
LACHLAN STAR LIMITED

ABN 88 000 759 535

**NOTICE OF MEETING, EXPLANATORY MEMORANDUM AND
MANAGEMENT INFORMATION CIRCULAR IN RESPECT OF AN
EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**

TIME OF MEETING: 11am (WST)
DATE OF MEETING: Monday 4 November 2013
PLACE OF MEETING: Lower Ground Floor
57 Havelock Street
West Perth WA 6005

This document is dated 3 October 2013.

This document should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9481 0051.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Extraordinary General Meeting (the "EGM") of the Shareholders to which this Notice of Meeting relates will be held at 11am (WST) on Monday, 4 November 2013 at Lower Ground Floor, 57 Havelock Street, West Perth WA 6005.

HOW TO VOTE

You may vote by attending the EGM in person, by proxy, or (if you are a body corporate) by an authorised representative.

The directors of Lachlan Star Limited ("Lachlan" or the "Company") have set Wednesday, 2 October, 2013 as the record date for determining the Shareholders of the Company entitled to receive the Notice of Meeting and 5pm (WST) on Friday, 1 November 2013 as the record date for determining the Shareholders of the Company entitled to vote at the meeting.

YOUR VOTE IS IMPORTANT

The business of the EGM affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the EGM on the date and at the place set out above.

VOTING BY PROXY

A Shareholder has the right to appoint a proxy (who need not be a Shareholder). A proxy can be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may, if it wishes to exercise its rights and powers as a proxy at the EGM, appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the EGM.

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint an individual to act as its representative at the EGM in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Share Registrar, Computershare Investor Services Pty Limited, before the EGM or at the registration desk on the day of the EGM. Certificates of appointment of corporate representatives are available at www.computershare.com.au or on request by contacting Computershare Investor Services Pty Limited on telephone number 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

If you are entitled to cast two or more votes at the meeting, you may appoint two proxies and you may specify the proportion or number of votes each proxy may exercise. Where two proxies are appointed, a separate form should be used for each. You are requested to show on the form a specified proportion of your voting rights which a proxy may exercise. If you appoint two proxies and the appointment does not specify the number or proportion of votes each proxy may exercise, each proxy may exercise half the votes.

To vote by proxy, please complete and sign the enclosed Proxy Form and return (together with the original of any power of attorney or other authority, if any, or a certified copy of that power of attorney or other authority under which the proxy form is signed) and return it in accordance with the following:

In respect of Shareholders registered on the Company's Australian share register

- (a) to Computershare Investor Services Pty Limited in accordance with the instructions on the Proxy Form;
- (b) by post to Lachlan Star Limited, PO Box 1523, West Perth, Western Australia, 6872;
- (c) by facsimile to the Company on facsimile number (+61 8) 9481 0052;
- (d) in person to the Company at Lower Ground Floor, 57 Havelock Street, West Perth, WA 6005; or
- (e) electronically at the Share Registry website www.investorvote.com.au,

by 11:00am (WST) Saturday, 2 November 2013. Proxy Forms received later than the time specified will be invalid.

For intermediary Online Subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions so that it is received not later than 11am (WST) on Saturday, 2 November 2013.

In respect of Shareholders registered on the Company's Canadian share register

- (a) by mail to Equity Financial Trust Company, attention Proxy Department, at 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1; or
- (b) by facsimile to Equity Financial Trust Company at +1 416 595 9593

not later than 48 hours before the Meeting. Proxy Forms received later than the time specified will be invalid.

Beneficial shareholders

If you are a beneficial shareholder of the Company and receive these materials through your broker or through another intermediary, please complete and return the voting information form ("VIF") or proxy in accordance with the instructions provided to you, by your broker, or by the other intermediary.

See the Management Information Circular attached hereto for additional details with respect to voting by proxy, including rights of revocation.

ENQUIRIES

Shareholders are asked to contact the Company Secretary, Mr Robert Anderson, on (+61 8) 9481 0051 if they have any queries in respect of the matters set out in these documents.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of Shareholders will be held at 11am (WST) on Monday, 4 November 2013 at Lower Ground Floor, 57 Havelock Street, West Perth WA 6005.

AGENDA

RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior allotment and issue of 7,265,000 Shares to clients of Baker Steel Capital Managers LLP., Sentry Precious Metals and Mining Trust, Bank Guttenberg AG, Hambros (Guernsey Nominees) Limited, and Thomas Nurmi on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior allotment and issue of 221,680 Shares to Sprott Resource Lending Partnership on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Sprott Resource Lending Partnership and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES AND WARRANTS

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the 2 October 2013 allotment and issue of 14,985,598 Shares to clients of Baker Steel Capital Managers LLP., Primary Capital Inc., Pinetree Resource Partnership, Sprott Asset Management LP., and Sentry Investments Inc. (“Sentry”) at a price of CDN\$0.20 per share (the “October

Share Issue”) and 432,870 warrants to subscribe for fully paid ordinary shares in the Company exercisable at CDN\$0.30 per share to Primary Capital Inc. (the “October Warrant Issue”) on or before the date that is 24 months after the date of issuance of such warrants, by way of a finder’s fee payable to Primary Capital Inc., on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who participated in the October Share Issue or the October Warrant Issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 4 – ISSUE OF SHARES AND WARRANTS

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purposes of ASX Listing Rule 7.1, section 607 of the TSX Company Manual and for all other purposes, the Company approves the issue of 25,014,402 Shares to clients of Baker Steel Capital Managers LLP., Primary Capital Inc., Pinetree Resource Partnership, Sprott Asset Management LP., and various entities controlled by Sentry at a price of CDN\$0.20 per share (the “November Share Issue”), and 722,561 warrants (the “November Warrant Issue”) to subscribe for fully paid ordinary shares in the Company exercisable at CDN\$0.30 per share to Primary Capital Inc. on or before the date that is twenty-four months after the date of issuance of such warrants by way of a finder’s fee payable to Primary Capital Inc., subject to applicable securities laws, on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”

Voting Exclusion: In accordance with Listing Rule 7.3.8 the Company will disregard any votes cast on this Resolution by any person who participated in the October Share Issue, October Warrant Issue, or who will participate in the November Share Issue or the November Warrant Issue or obtains a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any of their associates. The Company will also disregard any votes cast on this resolution by Sentry in accordance with the requirements of the TSX Company Manual. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated:
3 October 2013, by order of the Board

Mr Robert Anderson
Company Secretary

EXPLANATORY MEMORANDUM AND MANAGEMENT INFORMATION CIRCULAR

This Explanatory Memorandum and Management Information Circular has been prepared for the information of the Shareholders and the solicitation of proxies in connection with the business to be conducted at the Extraordinary General Meeting (“EGM”) to be held at 11am (WST) on Monday, 4 November 2013 at Lower Ground Floor, 57 Havelock Street, West Perth WA 6005.

The Company is a “reporting issuer” in certain jurisdictions in Canada. Accordingly, pursuant to the requirements of National Instrument 51-102 - *Continuous Disclosure Obligations* (“NI 51-102”) of the Canadian Securities Administrators, the following disclosure is required to be included with this Explanatory Memorandum.

Unless otherwise stated, the information contained in this management information circular is as of 3 October 2013. All dollar amount references, unless otherwise indicated, are expressed in Australian dollars.

Purpose of Solicitation

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of the Company for use at the EGM. The EGM will be held at Lower Ground Floor, 57 Havelock Street, West Perth, Western Australia at 11am (Perth time), for the purposes set forth in the Notice accompanying this Explanatory Memorandum and Management Information Circular.

It is expected that solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by directors, officers and employees of the Company who will not be additionally compensated therefor. All costs of this solicitation will be borne by the Company.

Appointment of Proxies by Registered Shareholders

Enclosed herewith is a form of proxy for use at the Meeting. **A Shareholder has the right to appoint up to two persons (who need not be Shareholders) to attend and act for the Shareholder and on the Shareholder’s behalf at the Meeting other than the person designated in the form of proxy and may exercise such right by inserting the full name of the desired person(s) in the blank space provide in the form of proxy.**

The proxy to be acted upon must be delivered:

In respect of Shareholders registered on the Company’s Australian share register

- (a) to Computershare Investor Services Pty Limited in accordance with the instructions on the Proxy Form;
- (b) by post to Lachlan Star Limited, PO Box 1523, West Perth, Western Australia, 6872;
- (c) by facsimile to the Company on facsimile number (+61 8) 9481 0052;
- (d) in person to the Company at Lower Ground Floor, 57 Havelock Street, West Perth, WA 6005; or
- (e) electronically at the Share Registry website, www.investorvote.com.au

by 11:00am (WST) Saturday, 2 November 2013. Proxy Forms received later than the time specified will be invalid.

For intermediary Online Subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions so that it is received not later than 11am (WST) on Saturday, 2 November 2013.

In respect of Shareholders registered on the Company's Canadian share register

- (a) by mail to Equity Financial Trust Company, attention Proxy Department, at 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1; or
- (b) by facsimile to Equity Financial Trust Company at +1 416 595 9593

not later than 48 hours before the Meeting. Proxy Forms received later than the time specified will be invalid.

Revocation of Proxies

A Shareholder executing and delivering a proxy has the power to revoke it in accordance with the provisions of the Corporations Act, which provides that every proxy may be revoked by an instrument in writing executed by the Shareholder or by his or her attorney authorised in writing and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

Voting of Proxies

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy will be voted for each of the matters to be voted on by Shareholders as described in this Management Information Circular or withheld from voting or voted against if so indicated on the form of proxy and in accordance with the instructions of the Shareholder on any ballot that may be called for. In the absence of such election, the form of proxy accompanying this Explanatory Memorandum and Management Information Circular confers discretionary authority upon the proxy for each matter for which no choice has been specified and with respect to any amendments or variations to the matters identified in the Notice of Meeting and any other matters that may properly come before the Meeting. At the time of printing this Explanatory Memorandum and Management Information Circular, management knows of no such amendment, variation or other matter to come before the Meeting. However, if any other matters that are not known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

It is intended that in the absence of specific instructions to the contrary, the person designated by management in the form of proxy (this being the Chairman of the Meeting) will vote the securities represented by the proxy in favour of each matter identified in the proxy form and for the election of the proposed director to the Board of Directors of the Company.

Advice for Beneficial Holders

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the meeting. However, in many cases, Shares beneficially owned by a holder who is not a registered Shareholder, are registered either (i) in the name of an intermediary (which is usually a bank, trust company, securities dealer or broker, or a

clearing agency in which an intermediary participates) or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which an intermediary is a participant). **A non-registered Shareholder cannot be recognized at the Meeting for the purpose of voting his Shares unless such holder is appointed by the applicable intermediary as a proxyholder.**

The Company has distributed copies of the EGM materials to intermediaries and clearing agencies for distribution to non-registered Shareholders. Intermediaries are required to deliver these materials to all non-registered Shareholders of the Company who have not waived their rights to receive these materials, and to seek instructions as to how to vote the shares. Often, intermediaries will use a service company (such as Broadridge Financial Solutions Inc.) to forward these meeting materials to non-registered Shareholders.

In substitution for the proxy, non-registered Shareholders who received EGM materials will be given a VIF which must be completed and signed by the non-registered Shareholder in accordance with the instructions noted on it. In this case, the mechanisms described above for registered Shareholders cannot be used and the instructions on the VIF **must** be followed (which in some cases may allow completion of the VIF by telephone or the Internet). The VIF is provided instead of a proxy. By returning the VIF in accordance with its instructions, a non-registered owner is able to instruct the registered Shareholder how to vote on behalf of the non-registered owner.

The purpose of these procedures is to allow non-registered Shareholders to direct the voting of the shares that they own but that are not registered in their name. Should a non-registered Shareholder wish to attend and vote at the Meeting in person (or have another person attend and vote on his behalf), the non-registered Shareholder should carefully follow the instructions provided on the VIF.

Proxies returned by intermediaries as “non-votes” because the intermediary has not received instructions from the non-registered Shareholder with respect to the voting of certain shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those Shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having those Shares voted in respect of any such matter.

Voting Shares and Record Date

The authorized capital of the Company consists of an unlimited number of shares of which as of 3 October 2013 a total of 114,092,871 Shares were issued and outstanding as fully paid (“**Ordinary Shares**”). The Ordinary Shares are the only shares of the Company entitled to be voted at the Meeting and subject to certain exclusions of votes described above, each Ordinary Share is entitled to one vote at the EGM.

The directors of the Company have set Wednesday 2 October 2013 as the record date for determining the Shareholders of the Company entitled to receive the Notice of Meeting and 5pm (Perth time) on Friday, 1 November 2013 as the record date for determining the Shareholders of the Company entitled to vote at the EGM.

A simple majority of votes cast are required to approve all matters to be submitted to a vote of Shareholders at the EGM.

Principal Holders of Shares

As at the date hereof, to the knowledge of the directors and executive officers of the Company, no person beneficially owns, directly or indirectly, or exercises control or direction over, Shares carrying more than 10% or more of the voting rights attaching to all issued and outstanding Shares of the Company, except as follows:

Name	Designation of Class	Number	Percentage
Sentry Investments Inc., Sentry Capital Corp, Sean Driscoll	Ordinary Shares	22,120,787	19.39%

The auditors of the Company are PricewaterhouseCoopers, having an address at, Brookfield Place, 125 St Georges Terrace, Perth WA 6000. They were appointed prior to September 2008.

EXPLANATORY MEMORANDUM (PARTICULAR OF MATTERS TO BE ACTED UPON)

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES

1.1 Introduction

The Company issued 7,265,000 Shares to a number of institutional and sophisticated investors as set out in Resolution 1 on April 16, 2013 and May 17, 2013 (“Share Issue”).

Resolution 1 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Shares the subject of the Share Issue.

Listing Rule 7.1 provides that, subject to specified exceptions, a company must not issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where Shareholders subsequently approve a previous issue of securities made without approval under Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

If Resolution 1 is passed, the Company will not have to count the Shares the subject of the Share Issue in the 15% limit of securities that can be issued without Shareholder approval in Listing Rule 7.1 and, accordingly, the Company's capacity to issue securities within the that limit will be refreshed to the extent of the Shares the subject of the Share Issue. The Directors consider it prudent to maintain future funding flexibility as part of the Company's capital management

strategy. This can be done by seeking Shareholder ratification of the Shares the subject of the Share Issue.

1.2 Information required by Listing Rule 7.5

For the purpose of Listing Rule 7.5, the following information is provided in relation to the Share Issue:

- (a) 7,265,000 Shares were allotted and issued on April 16, 2013 and May 17, 2013;
- (b) The issue price per share for the Shares issued on April 16, 2013 and May 17, 2013 was CDN\$0.57 per Share;
- (c) the Company raised CDN\$4.14 million before costs from the issue of the Shares;
- (d) the Shares issued were fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares;
- (e) the Shares were issued to a number of institutional and sophisticated investors, none of whom were related parties of the Company; and
- (f) the intended use of the funds raised from the Share Issue is primarily for spare inventory, capital works and general working capital at the Company's CMD Gold Mine in Chile.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES

2.1 Introduction

The Company issued 221,680 Shares to a lending partnership as their bonus fee for the provision of a credit facility (the "**Credit Facility**") on February 19, 2013 ("**Sprott Share Issue**").

Resolution 2 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Shares the subject of the Sprott Share Issue.

Listing Rule 7.1 provides that, subject to specified exceptions, a company must not issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where Shareholders subsequently approve a previous issue of securities made without approval under Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

If Resolution 2 is passed, the Company will not have to count the Shares the subject of the Sprott Share Issue in the 15% limit of securities that can be issued without Shareholder approval in Listing Rule 7.1 and, accordingly, the Company's capacity to issue securities within that limit will be refreshed to the extent of the Shares the subject of the Sprott Share Issue. The Directors consider it prudent to maintain future funding flexibility as part of the Company's capital management strategy. This can be done by seeking Shareholder ratification of the Shares the subject of the Sprott Share Issue.

2.2 Information required by Listing Rule 7.5

For the purpose of Listing Rule 7.5, the following information is provided in relation to the Share Issue:

- (a) 221,680 Shares were allotted and issued on February 19, 2013;
- (b) the issue price was CDN\$0.90 per Share, being a 10% discount to the VWAP of the Shares on the TSX for the five trading days immediately prior to the date of the initial advance under the Credit Facility;
- (c) the Company did not raise any funds from the issue of the Shares;
- (d) the Shares issued were fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares;
- (e) the Shares were issued to a lending partnership which was not a related party of the Company; and
- (f) the Company did not raise any funds from the issue of the Shares.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES

3.1 Introduction

The Company issued 14,985,598 Shares to a number of institutional and sophisticated investors as set out in Resolution 3 at CDN\$0.20 per share ("**October Share Issue**") and 432,870 warrants to Primary Capital Inc., ("**October Warrant Issue**") on 2 October 2013. The warrants are exercisable at CDN\$0.30 per share on or before the date that is twenty-four months after the date of issuance of such Warrants. The warrants vested immediately upon issue.

Resolution 3 seeks Shareholder ratification pursuant to Listing Rules 7.4 for the issue of the Shares and Warrants the subject of the October Share Issue and the October Warrant Issue. The Company will disregard any votes cast on this Resolution by any person who participated in the October Share Issue or the October Warrant Issue and any associates of those persons.

Listing Rule 7.1 provides that, subject to specified exceptions, a company must not issue or agree to issue during any 12 month period any equity securities, or

other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.1A provides that an "eligible entity" may, subject to having previously obtained shareholder approval by Special Resolution, issue Equity Securities, or other securities with rights to conversion to equity (such as options), representing up to 10% (in addition to the 15% allowed under Listing Rule 7.1) of the issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2. An 'eligible entity' for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. At the date of the Company's November 2012 AGM it was an eligible entity and received such shareholder approval at that Annual General Meeting.

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in those securities were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are actually issued.

The Shares subject of the October Share Issue were not issued within 5 Trading Days of the date on which the price at which the Equity Securities are to be issued was agreed. The VWAP of Equity Securities on ASX in the same class calculated over the 15 Trading Days on which trades in those securities were recorded immediately before the date on which the Equity Securities were actually issued was A\$0.24.

Listing Rule 7.4 provides that where Shareholders subsequently approve a previous issue of securities made without approval under Listing Rule 7.1 or under Listing Rule 7.1A (and provided that the previous issue did not breach Listing Rule 7.1 or 7.1A) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rules 7.1 and 7.1A.

If Resolution 3 is passed, the Company will not have to count the Shares the subject of the October Share Issue or the Warrants the subject of the October Warrant Issue in the 15% limit of securities that can be issued without Shareholder approval under Listing Rule 7.1 or the additional 10% limit of securities that can be issued under Listing Rule 7.1A (following the approval given at the 2012 AGM) and, accordingly, the Company's capacity to issue securities within those limits will be refreshed to the extent of the Shares the subject of the October Share Issue and the Warrants the subject of the October Warrant Issue. The Directors consider it prudent to maintain future funding flexibility as part of the Company's capital management strategy. This can be done by seeking Shareholder ratification of the Shares the subject of the October Share Issue and the Warrants the subject of the October Warrant Issue.

3.2 Information required by Listing Rule 7.5

For the purpose of Listing Rule 7.5, the following information is provided in relation to the October Share Issue and October Warrant issue:

- (a) 14,985,598 Shares and 432,870 Warrants were allotted and issued on 2 October 2013;
- (b) The issue price per Share was CDN\$0.20 per Share. The Warrants were issued as partial compensation to Primary Capital Inc. for services rendered in connection with the October Share Issue on the terms set out in paragraph 3.1;
- (c) the Company raised CDN\$2,997,119.60 from the October Share Issue before costs from the issue of the Shares. No proceeds were raised from the issue of the Warrants, however, if all the Warrants are exercised the Company will receive CDN\$129,861;
- (d) the Shares were fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares at the time of issue. Shares issued on exercise of the Warrants will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Shares were issued to a number of institutional and sophisticated investors, and the Warrants were issued to Primary Capital Inc., none of whom are related parties of the Company;
- (f) the Warrants were issued on the terms and conditions set out in Annexure "A" to this Explanatory Memorandum; and
- (g) the intended use of the funds raised from the October Share Issue was to repay CDN\$0.5 million of a CDN\$5 million Sprott Credit Facility and fund development costs and working capital at the Company's CMD Gold Mine in Chile.

3.3 Information required by Listing Rule 3.10.5A

For the purpose of Listing Rule 3.10.5A, the following information is provided in relation to the October Share Issue and October Warrant Issue that fall under Listing Rule 7.1A:

- (a) the existing shareholders were diluted to the extent of 8.7% by the part of the October Share Issue and October Warrant Issue that fall under Listing Rule 7.1A;
- (b) the part of the October Share Issue and October Warrant Issue that fall under Listing Rule 7.1A was completed as a placement under rule 7.1A rather than as (or in addition to) a pro rata issue because (i) rights issues are not widely used in North America (where the bulk of the Company's shareholders reside) compared to Australia; (ii) pricing the offer at the current share price would not have been possible had the Company elected to raise the funds by way of a rights issue given that typically rights issue incorporate a larger discount; (iii) the timetable of a rights issue would have exposed the Company to pricing risk on the financing.

- (c) the part of the October Share Issue and October Warrant Issue that fall under Listing Rule 7.1A was not underwritten; and
- (d) a finder's fee of CDN\$51,444.61 is payable in respect of the October Share Issue that falls under Listing Rule 7.1A.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

4. RESOLUTION 4 – ISSUE OF SHARES AND WARRANTS

4.1 Shareholders are being asked to approve the issue of:

- (i) 25,014,402 Shares at an issue price of CDN\$0.20 per Share to a number of institutional and sophisticated investors as set out in Resolution 4 (the "**November Share Issue**"), and;
- (ii) 722,561 warrants exercisable to acquire Shares at CDN\$0.30 per Share ("**November Warrant Issue**"), expiring twenty-four months after issuance to Primary Capital Inc. at no cost and as part of their fee arrangements (as further described below). The warrants vest immediately.

4.2 The individuals are not related parties of the Company.

4.3 Resolution 4 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 and section 607 of the TSX Company Manual for the issue of these Shares and Warrants in the November Share Issue and the November Warrant Issue. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period. By approving this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% placement capacity set out in ASX Listing Rule 7.1 and the additional 10% placement capacity set out in Listing Rule 7.1A (subject to annual Shareholder approval) without the requirement to obtain prior Shareholder approval.

Section 607(g)(i) of the TSX Company Manual provides that securityholder approval is required for a private placement where the aggregate number of listed securities issuable represents greater than 25% of the number of securities of the issuer outstanding, on a non-diluted basis, prior to the closing of the transaction, if the price per security is less than the "market price" (as determined in accordance with the TSX Company Manual). The Company applied for TSX conditional approval of the October Share Issue and the November Share Issue concurrently, thus triggering the application of section 607(g)(i) of the TSX Company Manual. The total number of securities issued and issuable in the October Share issue and the November Share Issue is 41,155,431. This represents approximately 41.5% of the Shares outstanding prior to the completion of the October Share Issue. The market price of the Shares on the TSX at the close of trading on the day prior to the filing of the private placement documentation

with the TSX was approximately CDN\$0.21. The Company will disregard any votes cast on this Resolution by any person who participated in the October Share Issue, October Warrant Issue, or who will participate in the November Share Issue or the November Warrant Issue.

Section 607(g)(ii) of the TSX Company Manual provides that securityholder approval must be obtained for private placements to insiders during any six month period that would result in listed securities, or rights or entitlements to listed securities, being placed with an of greater than 10% of the number of securities of the issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the first private placement to that insider during the six-month period.

The November Share Issue will enable Sentry Investments Inc. ("Sentry") to largely maintain its current proportional share ownership in the Company. If approved at the EGM, the November Share Issue will result in more than 10% of the issued and outstanding Common Shares of the Company being issued to Sentry (on a non-diluted basis) during the six month period prior to September 19, 2013. Sentry, through various funds controlled by it, currently owns 22,120,787 Shares (after the issue of the Shares the subject of Resolution 3) representing approximately 19.39% of the issued and outstanding Shares. It subscribed for 4,000,000 Shares in a private placement that closed on April 16 2013 and another 2,581,787 Shares in the October Share Issue. Sentry has subscribed for a further 4,309,595 Shares in the November Share Issue. If the November Share Issue is approved at the EGM, Sentry will own approximately 19% of the issued and outstanding Shares. Sentry is not permitted to vote the Shares currently controlled by it on Resolution 4.

4.4 Information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the approval of the November Share Issue:

- a) 25,014,402 Shares are proposed to be issued on the terms set out in paragraph 4.1;
- b) the securities will be issued no later than 45 days after the date of the EGM and it is intended that allotment will occur on the same date;
- c) the Company will raise CDN\$5,002,880.40 from the issue of the Shares;
- d) the Shares will be issued to a number of institutional and sophisticated investors; and
- e) the funds raised from the issue of the Shares will be used to fund development costs and working capital at the Company's CMD Gold Mine in Chile.
- f) 722,561 Warrants are proposed to be issued on the terms set out in paragraph 4.1;
- g) the securities will be issued no later than 45 days after the date of the EGM and it is intended that allotment will occur on the same date;

- h) The Company will not be raising any funds from the issue of the Warrants but if all the Warrants are exercised the Company will receive CDN\$216,768.30 in cash;
- i) Shares issued on exercise of the Warrants will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- j) The Warrants will be issued to Primary Capital Inc. as partial payment of a finder's fee for services rendered in connection with the October Share Issue and the November Share Issue;
- k) the Warrants will be issued for no cash consideration and will be issued on the terms and conditions set out in Annexure "B" to this Explanatory Memorandum; and
- l) the funds raised from the exercise of the Warrants will be used to fund development costs and working capital at the Company's CMD Gold Mine in Chile.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

ENQUIRIES

Shareholders are asked to contact the Company Secretary, Mr Robert Anderson, on (+61 8) 9481 0051 if they have any queries in respect of the matters set out in these documents.

MANAGEMENT INFORMATION CIRCULAR

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com. Financial information is provided in the Company's comparative financial statements and management discussion and analysis ("MD&A") for its most recently completed financial year. The Company will provide to any person, upon request to the Company Secretary, a copy of the Company's Annual Report for the year ended June 30, 2013 which includes the financial statements of the Company for that financial year and the audit report issued thereon and/or one copy of the Company's MD&A in respect of such financial year.

Copies of the above document will be provided free of charge to Shareholders. The Company may require the payment of a reasonable charge by any person or company who is not a Shareholder of the Company, and who requests a copy of such document. Additional information relating to the Company can be found at www.asx.com.au or at www.sedar.com.

Shareholders can contact the Company Secretary, at +61 (08) 481 0051 if they have any queries in respect of the matters set out in these documents.

Approval Of This Explanatory Memorandum And Management Information Circular

The contents and the sending of this Explanatory Memorandum and Management Information Circular have been approved by the Directors of the Company.

By order of the Board of Directors

Mr Robert Anderson
Company Secretary
Dated 3 October, 2013

GLOSSARY

A\$ means Australian dollar

Annual Report means the Company's annual report for the year ended 30 June 2013 containing the Financial Report, the Directors' Report and the Audit Report.

Extraordinary General Meeting or **EGM** means the meeting convened by this Notice of Meeting.

Associate has the meaning given to it by Division 2 of Part 1.2 of the Corporations Act.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of the ASX.

Auditor's Report means the auditor's report on the Financial Report.

Board means the current board of directors of the Company.

CDN\$ means Canadian dollar

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

Company or **Lachlan Star** means Lachlan Star Limited (ABN 88 000 759 535).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the current directors of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice of Meeting.

Equity Securities has the same meaning as set out in the Listing Rules.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

Notice of Meeting or **Notice of Extraordinary General Meeting** means this notice of Extraordinary General Meeting including the Explanatory Memorandum.

Option means an option to acquire a Share.

Ordinary Securities has the same meaning as set out in the Listing Rules.

Proxy Form means the proxy form attached to the Notice of Meeting.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of a Share.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

TSX means the Toronto Stock Exchange.

VWAP means volume weighted average price.

WST means the time in Perth, Western Australia.

ANNEXURE A

TERMS OF WARRANTS ISSUED IN THE OCTOBER WARRANT ISSUE

1. **Definitions:** In this Broker Warrant Certificate, unless there is something in the subject matter or context inconsistent therewith, the following expressions shall have the following meanings namely:
- (a) **"Adjustment Period"** means the period commencing on the date hereof and ending at the Expiry Time;
 - (b) **"Broker Share"** means the Ordinary Shares issuable upon the exercise of the Warrants;
 - (c) **"Broker Warrant"** means a broker warrant exercisable to purchase one Broker Share at the Exercise Price until the Expiry Time;
 - (d) **"Broker Warrant Certificate"** means this broker warrant certificate;
 - (e) **"Business Day"** means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions are closed in Vancouver, British Columbia;
 - (f) **"Company"** means Lachlan Star Limited, a company existing under the laws of Australia and its successors and assigns;
 - (g) **"Current Market Price"** of a Ordinary Share at any date means the price per share equal to the weighted average price at which the Ordinary Shares have traded on the TSX for the 5 Trading Days prior to the relevant date or, if the Ordinary Shares are not listed on the TSX, on any other stock exchange on which such shares are then listed as may be selected by the directors of the Company or, if the Ordinary Shares are not listed on any stock exchange, then on the over-the-counter market with the weighted average price per Ordinary Share being determined by dividing the aggregate sale price of all Ordinary Shares sold on the said exchange or market, as the case may be, during the said 5 Trading Days by the aggregate number of Ordinary Shares so sold or, if the Ordinary Shares are not listed or quoted on any stock exchange or over-the-counter market, such price as may be determined by the directors of the Company;
 - (h) **"Dividends Paid in the Ordinary Course"** means dividends paid in any financial year of the Company, whether in (i) cash; (ii) shares of the Company; (iii) warrants or similar rights to purchase any shares of the Company or property or other assets of the Company provided that the value of such dividends does not in such financial year exceed the greater of:
 - (i) 150% of the aggregate amount of dividends paid by the Company on the Ordinary Shares in the 12-month period ending immediately prior to the first day of such financial year; and
 - (ii) 100% of the consolidated net earnings from continuing operations of the Company, before any extraordinary items, for the 12-month period ending immediately prior to the first day of such financial

year (such consolidated net earnings from continuing operations to be computed in accordance with generally accepted accounting principles in Australia);

- (i) “**Exercise Price**” means \$0.30 per Broker Share, subject to adjustment in accordance with Section 10 hereof;
 - (j) “**Expiry Day**” means October 2, 2015;
 - (k) “**Expiry Time**” means 5:00 p.m. (Vancouver time), on the Expiry Day;
 - (l) “**Holder**” shall have the meaning ascribed thereto on the face page hereof;
 - (m) “**Ordinary Shares**” means the ordinary shares of the Company as such shares are constituted on the date hereof, as the same may be reorganized, reclassified or otherwise changed pursuant to any of the events set out in Section 10 hereof;
 - (n) “**person**” means an individual, corporation, partnership, trust, fund and an association, syndicate, organization or other organized group of persons whether incorporated or not, an individual or other person in that person’s capacity as a trustee, executor, administrator or personal or other legal representative;
 - (o) “**Trading Day**” with respect to a stock exchange, market or over-the-counter market means a day on which such stock exchange or over-the-counter market is open for business;
 - (p) “**TSX**” means the Toronto Stock Exchange;
 - (q) “**U.S. Person**” means U.S. person as that term is defined in Regulation S under the U.S. Securities Act; and
 - (r) “**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.
2. **Expiry Time:** At the Expiry Time, all rights under the Broker Warrants evidenced hereby, in respect of which the right of subscription and purchase herein provided for shall not theretofore have been exercised, shall expire and be of no further force and effect.
3. **Exercise Procedure:**
- (a) The Holder may exercise the right to subscribe and purchase the number of Broker Shares herein provided, by delivering to the Company prior to the Expiry Time at the office set out on the face page of this original Broker Warrant Certificate, with the Subscription Form attached hereto duly completed and executed by the Holder or its legal representative or attorney, duly appointed by an instrument in writing in form and manner satisfactory to the Company, together with a wire transfer to the Company in accordance with the instructions found in the Subscription Form in an amount equal to the aggregate Exercise Price in respect of the Broker Warrants so exercised. Any Broker Warrant Certificate so surrendered shall be deemed to be surrendered only upon delivery

thereof to the Company as required herein (or to such other address as the Company may notify the Holder).

- (b) Upon such delivery as aforesaid, the Company shall cause to be issued to the Holder hereof the Broker Shares subscribed for not exceeding those which such Holder is entitled to purchase pursuant to this Broker Warrant Certificate and the Holder hereof shall become a shareholder of the Company in respect of the Broker Shares subscribed for with effect from the date of such delivery and shall be entitled to delivery of a certificate evidencing the Broker Shares and the Company shall cause such certificates to be mailed to the Holder hereof at the address or addresses specified in such subscription as soon as practicable, and in any event within five (5) Business Days of such delivery.
- (c) The certificate or certificates representing Broker Shares issued before February 2, 2014 upon exercise of the Broker Warrants represented hereby shall be impressed with a legend substantially in the following form:

**UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE
HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY
BEFORE FEBRUARY 3, 2014.**

- (d) This Broker Warrant and the Broker Shares issuable upon exercise of this Broker Warrant have not been and will not be registered under the U.S. Securities Act or under state securities laws of any state in the United States. Accordingly, this Broker Warrant may not be transferred or exercised in the United States or by or on behalf of a U.S. Person unless an exemption is available from the registration requirements of the U.S. Securities Act and applicable state securities laws and the holder of this Broker Warrant has furnished an opinion of counsel of recognized standing in form and substance satisfactory to the Company to such effect.
4. **Partial Exercise:** The Holder may subscribe for and purchase a number of Broker Shares less than the maximum number the Holder is entitled to purchase pursuant to the full exercise of this Broker Warrant Certificate. In the event of any such subscription prior to the Expiry Time, the Holder shall be entitled to receive, without charge, a new Broker Warrant Certificate in respect of the balance of the Broker Shares which the Holder was entitled to subscribe for pursuant to this Broker Warrant Certificate and which were then not purchased.
 5. **No Fractional Shares:** Notwithstanding any adjustments provided for in Section 10 hereof or otherwise, the Company shall not be required upon the exercise of any Broker Warrants to issue fractional Broker Shares in satisfaction of its obligations hereunder and, in any such case, the number of Broker Shares issuable upon the exercise of any Broker Warrants shall be rounded down to the nearest whole number.
 6. **Exchange of Broker Warrant Certificates:** This Broker Warrant Certificate may be exchanged for Broker Warrant Certificates representing in the aggregate the same number of Broker Warrants and entitling the Holder thereof to subscribe for and purchase an equal aggregate number of Broker Shares at the same Exercise Price and on the same terms as this Broker Warrant Certificate (with or without legends as may be appropriate).

7. **Transfer of Broker Warrants:** Subject to applicable law and the policies of the TSX, the Holder may not transfer this Broker Warrant Certificate except to a subsidiary or to an entity of which the Holder is a subsidiary. No transfer of this Broker Warrant shall be effective unless this Broker Warrant Certificate is accompanied by a duly executed Transfer Form or other instrument of transfer in such form as the Company may from time to time prescribe, together with such evidence of the genuineness of each endorsement, execution and authorization and of other matters as may reasonably be required by the Company, and delivered to the Company. No transfer of this Broker Warrant shall be made if in the opinion of counsel to the Company such transfer would result in the violation of any applicable securities laws. Subject to the foregoing, the Company shall issue and mail as soon as practicable, and in any event within five (5) Business Days of such delivery, a new Broker Warrant Certificate (with or without legends as may be appropriate) registered in the name of the transferee or as the transferee may direct and shall take all other necessary actions to effect the transfer as directed.
8. **Not a Shareholder:** Nothing in this Broker Warrant Certificate or in the holding of a Broker Warrant evidenced hereby shall be construed as conferring upon the Holder any right or interest whatsoever as a shareholder of the Company.
9. **No Obligation to Purchase:** Nothing herein contained or done pursuant hereto shall obligate the Holder to subscribe for or the Company to issue any shares except those shares in respect of which the Holder shall have exercised its right to purchase hereunder in the manner provided herein.
10. **Adjustments:**
 - (a) **Adjustment:** The rights of the holder of this Broker Warrant, including the number of Broker Shares issuable upon the exercise of such Broker Warrants, will be adjusted from time to time in the events and in the manner provided in, and in accordance with the provisions of, this Section. The purpose and intent of the adjustments provided for in this Section is to ensure that the rights and obligations of the Holder are neither diminished or enhanced as a result of any of the events set forth in paragraphs (b), (c) or (d) of this Section. Accordingly, the provisions of this Section shall be interpreted and applied in accordance with such purpose and intent.
 - (b) The Exercise Price in effect at any date will be subject to adjustment from time to time as follows:
 - (i) **Share Reorganization:** If and whenever at any time during the Adjustment Period, the Company shall (A) subdivide, redivide or change the outstanding Ordinary Shares into a greater number of Ordinary Shares, (B) consolidate, combine or reduce the outstanding Ordinary Shares into a lesser number of Ordinary Shares, or (C) fix a record date for the issue of Ordinary Shares or securities convertible into or exchangeable for Ordinary Shares to all or substantially all of the holders of Ordinary Shares by way of a stock dividend or other distribution other than a Dividend Paid in the Ordinary Course, then, in each such event, the Exercise Price shall, on the record date for such event or, if no record date is fixed, the effective date of such event, be adjusted so that it will equal the rate determined by multiplying the Exercise Price in

effect immediately prior to such date by a fraction, of which the numerator shall be the total number of Ordinary Shares outstanding on such date before giving effect to such event, and of which the denominator shall be the total number of Ordinary Shares outstanding on such date after giving effect to such event. Such adjustment shall be made successively whenever any such event shall occur. Any such issue of Ordinary Shares by way of a stock dividend shall be deemed to have been made on the record date for such stock dividend for the purpose of calculating the number of outstanding Ordinary Shares under paragraphs 10(b)(i) and (ii) hereof.

- (ii) Rights Offering: If and whenever at any time during the Adjustment Period, the Company shall fix a record date for the issue of rights, options or warrants to all or substantially all of the holders of Ordinary Shares entitling the holders thereof, within a period expiring not more than 45 days after the record date for such issue, to subscribe for or purchase Ordinary Shares (or securities convertible into or exchangeable for Ordinary Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price on such record date, then the Exercise Price shall be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Ordinary Shares outstanding on such record date plus the number of Ordinary Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Ordinary Shares so offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price, and of which the denominator shall be the total number of Ordinary Shares outstanding on such record date plus the total number of additional Ordinary Shares so offered for subscription or purchase (or into or for which the convertible or exchangeable securities so offered are convertible or exchangeable). Any Ordinary Shares owned by or held for the account of the Company or any subsidiary of the Company shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, provided that if two or more such record dates referred to in this paragraph 11(b)(ii) are fixed within a period of 25 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that any such rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price shall then be readjusted to the Exercise Price which would then be in effect based upon the number of Ordinary Shares (or securities convertible into or exchangeable for Ordinary Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.
- (iii) Distribution: If and whenever at any time during the Adjustment Period, the Company shall fix a record date for the making of a distribution to all or substantially all of the holders of Ordinary Shares

of (A) shares of any class other than Ordinary Shares whether of the Company or any other corporation, (B) rights, options or warrants to acquire Ordinary Shares or securities exchangeable for or convertible into Ordinary Shares or property or other assets of the Company (other than a Rights Offering as described in Section 11(b)(ii)), (C) evidences of indebtedness, or (D) cash, securities or other property or assets then, in each such case and if such distribution does not constitute a Dividend Paid in the Ordinary Course, or fall under clauses (i) or (ii) above, the Exercise Price will be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Ordinary Shares outstanding on such record date multiplied by the Current Market Price on the earlier of such record date and the date on which the Company announces its intention to make such distribution, less the aggregate fair market value (as determined by the directors, acting reasonably, at the time such distribution is authorized) of such shares or rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets so distributed, and of which the denominator shall be the total number of Ordinary Shares outstanding on such record date multiplied by such Current Market Price. Any Ordinary Shares owned by or held for the account of the Company or any subsidiary of the Company shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, provided that if two or more such record dates referred to in this paragraph 11(b)(iii) are fixed within a period of 25 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that any such rights, options or warrants so distributed are not exercised prior to the expiration thereof, the Exercise Price shall then be readjusted to the Exercise Price which would then be in effect based upon such rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets actually distributed or based upon the number or amount of securities or the property or assets actually issued or distributed upon the exercise of such rights, options or warrants, as the case may be.

- (c) Reclassifications: If and whenever at any time during the Adjustment Period, there is (A) any reclassification of or amendment to the outstanding Ordinary Shares, any change of the Ordinary Shares into other shares or any other reorganization of the Company (other than as described in subsection 10(b) hereof), (B) any consolidation, amalgamation, arrangement, merger or other form of business combination of the Company with or into any other corporation resulting in any reclassification of the outstanding Ordinary Shares, any change of the Ordinary Shares into other shares or any other reorganization of the Company, or (C) any sale, lease, exchange or transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or entity, then, in each such event, the Holder of this Broker Warrant which is thereafter exercised shall be entitled to receive, and shall accept, in lieu of the number of Ordinary Shares to which such Holder was theretofore entitled upon such exercise, the kind and number

or amount of shares or other securities or property which such Holder would have been entitled to receive as a result of such event if, on the effective date thereof, such Holder had been the registered holder of the number of Ordinary Shares to which such Holder was theretofore entitled upon such exercise. If necessary as a result of any such event, appropriate adjustments will be made in the application of the provisions set forth in this subsection with respect to the rights and interests thereafter of the Holder of this Broker Warrant Certificate to the end that the provisions set forth in this subsection will thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares or other securities or property thereafter deliverable upon the exercise of this Broker Warrant. Any such adjustments will be made by and set forth in an instrument supplemental hereto approved by the directors, acting reasonably, and shall for all purposes be conclusively deemed to be an appropriate adjustment.

- (d) If at any time during the Adjustment Period any adjustment or readjustment in the Exercise Price shall occur pursuant to the provisions of subsection 10(b)(i) or 10(c) of this Broker Warrant Certificate, then the number of Broker Shares purchasable upon the subsequent exercise of the Broker Warrants shall be simultaneously adjusted or readjusted, as the case may be, by multiplying the number of Broker Shares purchasable upon the exercise of the Broker Warrants immediately prior to such adjustment or readjustment by a fraction which shall be the reciprocal of the fraction used in the adjustment or readjustment of the Exercise Price.

11. **Rules Regarding Calculation of Adjustment of Exercise Price:**

- (a) The adjustments provided for in Section 10 are cumulative and will, in the case of adjustments to the Exercise Price, be computed to the nearest whole Broker Share and will be made successively whenever an event referred to therein occurs, subject to the following subsections of this Section 11.
- (b) No adjustment in the Exercise Price is required to be made unless such adjustment would result in a change of at least 1% in the prevailing Exercise Price and no adjustment in the Exercise Price is required unless such adjustment would result in a change of at least one one-hundredth of a Broker Share; provided, however, that any adjustments which, except for the provisions of this subsection, would otherwise have been required to be made, will be carried forward and taken into account in any subsequent adjustments.
- (c) No adjustment in the Exercise Price will be made in respect of any event described in Section 10, other than the events referred to in clauses 10(c), if the Holder is entitled to participate in such event on the same terms, *mutatis mutandis*, as if the Holder had exercised this Broker Warrant prior to or on the effective date or record date of such event.
- (d) No adjustment in the Exercise Price will be made under Section 10 in respect of the issue from time to time of Ordinary Shares issuable from time to time as Dividends Paid in the Ordinary Course to holders of Ordinary Shares who exercise an option or election to receive substantially

equivalent dividends in Ordinary Shares in lieu of receiving a cash dividend.

- (e) If at any time a question or dispute arises with respect to adjustments provided for in Section 10, such question or dispute will be conclusively determined by the auditor of the Company or, if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by action of the directors of the Company and any such determination, subject to regulatory approval and absent manifest error, will be binding upon the Company and the Holder. The Company will provide such auditor or chartered accountant with access to all necessary records of the Company.
- (f) In case the Company after the date of issuance of this Broker Warrant takes any action affecting the Ordinary Shares, other than action described in Section 10, which in the opinion of the board of directors of the Company would materially affect the rights of the Holder, the Exercise Price will be adjusted in such manner, if any, and at such time, by action of the directors of the Company in their sole discretion, acting reasonably and in good faith, but subject in all cases to any necessary regulatory approval. Failure of the taking of action by the directors of the Company so as to provide for an adjustment on or prior to the effective date of any action by the Company affecting the Ordinary Shares will be conclusive evidence that the board of directors of the Company has determined that it is equitable to make no adjustment in the circumstances.
- (g) If the Company sets a record date to determine the holders of the Ordinary Shares for the purpose of entitling them to receive any dividend or distribution or sets a record date to take any other action and, thereafter and before the distribution to such shareholders of any such dividend or distribution or the taking of any other action, decides not to implement its plan to pay or deliver such dividend or distribution or take such other action, then no adjustment in the Exercise Price will be required by reason of the setting of such record date.
- (h) In the absence of a resolution of the directors of the Company fixing a record date for any event which would require any adjustment to this Broker Warrant, the Company will be deemed to have fixed as the record date therefor the date on which the event is effected.
- (i) As a condition precedent to the taking of any action which would require any adjustment to the Broker Shares issuable under this Broker Warrant, including the Exercise Price, the Company shall take any corporate action which may be necessary in order that the Company or any successor to the Company or successor to the undertaking or assets of the Company have unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the shares or other securities which the Holder is entitled to receive on the full exercise thereof in accordance with the provisions hereof.
- (j) The Company will from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 10, forthwith give notice to the Holder specifying the event

requiring such adjustment or readjustment and the results thereof, including the resulting Exercise Price.

- (k) In any case that an adjustment pursuant to Section 10 shall become effective immediately after a record date for or an effective date of an event referred to herein, the Company may defer, until the occurrence and consummation of such event, issuing to the Holder of this Broker Warrant, if exercised after such record date or effective date and before the occurrence and consummation of such event, the additional Broker Shares or other securities or property issuable upon such exercise by reason of the adjustment required by such event, provided, however, that the Company will deliver to the Holder an appropriate instrument evidencing the Holder's right to receive such additional Broker Shares or other securities or property upon the occurrence and consummation of such event and the right to receive any dividend or other distribution in respect of such additional Broker Shares or other securities or property declared in favour of the holders of record of Ordinary Shares or of such other securities or property on or after the Exercise Date or such later date as the Holder would, but for the provisions of this subsection, have become the holder of record of such additional Broker Shares or of such other securities or property.

12. **Consolidation and Amalgamation:**

- (a) The Company shall not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other corporation (herein called a "**successor corporation**") whether by way of reorganization, reconstruction, consolidation, amalgamation, merger, transfer, sale, disposition or otherwise, unless prior to or contemporaneously with the consummation of such transaction the Company and the successor corporation shall have executed such instruments and done such things as the Company, acting reasonably, considers necessary or advisable to establish that upon the consummation of such transaction:
- (i) the successor corporation will have assumed all the covenants and obligations of the Company under this Broker Warrant Certificate, and
 - (ii) the Broker Warrant and the terms set forth in this Broker Warrant Certificate will be a valid and binding obligation of the successor corporation entitling the Holder, as against the successor corporation, to all the rights of the Holder under this Broker Warrant Certificate.
- (b) Whenever the conditions of subsection 13(a) shall have been duly observed and performed the successor corporation shall possess, and from time to time may exercise, each and every right and power of the Company under this Broker Warrant in the name of the Company or otherwise and any act or proceeding by any provision hereof required to be done or performed by any director or officer of the Company may be done and performed with like force and effect by the like directors or officers of the successor corporation.

13. **Representation and Warranty:** The Company hereby represents and warrants with and to the Holder that the Company is duly authorized and has all corporate and lawful power and authority to create and issue this Broker Warrant and the Broker Shares issuable upon the exercise hereof and perform its obligations hereunder and that this Broker Warrant Certificate represents a valid, legal and binding obligation of the Company enforceable in accordance with its terms.
14. **If Share Transfer Books Closed:** The Company shall not be required to deliver certificates for Broker Shares while the share transfer books of the Company are properly closed, prior to any meeting of shareholders or for the payment of dividends or for any other purpose and in the event of the surrender of any Broker Warrant in accordance with the provisions hereof and the making of any subscription and payment for the Broker Shares called for thereby during any such period delivery of certificates for Broker Shares may be postponed for a period not exceeding three (3) Business Days after the date of the re-opening of said share transfer books provided that any such postponement of delivery of certificates shall be without prejudice to the right of the Holder, if the Holder has surrendered the same and made payment during such period, to receive such certificates for the Broker Shares called for after the share transfer books shall have been re-opened.
15. **Lost Certificate:** If the Broker Warrant Certificate evidencing the Broker Warrants issued hereby becomes stolen, lost, mutilated or destroyed the Company shall issue and countersign a new Broker Warrant Certificate of like denomination, tenor and date as the Broker Warrant Certificate so stolen, lost mutilated or destroyed provided that the Holder shall bear the reasonable cost of the issue thereof and in case of loss, destruction or theft, shall, as a condition precedent to the issue thereof, furnish to the Company such evidence of ownership and of the loss, destruction or theft of the Broker Warrant Certificate as shall be satisfactory to the Company, in its sole discretion acting reasonably, and the Holder may also be required to furnish an indemnity in form satisfactory to the Company, in its sole discretion acting reasonably, and shall pay the reasonable charges of the Company in connection therewith.
16. **Governing Law:** This Broker Warrant shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein but the references to such laws shall not, by conflict of laws, rules or otherwise, require the application of the law of any jurisdiction other than the Province of British Columbia.
17. **Severability:** If any one or more of the provisions or parts thereof contained in this Broker Warrant Certificate should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom.
18. **Headings:** The headings of the articles, sections, subsections and clauses of this Broker Warrant Certificate have been inserted for convenience and reference only and do not define, limit, alter or enlarge the meaning of any provision of this Broker Warrant Certificate.
19. **Numbering of Articles, etc.:** Unless otherwise stated, a reference herein to a numbered or lettered article, section, subsection, clause, subclause or schedule

refers to the article, section, subsection, clause, subclause or schedule bearing that number or letter in this Broker Warrant Certificate.

20. **Gender**: Whenever used in this Broker Warrant Certificate, words importing the singular number only shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender.
21. **Day not a Business Day**: In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.
22. **Binding Effect**: This Broker Warrant Certificate and all of its provisions shall enure to the benefit of the Holder, its successors, assigns and legal personal representatives and shall be binding upon the Company and its successors.
23. **Notice**: Unless herein otherwise expressly provided, a notice to be given hereunder will be deemed to be validly given if the notice is sent by telecopier or prepaid same day courier addressed as follows:
 - (a) If to the Holder at the latest address of the Holder as recorded on the books of the Company; and
 - (b) If to the Company at:

Lower Ground Floor, 57 Havelock Street, West Perth 6005
PO Box 1523, West Perth WA 6872

Attention: Bob Anderson, Company Secretary
Facsimile No.: +61 (8) 9481 0052
24. **Time of Essence**: Time shall be of the essence hereof.

ANNEXURE B

TERMS OF WARRANTS TO BE ISSUED IN THE NOVEMBER WARRANT ISSUE

1. **Definitions:** In this Broker Warrant Certificate, unless there is something in the subject matter or context inconsistent therewith, the following expressions shall have the following meanings namely:
- (a) **"Adjustment Period"** means the period commencing on the date hereof and ending at the Expiry Time;
 - (b) **"Broker Share"** means the Ordinary Shares issuable upon the exercise of the Warrants;
 - (c) **"Broker Warrant"** means a broker warrant exercisable to purchase one Broker Share at the Exercise Price until the Expiry Time;
 - (d) **"Broker Warrant Certificate"** means this broker warrant certificate;
 - (e) **"Business Day"** means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions are closed in Vancouver, British Columbia;
 - (f) **"Company"** means Lachlan Star Limited, a company existing under the laws of Australia and its successors and assigns;
 - (g) **"Current Market Price"** of a Ordinary Share at any date means the price per share equal to the weighted average price at which the Ordinary Shares have traded on the TSX for the 5 Trading Days prior to the relevant date or, if the Ordinary Shares are not listed on the TSX, on any other stock exchange on which such shares are then listed as may be selected by the directors of the Company or, if the Ordinary Shares are not listed on any stock exchange, then on the over-the-counter market with the weighted average price per Ordinary Share being determined by dividing the aggregate sale price of all Ordinary Shares sold on the said exchange or market, as the case may be, during the said 5 Trading Days by the aggregate number of Ordinary Shares so sold or, if the Ordinary Shares are not listed or quoted on any stock exchange or over-the-counter market, such price as may be determined by the directors of the Company;
 - (h) **"Dividends Paid in the Ordinary Course"** means dividends paid in any financial year of the Company, whether in (i) cash; (ii) shares of the Company; (iii) warrants or similar rights to purchase any shares of the Company or property or other assets of the Company provided that the value of such dividends does not in such financial year exceed the greater of:
 - (i) 150% of the aggregate amount of dividends paid by the Company on the Ordinary Shares in the 12-month period ending immediately prior to the first day of such financial year; and
 - (ii) 100% of the consolidated net earnings from continuing operations of the Company, before any extraordinary items, for the 12-month period ending immediately prior to the first day of such financial

year (such consolidated net earnings from continuing operations to be computed in accordance with generally accepted accounting principles in Australia);

- (i) “**Exercise Price**” means \$0.30 per Broker Share, subject to adjustment in accordance with Section 10 hereof;
 - (j) “**Expiry Day**” means October 1, 2015;
 - (k) “**Expiry Time**” means 5:00 p.m. (Vancouver time), on the Expiry Day;
 - (l) “**Holder**” shall have the meaning ascribed thereto on the face page hereof;
 - (m) “**Ordinary Shares**” means the ordinary shares of the Company as such shares are constituted on the date hereof, as the same may be reorganized, reclassified or otherwise changed pursuant to any of the events set out in Section 10 hereof;
 - (n) “**person**” means an individual, corporation, partnership, trust, fund and an association, syndicate, organization or other organized group of persons whether incorporated or not, an individual or other person in that person’s capacity as a trustee, executor, administrator or personal or other legal representative;
 - (o) “**Trading Day**” with respect to a stock exchange, market or over-the-counter market means a day on which such stock exchange or over-the-counter market is open for business;
 - (p) “**TSX**” means the Toronto Stock Exchange;
 - (q) “**U.S. Person**” means U.S. person as that term is defined in Regulation S under the U.S. Securities Act; and
 - (r) “**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.
2. **Expiry Time:** At the Expiry Time, all rights under the Broker Warrants evidenced hereby, in respect of which the right of subscription and purchase herein provided for shall not theretofore have been exercised, shall expire and be of no further force and effect.
3. **Exercise Procedure:**
- (a) The Holder may exercise the right to subscribe and purchase the number of Broker Shares herein provided, by delivering to the Company prior to the Expiry Time at the office set out on the face page of this original Broker Warrant Certificate, with the Subscription Form attached hereto duly completed and executed by the Holder or its legal representative or attorney, duly appointed by an instrument in writing in form and manner satisfactory to the Company, together with a wire transfer to the Company in accordance with the instructions found in the Subscription Form in an amount equal to the aggregate Exercise Price in respect of the Broker Warrants so exercised. Any Broker Warrant Certificate so surrendered shall be deemed to be surrendered only upon delivery

thereof to the Company as required herein (or to such other address as the Company may notify the Holder).

- (b) Upon such delivery as aforesaid, the Company shall cause to be issued to the Holder hereof the Broker Shares subscribed for not exceeding those which such Holder is entitled to purchase pursuant to this Broker Warrant Certificate and the Holder hereof shall become a shareholder of the Company in respect of the Broker Shares subscribed for with effect from the date of such delivery and shall be entitled to delivery of a certificate evidencing the Broker Shares and the Company shall cause such certificates to be mailed to the Holder hereof at the address or addresses specified in such subscription as soon as practicable, and in any event within five (5) Business Days of such delivery.
- (c) The certificate or certificates representing Broker Shares issued before February 2, 2014 upon exercise of the Broker Warrants represented hereby shall be impressed with a legend substantially in the following form:

**UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE
HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY
BEFORE MARCH 27, 2014.**

- (d) This Broker Warrant and the Broker Shares issuable upon exercise of this Broker Warrant have not been and will not be registered under the U.S. Securities Act or under state securities laws of any state in the United States. Accordingly, this Broker Warrant may not be transferred or exercised in the United States or by or on behalf of a U.S. Person unless an exemption is available from the registration requirements of the U.S. Securities Act and applicable state securities laws and the holder of this Broker Warrant has furnished an opinion of counsel of recognized standing in form and substance satisfactory to the Company to such effect.
4. **Partial Exercise:** The Holder may subscribe for and purchase a number of Broker Shares less than the maximum number the Holder is entitled to purchase pursuant to the full exercise of this Broker Warrant Certificate. In the event of any such subscription prior to the Expiry Time, the Holder shall be entitled to receive, without charge, a new Broker Warrant Certificate in respect of the balance of the Broker Shares which the Holder was entitled to subscribe for pursuant to this Broker Warrant Certificate and which were then not purchased.
 5. **No Fractional Shares:** Notwithstanding any adjustments provided for in Section 10 hereof or otherwise, the Company shall not be required upon the exercise of any Broker Warrants to issue fractional Broker Shares in satisfaction of its obligations hereunder and, in any such case, the number of Broker Shares issuable upon the exercise of any Broker Warrants shall be rounded down to the nearest whole number.
 6. **Exchange of Broker Warrant Certificates:** This Broker Warrant Certificate may be exchanged for Broker Warrant Certificates representing in the aggregate the same number of Broker Warrants and entitling the Holder thereof to subscribe for and purchase an equal aggregate number of Broker Shares at the same Exercise Price and on the same terms as this Broker Warrant Certificate (with or without legends as may be appropriate).

7. **Transfer of Broker Warrants:** Subject to applicable law and the policies of the TSX, the Holder may not transfer this Broker Warrant Certificate except to a subsidiary or to an entity of which the Holder is a subsidiary. No transfer of this Broker Warrant shall be effective unless this Broker Warrant Certificate is accompanied by a duly executed Transfer Form or other instrument of transfer in such form as the Company may from time to time prescribe, together with such evidence of the genuineness of each endorsement, execution and authorization and of other matters as may reasonably be required by the Company, and delivered to the Company. No transfer of this Broker Warrant shall be made if in the opinion of counsel to the Company such transfer would result in the violation of any applicable securities laws. Subject to the foregoing, the Company shall issue and mail as soon as practicable, and in any event within five (5) Business Days of such delivery, a new Broker Warrant Certificate (with or without legends as may be appropriate) registered in the name of the transferee or as the transferee may direct and shall take all other necessary actions to effect the transfer as directed.
8. **Not a Shareholder:** Nothing in this Broker Warrant Certificate or in the holding of a Broker Warrant evidenced hereby shall be construed as conferring upon the Holder any right or interest whatsoever as a shareholder of the Company.
9. **No Obligation to Purchase:** Nothing herein contained or done pursuant hereto shall obligate the Holder to subscribe for or the Company to issue any shares except those shares in respect of which the Holder shall have exercised its right to purchase hereunder in the manner provided herein.
10. **Adjustments:**
 - (a) **Adjustment:** The rights of the holder of this Broker Warrant, including the number of Broker Shares issuable upon the exercise of such Broker Warrants, will be adjusted from time to time in the events and in the manner provided in, and in accordance with the provisions of, this Section. The purpose and intent of the adjustments provided for in this Section is to ensure that the rights and obligations of the Holder are neither diminished or enhanced as a result of any of the events set forth in paragraphs (b), (c) or (d) of this Section. Accordingly, the provisions of this Section shall be interpreted and applied in accordance with such purpose and intent.
 - (b) The Exercise Price in effect at any date will be subject to adjustment from time to time as follows:
 - (i) **Share Reorganization:** If and whenever at any time during the Adjustment Period, the Company shall (A) subdivide, redivide or change the outstanding Ordinary Shares into a greater number of Ordinary Shares, (B) consolidate, combine or reduce the outstanding Ordinary Shares into a lesser number of Ordinary Shares, or (C) fix a record date for the issue of Ordinary Shares or securities convertible into or exchangeable for Ordinary Shares to all or substantially all of the holders of Ordinary Shares by way of a stock dividend or other distribution other than a Dividend Paid in the Ordinary Course, then, in each such event, the Exercise Price shall, on the record date for such event or, if no record date is fixed, the effective date of such event, be adjusted so that it will equal the rate determined by multiplying the Exercise Price in

effect immediately prior to such date by a fraction, of which the numerator shall be the total number of Ordinary Shares outstanding on such date before giving effect to such event, and of which the denominator shall be the total number of Ordinary Shares outstanding on such date after giving effect to such event. Such adjustment shall be made successively whenever any such event shall occur. Any such issue of Ordinary Shares by way of a stock dividend shall be deemed to have been made on the record date for such stock dividend for the purpose of calculating the number of outstanding Ordinary Shares under paragraphs 10(b)(i) and (ii) hereof.

- (ii) Rights Offering: If and whenever at any time during the Adjustment Period, the Company shall fix a record date for the issue of rights, options or warrants to all or substantially all of the holders of Ordinary Shares entitling the holders thereof, within a period expiring not more than 45 days after the record date for such issue, to subscribe for or purchase Ordinary Shares (or securities convertible into or exchangeable for Ordinary Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price on such record date, then the Exercise Price shall be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Ordinary Shares outstanding on such record date plus the number of Ordinary Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Ordinary Shares so offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price, and of which the denominator shall be the total number of Ordinary Shares outstanding on such record date plus the total number of additional Ordinary Shares so offered for subscription or purchase (or into or for which the convertible or exchangeable securities so offered are convertible or exchangeable). Any Ordinary Shares owned by or held for the account of the Company or any subsidiary of the Company shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, provided that if two or more such record dates referred to in this paragraph 11(b)(ii) are fixed within a period of 25 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that any such rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price shall then be readjusted to the Exercise Price which would then be in effect based upon the number of Ordinary Shares (or securities convertible into or exchangeable for Ordinary Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.
- (iii) Distribution: If and whenever at any time during the Adjustment Period, the Company shall fix a record date for the making of a distribution to all or substantially all of the holders of Ordinary Shares

of (A) shares of any class other than Ordinary Shares whether of the Company or any other corporation, (B) rights, options or warrants to acquire Ordinary Shares or securities exchangeable for or convertible into Ordinary Shares or property or other assets of the Company (other than a Rights Offering as described in Section 11(b)(ii)), (C) evidences of indebtedness, or (D) cash, securities or other property or assets then, in each such case and if such distribution does not constitute a Dividend Paid in the Ordinary Course, or fall under clauses (i) or (ii) above, the Exercise Price will be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Ordinary Shares outstanding on such record date multiplied by the Current Market Price on the earlier of such record date and the date on which the Company announces its intention to make such distribution, less the aggregate fair market value (as determined by the directors, acting reasonably, at the time such distribution is authorized) of such shares or rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets so distributed, and of which the denominator shall be the total number of Ordinary Shares outstanding on such record date multiplied by such Current Market Price. Any Ordinary Shares owned by or held for the account of the Company or any subsidiary of the Company shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, provided that if two or more such record dates referred to in this paragraph 11(b)(iii) are fixed within a period of 25 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that any such rights, options or warrants so distributed are not exercised prior to the expiration thereof, the Exercise Price shall then be readjusted to the Exercise Price which would then be in effect based upon such rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets actually distributed or based upon the number or amount of securities or the property or assets actually issued or distributed upon the exercise of such rights, options or warrants, as the case may be.

- (c) Reclassifications: If and whenever at any time during the Adjustment Period, there is (A) any reclassification of or amendment to the outstanding Ordinary Shares, any change of the Ordinary Shares into other shares or any other reorganization of the Company (other than as described in subsection 10(b) hereof), (B) any consolidation, amalgamation, arrangement, merger or other form of business combination of the Company with or into any other corporation resulting in any reclassification of the outstanding Ordinary Shares, any change of the Ordinary Shares into other shares or any other reorganization of the Company, or (C) any sale, lease, exchange or transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or entity, then, in each such event, the Holder of this Broker Warrant which is thereafter exercised shall be entitled to receive, and shall accept, in lieu of the number of Ordinary Shares to which such Holder was theretofore entitled upon such exercise, the kind and number

or amount of shares or other securities or property which such Holder would have been entitled to receive as a result of such event if, on the effective date thereof, such Holder had been the registered holder of the number of Ordinary Shares to which such Holder was theretofore entitled upon such exercise. If necessary as a result of any such event, appropriate adjustments will be made in the application of the provisions set forth in this subsection with respect to the rights and interests thereafter of the Holder of this Broker Warrant Certificate to the end that the provisions set forth in this subsection will thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares or other securities or property thereafter deliverable upon the exercise of this Broker Warrant. Any such adjustments will be made by and set forth in an instrument supplemental hereto approved by the directors, acting reasonably, and shall for all purposes be conclusively deemed to be an appropriate adjustment.

- (d) If at any time during the Adjustment Period any adjustment or readjustment in the Exercise Price shall occur pursuant to the provisions of subsection 10(b)(i) or 10(c) of this Broker Warrant Certificate, then the number of Broker Shares purchasable upon the subsequent exercise of the Broker Warrants shall be simultaneously adjusted or readjusted, as the case may be, by multiplying the number of Broker Shares purchasable upon the exercise of the Broker Warrants immediately prior to such adjustment or readjustment by a fraction which shall be the reciprocal of the fraction used in the adjustment or readjustment of the Exercise Price.

11. **Rules Regarding Calculation of Adjustment of Exercise Price:**

- (a) The adjustments provided for in Section 10 are cumulative and will, in the case of adjustments to the Exercise Price, be computed to the nearest whole Broker Share and will be made successively whenever an event referred to therein occurs, subject to the following subsections of this Section 11.
- (b) No adjustment in the Exercise Price is required to be made unless such adjustment would result in a change of at least 1% in the prevailing Exercise Price and no adjustment in the Exercise Price is required unless such adjustment would result in a change of at least one one-hundredth of a Broker Share; provided, however, that any adjustments which, except for the provisions of this subsection, would otherwise have been required to be made, will be carried forward and taken into account in any subsequent adjustments.
- (c) No adjustment in the Exercise Price will be made in respect of any event described in Section 10, other than the events referred to in clauses 10(c), if the Holder is entitled to participate in such event on the same terms, *mutatis mutandis*, as if the Holder had exercised this Broker Warrant prior to or on the effective date or record date of such event.
- (d) No adjustment in the Exercise Price will be made under Section 10 in respect of the issue from time to time of Ordinary Shares issuable from time to time as Dividends Paid in the Ordinary Course to holders of Ordinary Shares who exercise an option or election to receive substantially

equivalent dividends in Ordinary Shares in lieu of receiving a cash dividend.

- (e) If at any time a question or dispute arises with respect to adjustments provided for in Section 10, such question or dispute will be conclusively determined by the auditor of the Company or, if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by action of the directors of the Company and any such determination, subject to regulatory approval and absent manifest error, will be binding upon the Company and the Holder. The Company will provide such auditor or chartered accountant with access to all necessary records of the Company.
- (f) In case the Company after the date of issuance of this Broker Warrant takes any action affecting the Ordinary Shares, other than action described in Section 10, which in the opinion of the board of directors of the Company would materially affect the rights of the Holder, the Exercise Price will be adjusted in such manner, if any, and at such time, by action of the directors of the Company in their sole discretion, acting reasonably and in good faith, but subject in all cases to any necessary regulatory approval. Failure of the taking of action by the directors of the Company so as to provide for an adjustment on or prior to the effective date of any action by the Company affecting the Ordinary Shares will be conclusive evidence that the board of directors of the Company has determined that it is equitable to make no adjustment in the circumstances.
- (g) If the Company sets a record date to determine the holders of the Ordinary Shares for the purpose of entitling them to receive any dividend or distribution or sets a record date to take any other action and, thereafter and before the distribution to such shareholders of any such dividend or distribution or the taking of any other action, decides not to implement its plan to pay or deliver such dividend or distribution or take such other action, then no adjustment in the Exercise Price will be required by reason of the setting of such record date.
- (h) In the absence of a resolution of the directors of the Company fixing a record date for any event which would require any adjustment to this Broker Warrant, the Company will be deemed to have fixed as the record date therefor the date on which the event is effected.
- (i) As a condition precedent to the taking of any action which would require any adjustment to the Broker Shares issuable under this Broker Warrant, including the Exercise Price, the Company shall take any corporate action which may be necessary in order that the Company or any successor to the Company or successor to the undertaking or assets of the Company have unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the shares or other securities which the Holder is entitled to receive on the full exercise thereof in accordance with the provisions hereof.
- (j) The Company will from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 10, forthwith give notice to the Holder specifying the event

requiring such adjustment or readjustment and the results thereof, including the resulting Exercise Price.

- (k) In any case that an adjustment pursuant to Section 10 shall become effective immediately after a record date for or an effective date of an event referred to herein, the Company may defer, until the occurrence and consummation of such event, issuing to the Holder of this Broker Warrant, if exercised after such record date or effective date and before the occurrence and consummation of such event, the additional Broker Shares or other securities or property issuable upon such exercise by reason of the adjustment required by such event, provided, however, that the Company will deliver to the Holder an appropriate instrument evidencing the Holder's right to receive such additional Broker Shares or other securities or property upon the occurrence and consummation of such event and the right to receive any dividend or other distribution in respect of such additional Broker Shares or other securities or property declared in favour of the holders of record of Ordinary Shares or of such other securities or property on or after the Exercise Date or such later date as the Holder would, but for the provisions of this subsection, have become the holder of record of such additional Broker Shares or of such other securities or property.

12. **Consolidation and Amalgamation:**

- (a) The Company shall not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other corporation (herein called a "**successor corporation**") whether by way of reorganization, reconstruction, consolidation, amalgamation, merger, transfer, sale, disposition or otherwise, unless prior to or contemporaneously with the consummation of such transaction the Company and the successor corporation shall have executed such instruments and done such things as the Company, acting reasonably, considers necessary or advisable to establish that upon the consummation of such transaction:
- (i) the successor corporation will have assumed all the covenants and obligations of the Company under this Broker Warrant Certificate, and
 - (ii) the Broker Warrant and the terms set forth in this Broker Warrant Certificate will be a valid and binding obligation of the successor corporation entitling the Holder, as against the successor corporation, to all the rights of the Holder under this Broker Warrant Certificate.
- (b) Whenever the conditions of subsection 13(a) shall have been duly observed and performed the successor corporation shall possess, and from time to time may exercise, each and every right and power of the Company under this Broker Warrant in the name of the Company or otherwise and any act or proceeding by any provision hereof required to be done or performed by any director or officer of the Company may be done and performed with like force and effect by the like directors or officers of the successor corporation.

13. **Representation and Warranty:** The Company hereby represents and warrants with and to the Holder that the Company is duly authorized and has all corporate and lawful power and authority to create and issue this Broker Warrant and the Broker Shares issuable upon the exercise hereof and perform its obligations hereunder and that this Broker Warrant Certificate represents a valid, legal and binding obligation of the Company enforceable in accordance with its terms.
14. **If Share Transfer Books Closed:** The Company shall not be required to deliver certificates for Broker Shares while the share transfer books of the Company are properly closed, prior to any meeting of shareholders or for the payment of dividends or for any other purpose and in the event of the surrender of any Broker Warrant in accordance with the provisions hereof and the making of any subscription and payment for the Broker Shares called for thereby during any such period delivery of certificates for Broker Shares may be postponed for a period not exceeding three (3) Business Days after the date of the re-opening of said share transfer books provided that any such postponement of delivery of certificates shall be without prejudice to the right of the Holder, if the Holder has surrendered the same and made payment during such period, to receive such certificates for the Broker Shares called for after the share transfer books shall have been re-opened.
15. **Lost Certificate:** If the Broker Warrant Certificate evidencing the Broker Warrants issued hereby becomes stolen, lost, mutilated or destroyed the Company shall issue and countersign a new Broker Warrant Certificate of like denomination, tenor and date as the Broker Warrant Certificate so stolen, lost mutilated or destroyed provided that the Holder shall bear the reasonable cost of the issue thereof and in case of loss, destruction or theft, shall, as a condition precedent to the issue thereof, furnish to the Company such evidence of ownership and of the loss, destruction or theft of the Broker Warrant Certificate as shall be satisfactory to the Company, in its sole discretion acting reasonably, and the Holder may also be required to furnish an indemnity in form satisfactory to the Company, in its sole discretion acting reasonably, and shall pay the reasonable charges of the Company in connection therewith.
16. **Governing Law:** This Broker Warrant shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein but the references to such laws shall not, by conflict of laws, rules or otherwise, require the application of the law of any jurisdiction other than the Province of British Columbia.
17. **Severability:** If any one or more of the provisions or parts thereof contained in this Broker Warrant Certificate should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom.
18. **Headings:** The headings of the articles, sections, subsections and clauses of this Broker Warrant Certificate have been inserted for convenience and reference only and do not define, limit, alter or enlarge the meaning of any provision of this Broker Warrant Certificate.
19. **Numbering of Articles, etc.:** Unless otherwise stated, a reference herein to a numbered or lettered article, section, subsection, clause, subclause or schedule

refers to the article, section, subsection, clause, subclause or schedule bearing that number or letter in this Broker Warrant Certificate.



20. **Gender:** Whenever used in this Broker Warrant Certificate, words importing the singular number only shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender.
21. **Day not a Business Day:** In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.
22. **Binding Effect:** This Broker Warrant Certificate and all of its provisions shall enure to the benefit of the Holder, its successors, assigns and legal personal representatives and shall be binding upon the Company and its successors.
23. **Notice:** Unless herein otherwise expressly provided, a notice to be given hereunder will be deemed to be validly given if the notice is sent by telecopier or prepaid same day courier addressed as follows:
 - (a) If to the Holder at the latest address of the Holder as recorded on the books of the Company; and
 - (b) If to the Company at:

Lower Ground Floor, 57 Havelock Street, West Perth 6005
PO Box 1523, West Perth WA 6872

Attention: Bob Anderson, Company Secretary
Facsimile No.: +61 (8) 9481 0052
24. **Time of Essence:** Time shall be of the essence hereof.



Lodge your vote:

  **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 LSA
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form



Vote and view the annual report online

Go to www.investorvote.com.au or scan the QR Code with your mobile device.
Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 11:00am (WST) Saturday 2 November 2013**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Lachlan Star Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Lachlan Star Limited to be held at Lower Ground Floor, 57 Havelock Street, West Perth, Western Australia on Monday, 4 November 2013 at 11:00am (WST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Ratification of prior issue of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of prior issue of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of prior issue of shares and warrants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of shares and warrants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / /