a record low under the Company's ownership;
- Market capitalisation of the Company expressed in gold ounces has decreased to 13,500 ounces

CORPORATE

- Two tranche, non-brokered private placement announced to raise C$8 million at an issue price of C$0.20 a share
- Tranche 1 of private placement completed, raising C$3 million in gross proceeds
- Completion of Tranche 2 of private placement to raise C$5 million in gross proceeds subject to shareholder approval at shareholder meeting on 4 November 2013
- C$0.5 million repaid to Sprott Resource Lending Partnership, loan balance reduced to C$4.5 million
- Promotion of Mr Bira de Oliveira from Chief Operating Officer to Chief Executive Officer

CMD GOLD MINE (100% CHILE)

Production, Unit Costs and Sales

Production from the CMD Gold Mine is summarised in Table 1 below. Unless otherwise noted, all currency disclosures are in US dollars and all weights and measures are in metric units.

Table 1 – CMD Gold Mine Operating Summary

Item	Unit	3 months ended 30-Sep-13	3 months ended 30-Jun-13	% Change Variance
Ore Mined	Dmt	1,361,605	1,139,766	19%
Waste Mined	Dmt	3,050,674	2,840,087	7%
Total Mined	Dmt	4,412,279	3,979,853	11%
Waste:Ore Ratio	t:t	2.24	2.49	-10%
Ore grade Mined	Au g/t	0.56	0.58	-4%
Gold Mined	Au oz	24,357	21,364	14%
Ore stacked	Dmt	1,334,563	1,250,766	7%
Stacked Grade	Au g/t	0.52	0.52	0%
Gold Stacked	Au oz	22,355	20,788	8%
Average stacking rate	dmt/d	14,506	13,744	6%
Silver Produced	Ag oz	18,757	11,559	62%
Gold Produced	Au oz	17,056	16,160	6%
Mining Cost/t moved	US$/t	$2.32	$2.33	0%
Mining Cost/t ore	US$/t	$7.53	$8.13	-7%
Process Cost/t ore stacked	US$/t	$7.20	$8.31	-13%
G+A Cost/t ore	US$/t	$1.21	$1.52	-21%
Total Cost/t ore	US$/t	$15.94	$17.97	-11%
Average Sales Price	USD/oz	$1,335	$1,377	-3%
Cash Cost	USD/oz	$957	$910	5%
Non Cash Process Inventory Adjustment	USD/oz	-$136	$228	-160%
C1 Cash Cost	USD/oz	$821	$1,137	-28%
CMD Gold Mine Gross Operating Profit (Unaudited)*	**US$million**	$3.65	$2.15	70%

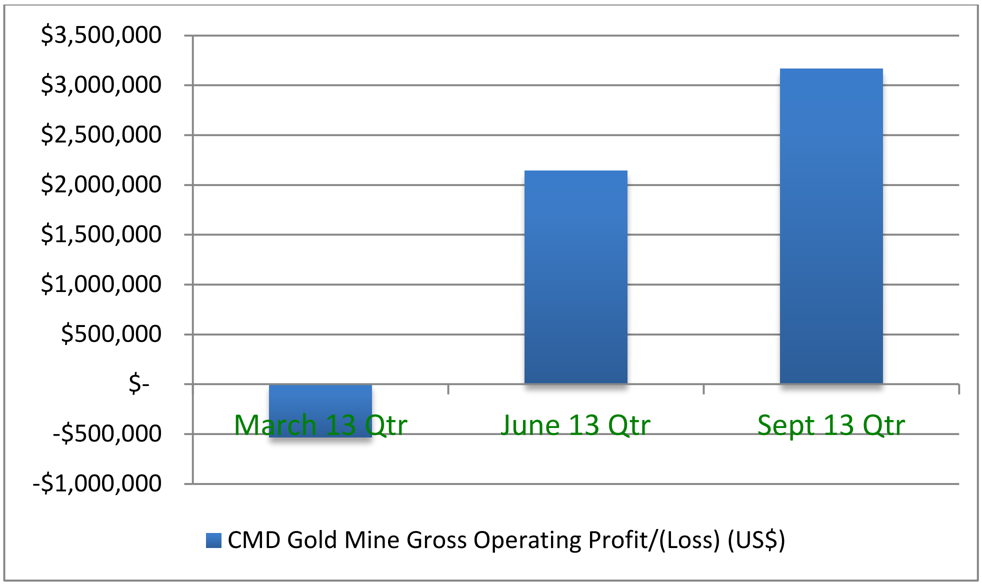
* revenues and dore in process plus ore stockpiles less cost of sales (including waste expensed and amortised), interest and other site expenses and excluding foreign exchange movements, depreciation, exploration and process inventory adjustments

Gold production for the September quarter was 17,056 ounces, a 6% increase on the previous quarter. In addition, silver production increased by 62% quarter on quarter to 18,757 ounces for the quarter, which is now providing meaningful by-product credits. All production was sold at spot prices, with an average sale price of US$1,335 per gold ounce.

Gold ounces stacked for the September quarter were up 8% on the previous quarter to a new record under the Company's ownership.

The CMD Gold Mine Gross Operating Profit (as defined above) was up 70% to US$3.65 million for the quarter. (refer Figure 1). This result was achieved against a backdrop of a declining gold price and is the best result for the Company since the September 2011 quarter, when the average gold price was US$378 per ounce higher than the average price for the September 2013 quarter.

Figure 1 – CMD Gold Mine US$ Gross Operating Profit/(Loss) March, June and September 2013 Quarters



C1 cash costs, which exclude waste costs expensed or amortised and royalties, decreased by 28% quarter on quarter to US$821 per ounce of gold produced. This is the lowest C1 cash cost for the CMD Gold Mine since the December 2011 quarter (US$799 per ounce).

The inventory adjustment of -US$136 per ounce for the quarter comprises -$21 per ounce for the drawdown in ounces from the leachpad, -$126 per ounce for the reduced average cost of ounces on the leachpad, and $11 per ounce for stockpile movements.

Table 2 below shows the cash costs for each quarter over the past year, and the impact of the inventory valuation adjustment (all numbers in US$ per ounce).

Table 2 – Cash Cost (US$ per ounce) and inventory adjustments

Item	Quarter ending 30 Sept 2013	Quarter ending 30 June 2013	Quarter ending 31 March 2013	Quarter ending 31 Dec 2012
C1 Cash costs with inventory adjustment ($/oz)	821	1,137	1,239	1,026
Cash costs without inventory adjustment ($/oz)	957	910	1,337	1,062
Inventory adjustment effect ($/oz)	(136)	228	(98)	(35)

Total costs per tonne of ore stacked decreased 11% quarter on quarter to US$15.94 per tonne. The material reduction in total costs was driven by:

- a 10% decrease in the waste to ore ratio.

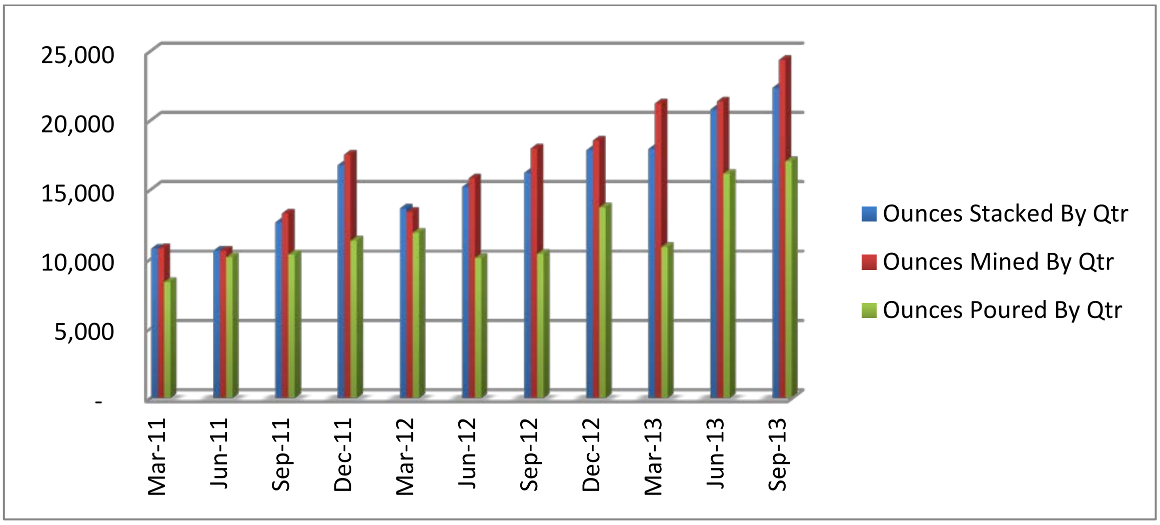
- a 13% decrease in process costs per tonne stacked
- a 21 % decrease in site G&A costs per tonne stacked

The total costs per tonne (including waste stripping) for the September quarter are the lowest under the Company's ownership.

Figure 2 illustrates the ounces mined, stacked and produced by quarter since the Company bought the CMD Gold Mine at the end of 2010. As can be seen in Figure 2, gold mined and stacked has increased rapidly over the past 6 months.

Gold pours continued to increase quarter on quarter to a new record under the Company's ownership, with production up 6% from the previous quarter.

Figure 2 – Quarterly Ounces Mined, Stacked and Gold Produced



Since the Company moved to a dynamic leaching system in mid 2011, the leaching time has been materially shortened, and recoveries increased. Historically, recoveries averaged 73% over a 19 month period, resulting in much of the pad inventory being classified as non-current.

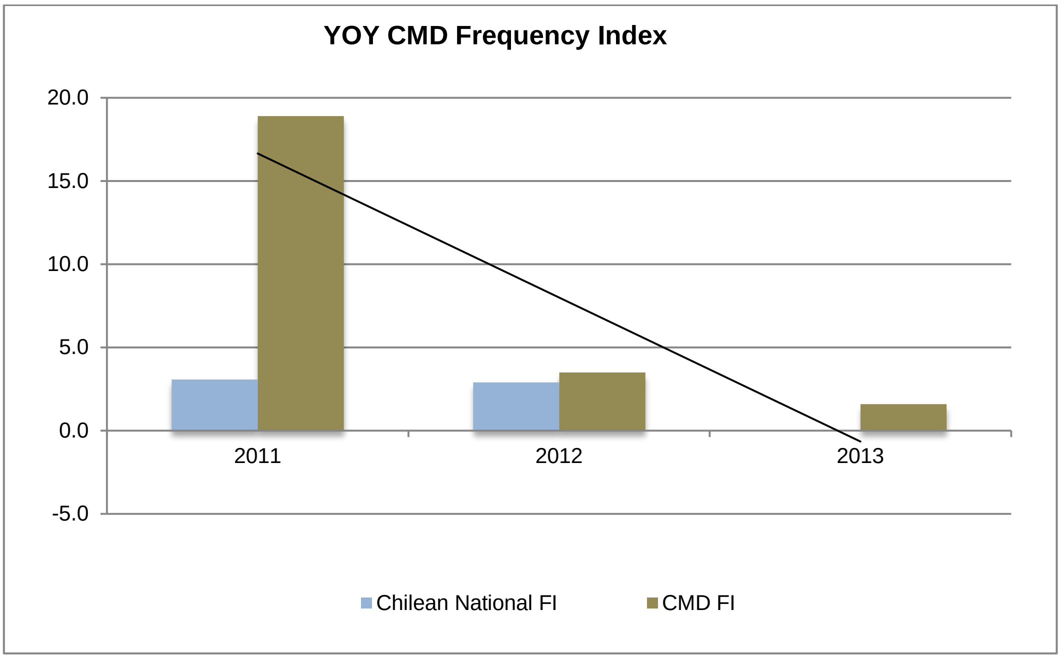
The change to the dynamic leaching system has increased recoveries to their current level of circa 77%, but also importantly it has materially compressed leaching times, with all recovery in a period of 9 months now. Now that there has been a 2 year period of large scale implementation of this process method, the Company is amending its pad inventory calculation method to reflect the faster recovery profile.

To take a conservative approach, the September quarter financial results have been prepared on the basis of a 75% leach pad recovery, with 80% of leach pad inventories treated as a current asset recoverable within one year. The impact of this will be to move approximately US$2.5 million to US$3.5 million of recoverable inventory from non-current assets to current assets on the balance sheet, significantly improving the working capital position of the business.

Safety

Safety is a key focus for management at the CMD Gold Mine and the results of this can be seen in Figure 3 below. In 2011 the CMD Gold Mine injury frequency rate was 18.9 compared to a Chilean national average of 3.1. In 2012 this had been reduced to 3.5 and 2.9 respectively. For the 2013 year to date, the CMD Gold Mine average has been reduced further to 1.6, which is likely to be below the Chilean national average and is a strong achievement of the site management team.

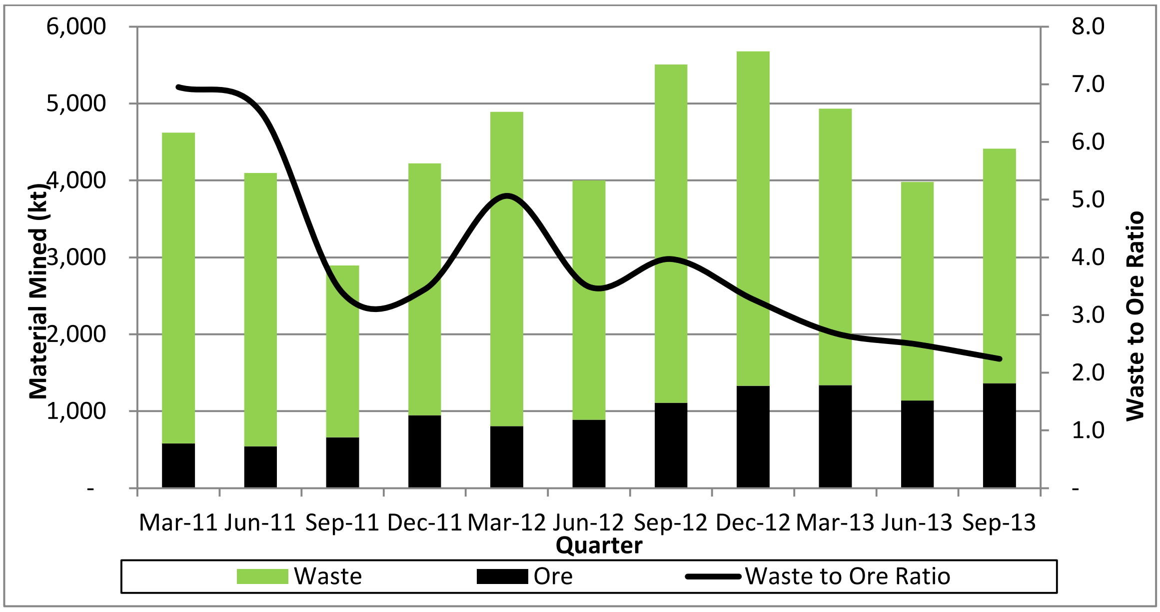
Figure 3 – CMD Gold Mine Safety Statistics



Mining

Total ore mined for the quarter was 1.36 million tonnes for 24,357 contained Au ounces, an increase of 19% and 14% respectively. The waste to ore ratio decreased to 2.24 to 1 (from 2.49 to 1 in the previous quarter) and is a new low under the Company's ownership. Ore was principally sourced from the Tres Perlas, Churrumata and Chisperos pits. Figure 4 shows the mining rate and waste to ore ratio by quarter since the Company acquired the CMD Gold Project.

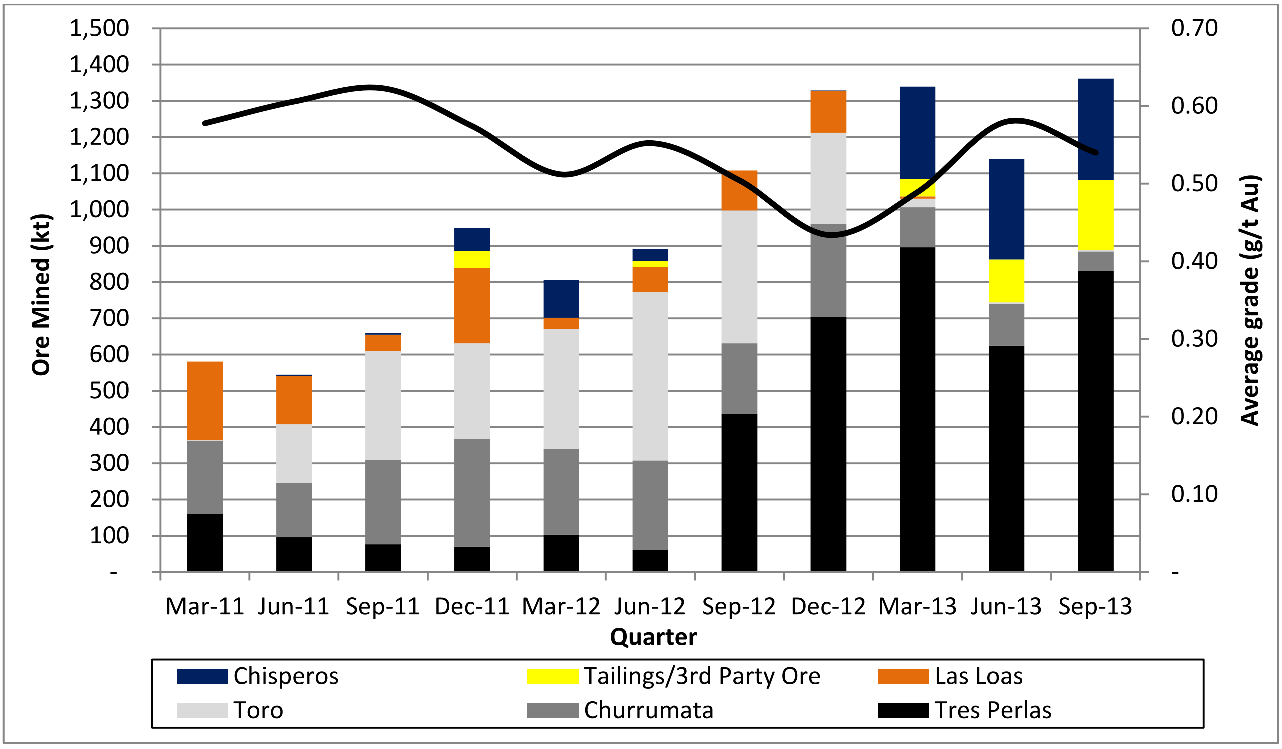
Figure 4 – Material Mined and Waste to Ore Ratio by Quarter



Mining was focussed on the Tres Perlas pit using the Company's owner mining fleet, with total quarterly ore production from Tres Perlas decreasing to 45% of the total ounces mined, due to an increase in mining in Chisperos and also the tailings addition to the ore feed, as illustrated in Figure 5. The Life of Mine waste to ore ratio for the Tres Perlas pit is expected to be around 1:1. The waste to ore ratio at the Chisperos pit averaged 1.5:1 for the quarter, a reflection of the completion of most of the waste mining associated with this pit.

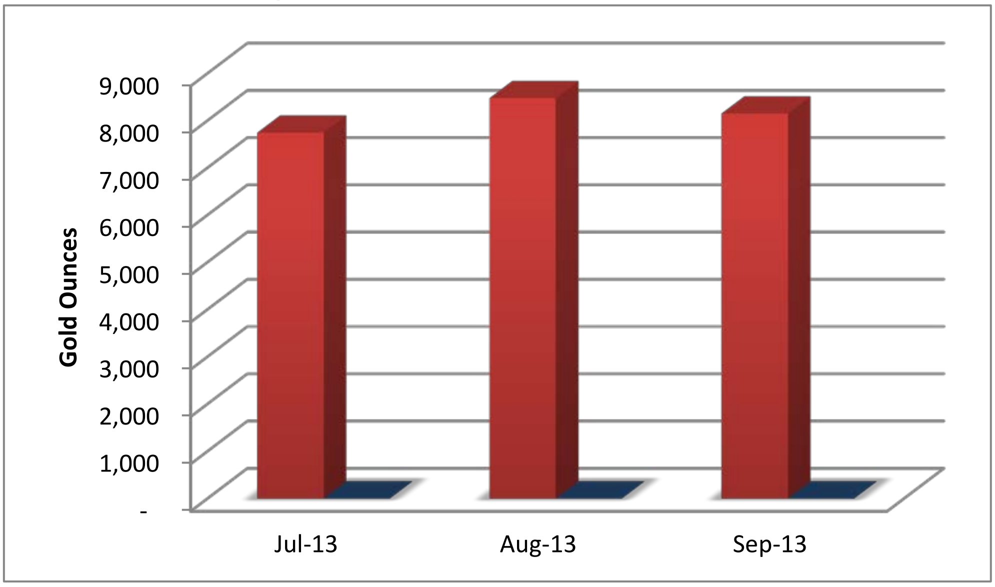
Mining at Tres Perlas has the ability to deliver more tonnage than can currently be processed through the plant, and the pit is shutdown whenever stockpiles exceed 100,000 tonnes of ore in front of the plant.

Figure 5 – Ore Mined by Pit and Quarter



As seen in Figure 6, the ounces mined during the September quarter increased over the period. As mining of the Tres Perlas pit continues to the north and in the deeper parts of the pit, the grade continues to increase as expected, which in turn has had a positive impact on ounces mined.

Figure 6 – June Quarter Ounces Mined



Average mined grades fell slightly from 0.58 g/t to 0.56 g/t Au, a decrease of 4% quarter on quarter. Grades from the Chisperos pit were slightly lower than budget in the month of September, which was the main contributor to the slight fall in mined grade.

The Company continues to develop its relationships with small miners in the area and ore purchasing continues, with 19% of the ounces mined during the quarter being sourced from third parties and the re-processing of historical tailings.

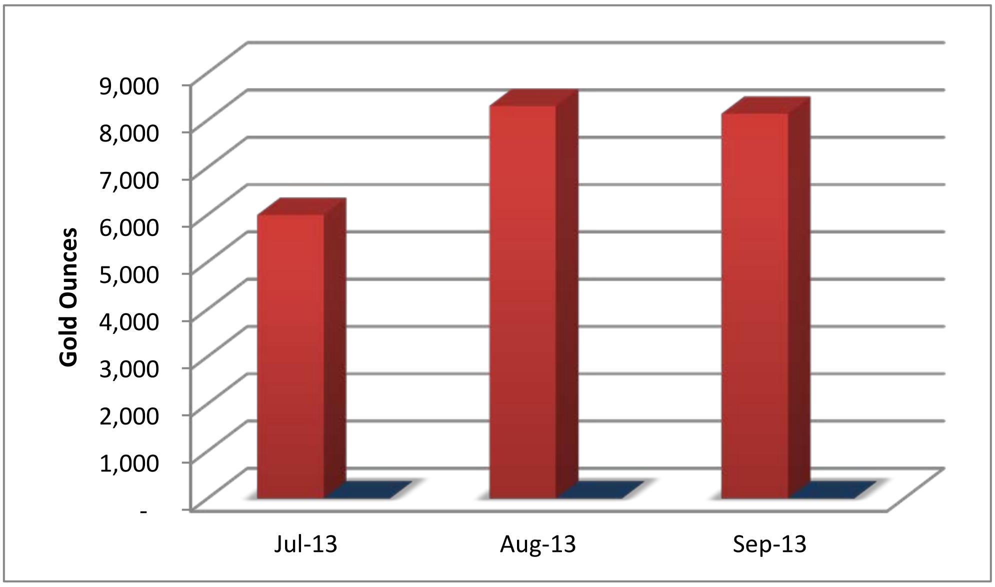
This provides a net positive effect to employment and economic sustainability within the region, as well as a source of ore that can prolong life of mine. The Company has also realised value in mixing on-site old tailings with new ore, resulting in decreased mining costs and production outside of the mineral reserve base.

Processing

Ore tonnage stacked was up 7% quarter on quarter to a quarterly record under the Company's ownership.

Gold ounces stacked were also up 8% to another record under the company's ownership. Ounces stacked over the last two months of the quarter were particularly strong as seen in Figure 7. The increased ounces stacked were the result of higher plant throughput as increased availabilities were achieved.

Figure 7 – September Quarter Ounces Stacked



Gold recovery has increased over the past two quarters to be in excess of 77%, up from 73% historically. This has been achieved through the addition of a pre cyanidation circuit and a more favourable ore blend.

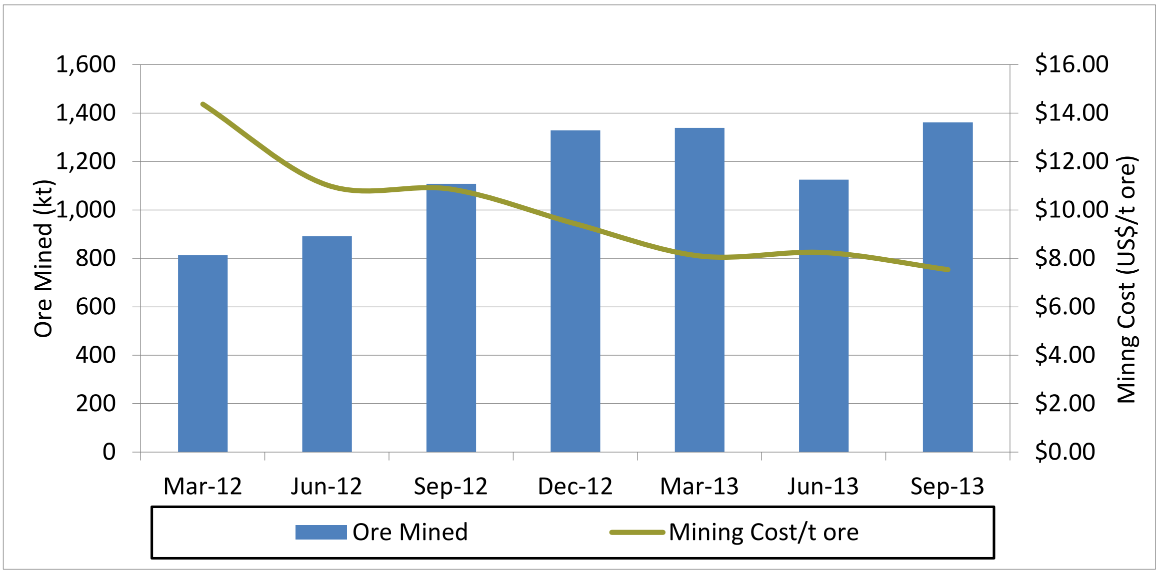
PROJECT COSTS

Mining

Unit mining costs decreased slightly to US$2.32/ per tonne moved (from US$2.33 per tonne the previous quarter) however the mining cost per tonne of ore was reduced by 7% to US$7.53 as a result of the reduced waste to ore ratio. The unit mining rate includes the cost of buying third party ore that has no waste to ore ratio associated with it.

Figure 8 illustrates the quarterly history of mining costs per ore tonne over the last 7 quarters.

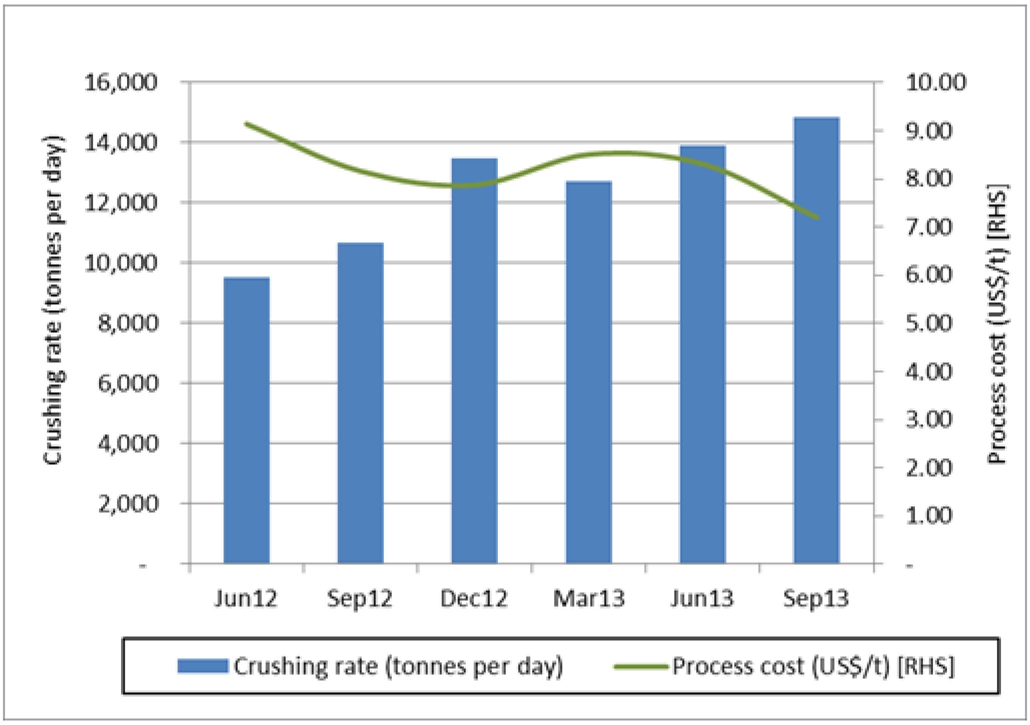
Figure 8 – Ore mined and mining cost per tonne of ore



Ore Processing

Process costs decreased to US$7.20 per tonne stacked which was a 13% decrease quarter on quarter (Refer Figure 9). Reduced cyanide consumption, increased throughput and reduced maintenance costs were the main drivers for the lower process costs.

Figure 9– Process cost per tonne stacked



General and Administration (G&A)

G&A costs decreased by 21% quarter on quarter to US$1.21 per tonne of ore as a result of the higher tonnage stacked and reduced manning levels.

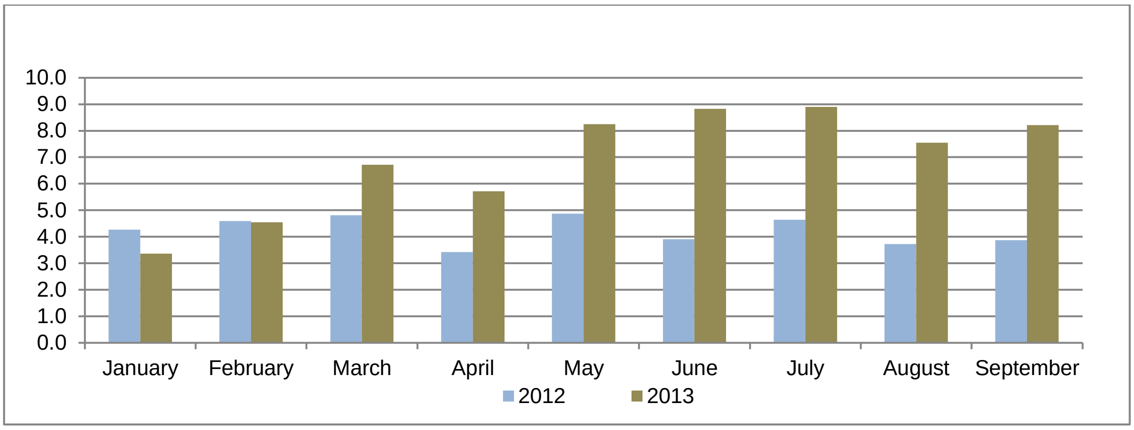
Exploration

No exploration was carried out during the quarter at the CMD Gold Mine.

Cost Review

The cost review exercise has delivered significant savings over the past two quarters, as evidenced by the fall in the C1 cash costs to US$821 per ounce and the material reductions in unit operating costs. The CMD Gold Mine operations have become more efficient with Figure 10 displaying how the ounces produced per employee has more than doubled over the past year.

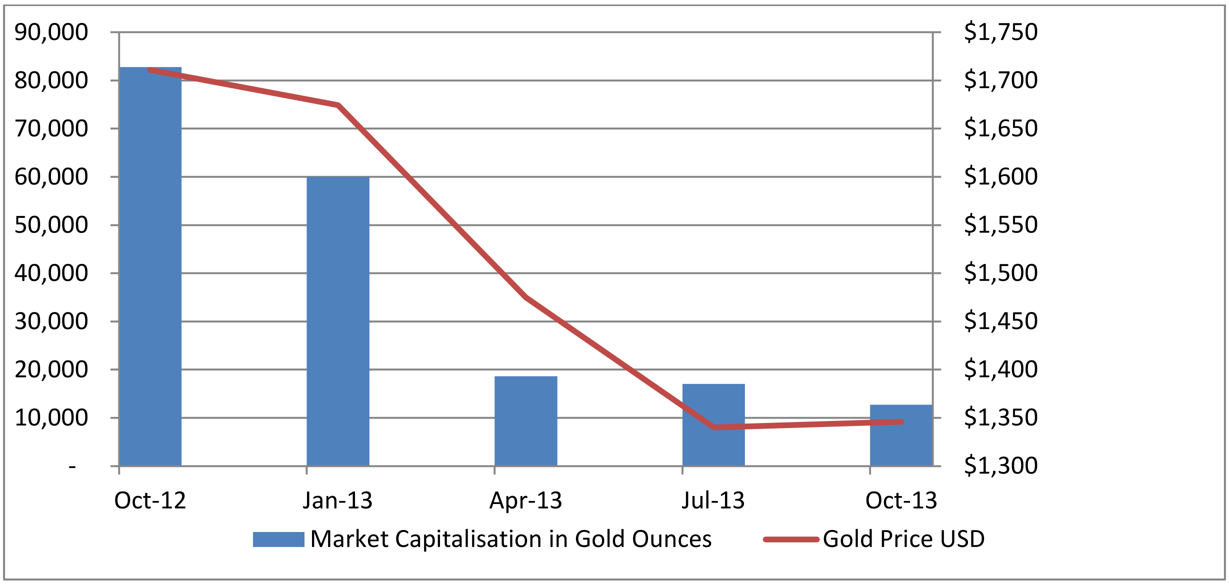
Figure 10– Productivity Index (Ounces/Employee)



CMD Gold Mine Operations Summary

Despite the improved operating and Gross Operating Profit performance of the CMD Gold Mine the Company's share price has fallen from A$1.55 to approximately A$0.18 over the last 12 months. The gold price has fallen from US$1,711 per ounce to US$1,335 per ounce over the same period and, as Figure 11 illustrates, the market capitalisation of the Company expressed in gold ounces has fallen from 82,000 ounces a year ago to 13,500 ounces today.

Figure 11 – Market Capitalisation in Gold Ounces and Gold Price



BUSHRANGER (100%, NEWMONT EARNING 51%)

No material work completed by Newmont during the quarter.

CORPORATE

Placement

During the quarter the Company entered into binding subscription agreements with North America accredited investors to subscribe for C$8 million at an issue price of C$0.20 a share from the issuance of 40,000,000 ordinary shares.

The private placement is non-brokered and was split into two Tranches. Tranche 1 comprised 14,985,598 ordinary shares that were issued within the Company's existing capacity under the ASX Listing Rules. Tranche 1 raised gross proceeds of approximately C$3.0 million of which A$0.19 million had been received by quarter end and the balance in early October. Finder's fees totalling 3% cash and 432,870 warrants were payable on Tranche 1.

Tranche 2 comprises 25,014,402 ordinary shares that will be issued subject to shareholder approval at a shareholder meeting to be held on 4 November 2013. Tranche 2 will, subject to shareholder approval, raise gross proceeds of approximately C$5 million. Finder's fees totalling 3% cash and 722,561 warrants (which are also subject to shareholder approval) are payable on Tranche 2 upon completion.

Debt Facility

The Company agreed to amend the terms of its credit facility with Sprott Resource Lending Partnership such that it prepaid C$0.5 million from the proceeds of the Tranche 1 placement against the outstanding facility balance of C$5 million. This payment was made on 9 October and the credit facility balance has been reduced to C$4.5 million.

Option Expiry and Issuance

During the quarter a total of 5,970,900 options expired.

Subsequent to the end of the quarter, the Company decided, subject to shareholder and regulatory approval, to issue an aggregate of 950,000 unlisted options ("**Employee Options**") to subscribe for fully paid Ordinary Shares exercisable at A$0.25 per share on or before 29 November 2015, vesting immediately, and an aggregate of 725,000 fully paid Ordinary Shares (the "**Employee Shares**") to certain employees of or consultants to the Company at no cost and as part of their remuneration arrangements. The Employee Options expire 30 days after the allottee ceases to be an employee of the Company.

The A$0.25 option exercise price therefore represents a premium of approximately 50% above the closing price on the ASX for the Company's shares at the time of award.

The previously announced proposal for non-executive directors to reduce their cash fees to zero for the 2014 financial year, and to take their fees in options in lieu, has been rescinded. The Company has recently completed Tranche 1 of a C$8 million placement and payment for non-executive director fees will be in cash.

The Company has also decided, subject to shareholder and regulatory approval, to issue an aggregate of 750,000 options ("**Director Options**") to subscribe for fully paid Ordinary Shares exercisable at A$0.25 per share on or before 29 November 2015, vesting immediately. Each director will receive 150,000 Director Options each. These options replace expiring options for the majority of directors, and in the case of Mr Peter Drobeck, the first equity based compensation he has been awarded.

The issuance of all Employee Options, Employee Shares and Director Options is subject to shareholder approval at the Annual General Meeting of Shareholders to be held before the end of November 2013.

Management

During the quarter the Company promoted its Chief Operating Officer (Bira de Oliveira) to the vacant position of Chief Executive Officer (CEO). Mr de Oliveira joined the Company in May 2012 and since that time has been largely responsible for building a team of professionals at the CMD Gold Mine that has been responsible for the substantial improvement in production and costs over that time. He has held many senior management positions over his 37-year career, including General Manager at the Frontier and Mauritanian Copper Mines for First Quantum and Operations Manager at Sadiola for Anglo Gold Ashanti, as well as Chief Operating Officer for Lachlan Star.

Mr de Oliveira resides in Chile and for the past year has been responsible for all Company operational management and hosting all analysts, banker and investor site visits. The positions of COO and CEO will be merged going forward and is consistent with the Company's goal of reducing corporate G+A expenses.

COMMENTS

Mick McMullen, Executive Chairman, commented on the quarterly report "during this quarter, our management team has delivered an impressive improvement in the key operating metrics for the CMD Gold Mine. Our C1 cash costs have fallen materially, our unaudited Gross Operating Profit* continues to increase and importantly our ounces stacked continues to increase, which provides a positive leading indicator for gold production over the coming two quarters.

The private placement and partial prepayment of the Sprott Resource Lending Partnership facility has strengthened our balance sheet and we look forward to building on that strengthened base. Whilst the Company has had to increase the number of shares on issue, the additional balance sheet flexibility and improved operating performance should in time allow the Company's shares to trade closer to their true value. "

For and on behalf of the Board

Mick McMullen
Chairman

For further information please visit www.lachlanstar.com.au or contact

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Competent Persons Statement

The information in the news release that relates to the Mineral Resources of Tres Perlas, Chisperos, Las Loas, El Sauce, Churrumata and Toro/Socorro is based on information compiled by David Slater, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy. Mr. Slater is employed full time by Coffey Mining Pty Ltd. The information in the news release that relates to exploration results is based on information approved by Declan Franzmann, who is a Chartered Professional Fellow of The Australasian Institute of Mining and Metallurgy. Mr. Franzmann is employed by Citraen Pty Ltd and is an officer of the Company. Each of Mr. Slater and Mr. Franzmann 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 Ore Reserves" and to qualify as a "Qualified Person" under NI 43-101. Each of Mr. Slater and Mr. Franzmann consents to the inclusion in the news release of the matters based on his information in the form and context in which it appears.

Caution Regarding Forward Looking Information:

This report contains forward-looking information, which is based on assumptions and judgments of management regarding future events and results. Such forward-looking information includes but is not limited to information with respect to future exploration and drilling, procurement of financing and procurement of necessary regulatory approvals.

Forward-looking information involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, the actual market price of gold, the actual results of current exploration, the actual results of future exploration, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the Company's publicly filed documents. The Company believes that the assumptions and expectations reflected in the forward-looking information are reasonable. Assumptions have been made regarding, among other things, the Company's ability to carry on its exploration and development activities, the timely receipt of required approvals, the price of gold, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers should not place undue reliance on forward-looking information. Lachlan Star does not undertake to update any forward-looking information, except in accordance with applicable securities laws.