MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("**MD&A**") for Lachlan Star Limited ("**Lachlan**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") is dated May 8, 2013 and provides an analysis of the Company's performance and financial condition for the three months ending March 31, 2013 (the "**Quarter**" or "**March 2013 Quarter**").

The MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto (including the Directors' Report) for the year ended 30 June 2012 and the Company's unaudited consolidated financial statements for the Quarter.

The consolidated financial statements have been prepared in accordance with Australian Accounting Standards ("**AASs**") (including Australian Accounting Interpretations), as adopted by the Australian Accounting Standards Board ("**AASB**"), other authoritative pronouncements of the AASB, and Urgent Issues Group Interpretations. Compliance with AASs ensures that the consolidated financial report of Lachlan complies with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. For subsidiaries Compania Minera Dayton ("**CMD**") and Dayton Chile Exploraciones Mineras Limitada ("**DCEM**"), management has determined that the U.S. dollar is the functional currency for those companies. For a more detailed discussion on functional currency, please refer to the section "*Critical Accounting Estimates – Functional Currency*" in this MD&A.

Unless otherwise stated, all dollar figures in this MD&A are Australian dollars. "A$" or "$" denotes Australian dollars, "US$" denotes United States dollars, and CDN$ denotes Canadian dollars.

The A$/US$ exchange rate used for the purposes of converting the statement of financial position of CMD and DCEM as at March 31, 2013 was A$1.00 = US$1.042. The average A$/US$ exchange rate used for the purposes of converting the statement of financial performance of CMD and DCEM for the three months to March 31, 2013 was A$1.00 = US$1.039. Details of average and period end exchange rates that impact the Group are set out in the section "*Financial Instruments and Related Risks*" of this MD&A.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain information in this MD&A, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information which reflects management's expectations regarding Lachlan's future growth; results of operations (including, without limitation, future production at the CMD Gold Mine (as defined herein); performance (both operational and financial) and the development of the Company's business prospects (including the timing and development of new deposits and the success of exploration activities at the CMD Gold Mine) and opportunities. Often, this information includes words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

In making and providing the forward-looking information included in this MD&A, the Company has made numerous assumptions. These assumptions include, among other things, assumptions about the prices of gold, silver and copper, anticipated costs and expenditures, the availability of credit, future production and recovery, that the supply and demand for gold, silver and copper develops as expected, that there is no unanticipated fluctuation in interest rates and foreign exchange rates and that there is no further material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, among other things: fluctuations in metal prices, limited mine life, dependency on developing new mineral reserves, the fact that mineral reserve and mineral resource estimates are estimates only, environmental risks and hazards, global financial conditions, the effect of possible shortages and price volatility on operations and equipment, the speculative nature of mineral exploration, development, mining and processing, mineral exploration and mining risks, insurance and uninsured risks, the need for additional capital, the uncertain profitability of extraction of mineral resources, the financial and economic reliability of operating estimates and Lachlan's mine plan, the fact that such mine plan for the CMD Gold Mine is not based on a feasibility study, competition for properties, the impact of licences, permits and government regulation, litigation, currency and liquidity risk, Lachlan's limited operating history, credit risk and interest rate risk, changing political, legal and economic conditions, hedging and derivatives, dependence on key personnel, title to properties, labour and employment relations, dilution, the risk that no dividends will ever be paid on shares, conflicts of interests, inability to manage indebtedness and internal control over financial reporting. See the "*Risk Factors*" section in the Company's 2012 Annual Information Form (the "**AIF**"), available under the Company's profile on SEDAR at www.sedar.com, for further discussion of the risks facing the Company.

This MD&A contains additional information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that could cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors which cause actual results, performances, achievements or events not to be as anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward-looking information as a result of any new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.

CAUTION REGARDING NON-GAAP AND NON-IFRS MEASURES

The Company has included in this document certain terms or performance measures, including the C1 cash costs, cash costs of gold per ounce, mine cash margin, operating cash flow before changes in non-cash working capital, and CMD Gold Mine Gross Operating Profit that are not defined in Canadian generally accepted accounting principles ("**GAAP**") or in IFRS. These non-GAAP and non-IFRS measures do not have any standardized meaning within Canadian GAAP or IFRS and therefore may not be comparable to similar measures presented by other companies. The Company believes that these non-GAAP and non-IFRS measures provide additional information that is useful in evaluating the Company's performance. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP and IFRS. These non-GAAP and non-IFRS measures should be read in conjunction with the financial statements (or other financial information) of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company, including public announcements and the Company's AIF, is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.lachlanstar.com.au.

OVERALL PERFORMANCE

Lachlan is a gold production and copper exploration company with a 100% beneficial interest in an operating gold mine in Chile and a copper exploration project in Australia. The Company is a public company governed in Australia by the Corporations Act 2001, with a listing on both the Australian Securities Exchange (the "**ASX**") and the Toronto Stock Exchange (the "**TSX**").

During the financial year ended June 30, 2011, the Company acquired the CMD Gold Mine in Chile and became a gold producer. This has resulted in the Company significantly expanding its workforce and having operating revenues. During 2011 the focus of the Company changed from investment and exploration to the development and operation of the CMD Gold Mine.

Since acquiring the CMD Gold Mine on December 24, 2010, the gold spot price has increased from US$1,380.50 / ounce to US$1,598.25 / ounce as at March 31, 2013. Subsequent to March 31, 2013, the gold spot price has fallen and was US$1,444.25 / ounce as at May 7, 2013.

CMD Gold Mine, Chile (refer to "*CMD Gold Mine*", below, for more detail)

Lachlan owns a 100% beneficial interest in the Compañía Minera Dayton project (the "**CMD Gold Mine**"), which it acquired on December 24, 2010.

Gold production for the Quarter was at 10,892 ounces, a 21% decrease on the December quarter (13,722 ounces). In addition, 4,193 ounces of silver was produced. All production was sold at spot prices, with an average sale price of US$1,635 per gold ounce.

The CMD Gold Mine is a bulk tonnage heap leach operation that at the time of acquisition was operating at an annualised stacking rate of 1.5 Mtpa compared to the installed crushing and stacking capacity of 8 Mtpa. During the course of the Quarter, ore stacking rates were maintained at an annualized rate of 5.0 Mtpa as of March 31, 2013. Gold ounces stacked in the March 2013 Quarter of 17,940 ounces were up marginally compared to the previous quarter, a record under the Company's ownership.

Bushranger Copper Project, Australia

Lachlan owns a 100% interest in the Bushranger exploration-stage copper and gold deposit (the "**Bushranger Copper Project**") located approximately 25km south of Oberon in the Lachlan Fold Belt in New South Wales, Australia. Given Lachlan's acquisition of the CMD Gold Mine and its focus on the operation and continued development of that project, the Bushranger Copper Project is not considered to be a core asset of the Company.

On 29 September 2011 the Company announced that it had entered into a Farm In Agreement ("the **Agreement**") with Newmont Exploration Pty Ltd, a wholly owned subsidiary of Newmont Mining Corporation ("**Newmont**") covering the Bushranger Copper Project in New South Wales. The main terms of the Agreement, as amended, are:

(i) Newmont will have an 18 month option period ("Option Period") to evaluate the Bushranger Copper Project, during which time it must spend a minimum of $0.25 million. As at March 31, 2013 Newmont had spent $0.55 million on the Bushranger Copper Project.

(ii) At any time during that 18 month period Newmont could elect to exercise the option and earn a 51% interest in the Bushranger Copper Project by spending a total of A$1 million (including expenditures during the Option Period) over a period of 2 years and 6 months from the date of the Agreement (the Farm In Period). Newmont elected to exercise this option on March 7, 2013.

(iii) At the completion of the Farm In Period, the Company and Newmont will form a Joint Venture owned 49% and 51% respectively, with both parties funding exploration and development on a pro rata basis. Either party may elect to dilute during the Joint Venture.

EXPLORATION AND EVALUATION

The Group's exploration and evaluation expenditures for the Quarter comprised $0.12 million of exploration at the CMD Gold Mine (classified as mine development expenditure in the consolidated statement of financial position) and $Nil at the Bushranger Copper Project.

CORPORATE

Mr Declan Franzmann retired from his role of Managing Director and reverted to a non-executive director role at the end of April 2013. The Company's Chief Operating Officer (COO), (Mr Bira de Oliveira) has assumed responsibility for the Company's operations and now reports directly to the Company's Executive Chairman.

OUR PEOPLE

The number of employees at Quarter end increased to 403 from 360 at December 31, 2012 as the Company has built up its owner mining fleet operator and training personnel. The majority of employees are Chilean nationals, with 399 based at or near to the CMD Gold Mine.

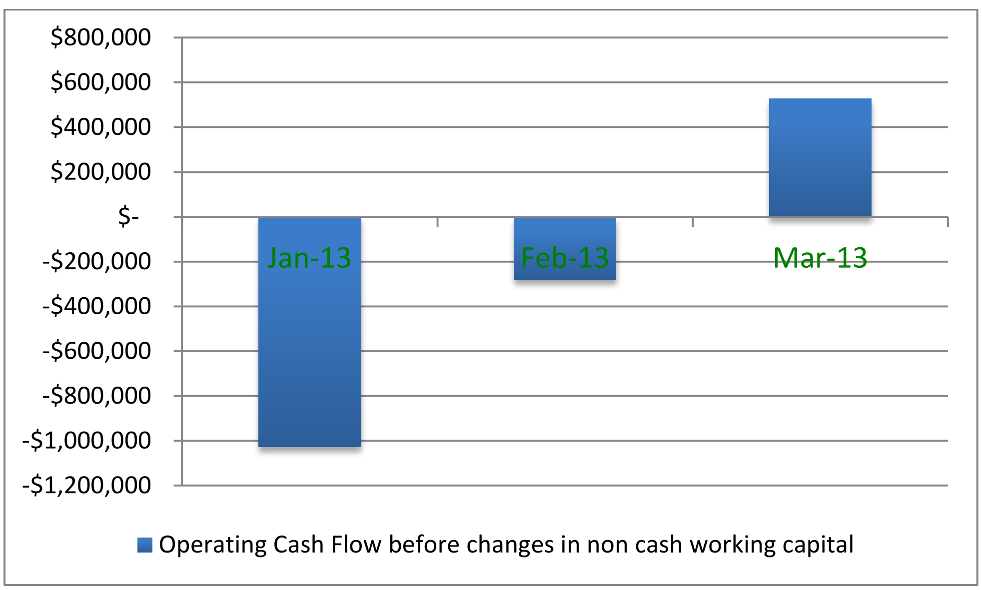
The Company has in the past week retrenched 36 workers in Chile as part of the cost restructuring exercise.

RESULTS OF OPERATIONS

Total sales during the Quarter from the CMD Gold Mine were $17.58 million, cost of sales was $17.82 million, and net sales were negative $0.24 million.

Operating cash flow before changes in non-cash working capital was negative $0.77 million for the Quarter. As seen in Figure 1, over the Quarter the Company returned a positive operating cash flow before changes in non-cash working capital in the month of March as gold pours increased over the Quarter.

Figure 1 Operating cash flow before changes in non-cash working capital



The Bushranger Copper Project is no longer considered to be a core asset of the Company and in September 2011 the Company entered into the Newmont Farm In Agreement, refer *Bushranger Copper Project, Australia* above.

CHILE

CMD GOLD MINE

Lachlan's material mineral project is the CMD Gold Mine, which it acquired in December 2010. The CMD Gold Mine is a production-stage heap leach gold mine in Andacollo, Chile, which is located approximately 350km north of Santiago, Chile. The CMD Gold Mine commenced production in 1995 and has produced approximately 940,000 ounces of gold since operations commenced. There are at least six known gold deposits in the CMD Gold Mine: Toro/Socorro, Tres Perlas, Churrumata, El Sauce, Las Loas and Chisperos.

Operations

Table 1 below compares key performance indicators, including production and recovery rates and costs, for the three months ended March 31, 2013 as compared to the three months ended December 31, 2012 for the CMD Gold Mine. Unless otherwise noted, all currency disclosures are in Australian dollars and all weights and measures are in metric units.

Table 1 – CMD Gold Mine Key Performance Indicators

Item	Unit	3 months ended March 31 2013	3 months ended December 31 2012	% Change
Ore Mined	Dmt	1,338,000	1,328,690	1%
Waste Mined	Dmt	3,601,724	4,347,712	-17%
Total Mined	Dmt	4,939,724	5,676,402	-13%
Waste:Ore Ratio	t:t	2.7	3.3	-18%
Ore grade Mined	Au g/t	0.49	0.43	14%
Gold Mined	Au oz	21,220	18,545	14%
Ore stacked	Dmt	1,146,000	1,239,672	-8%
Stacked Grade	Au g/t	0.49	0.45	9%
Gold Stacked	Au oz	17,940	17,855	0%
Average stacking rate	dmt/d	12,876	13,475	-4%
Gold Produced	Au oz	10,892	13,722	-21%
Mining Cost/t moved	US$/t	$2.20	$2.21	0%
Mining Cost/t ore	US$/t	$8.10	$9.43	-14%
Process Cost/t ore stacked	US$/t	$8.51	$7.88	8%
G+A Cost/t ore	US$/t	$1.74	$1.68	4%
Total Cost/t ore	US$/t	$18.35	$18.99	-3%
Average Sales Price	USD/oz	$1,635	$1,742	-6%
Cash Cost	USD/oz	$1,337	$1,062	26%
Non Cash Process Inventory Adjustment	USD/oz	-$98	-$35	9%
C1 Cash Cost(1)	USD/oz	$1,239	$1,026	21%
CMD Gold Mine Gross Operating Profit / (Loss) (unaudited)(2)	US$million	**-$0.53**	**-$1.84**	71%

Notes:

1. C1 cash costs are a non-GAAP measure and non-IFRS measure that may not be consistent from company to company. In this instance, it is defined as all site production costs but excludes all waste expenditure, depreciation and amortisation and royalties. A reconciliation of C1 cash costs to the IFRS measure Cost of Sales is provided in Table 3 below.

2. CMD Gross Operating Profit equals revenues and doré in process plus ore stockpiles less cost of sales (including waste expensed and amortised), interest, and other site expenses and excluding foreign exchange movements, depreciation, exploration and process inventory adjustments. A reconciliation of CMD Gold Mine Gross Operating Profit / (Loss) to the IFRS measure consolidated Profit / (Loss) Before Income Tax is provided in Table 2 below.
3. Percentages may not calculate exactly due to rounding.

Table 2 – Reconciliation of unaudited CMD Gross Operating Profit / (Loss) to unaudited consolidated Profit Before Income Tax

		3 months ended March 31, 2013	3 months ended December 31, 2012
CMD Gross Operating (Loss) (unaudited)	US$000	(533)	(1,841)
A$ / US exchange rate for the period		1.039	1.038
CMD Gross Operating (Loss) (unaudited)	A$000	(513)	(1,773)
Inventory adjustments	A$000	2,117	(1,075)
Depreciation and amortisation	A$000	(2,136)	(2,032)
Foreign exchange (loss) / gain	A$000	(433)	138
Revaluation of deferred consideration	A$000	480	299
Net finance income / (expense)	A$000	(168)	45
New venture expenditure written off	A$000	(70)	(64)
Other head office related costs	A$000	(951)	(666)
Consolidated (Loss) Before Income Tax (unaudited)	A$000	(1,674)	(5,128)

The inventory adjustment for the Quarter primarily reflects the increase in the gold inventory contained within the leach pad from stacking more recoverable gold than was produced. Revenue for the Quarter of $17.58 million excludes gold production of 526 ounces that is included in gold produced in Table 1 above, but was not poured until early in April 2013. This gold was included in inventory at March 31, 2013 at a book value of $0.74 million. The Group's expenditure for the Quarter includes $7.72 million of mine development and exploration costs at the CMD Gold Mine in Chile, of which $4.87 million has been capitalised. The Company adopted a new internal mine plan with a lower life of mine waste:ore ratio of 1:1 for the purposes of calculating waste capitalisation from January 1, 2013.

A reconciliation of C1 cash costs to the IFRS measure Cost of Sales is provided in Table 3 below.

Table 3 – Reconciliation of cash cost (US$/oz) per ounce to unaudited Cost of Sales

		3 months ended March 31, 2013	3 months ended December 31, 2012
Cash cost per ounce	US$	1,239	1,026
Ounces produced		10,892	13,722
Cash costs	US$000	13,496	14,105
A$ / US exchange rate for the period		1.039	1.038
Cash costs	A$000	12,991	13,585
Inventory adjustments	A$000	(1,153)	267
Depreciation and amortization	A$000	2,136	2,032
Waste costs expensed or amortised	A$000	3,377	9,705
Royalties	A$000	304	593
Other	A$000	37	89
Copper / silver net revenue	A$000	123	145
Cost of sales (unaudited)	A$000	17,815	26,416

Gold production for the Quarter was 10,892 ounces, a 21% decrease on the December quarter (13,722 ounces). In addition, 4,193 ounces of silver was produced. All production was sold at spot prices, with an average sale price of US$1,635 per gold ounce.

Gold ounces stacked in the March 2013 Quarter of 17,940 ounces were up marginally compared to the previous quarter, a record under the Company's ownership.

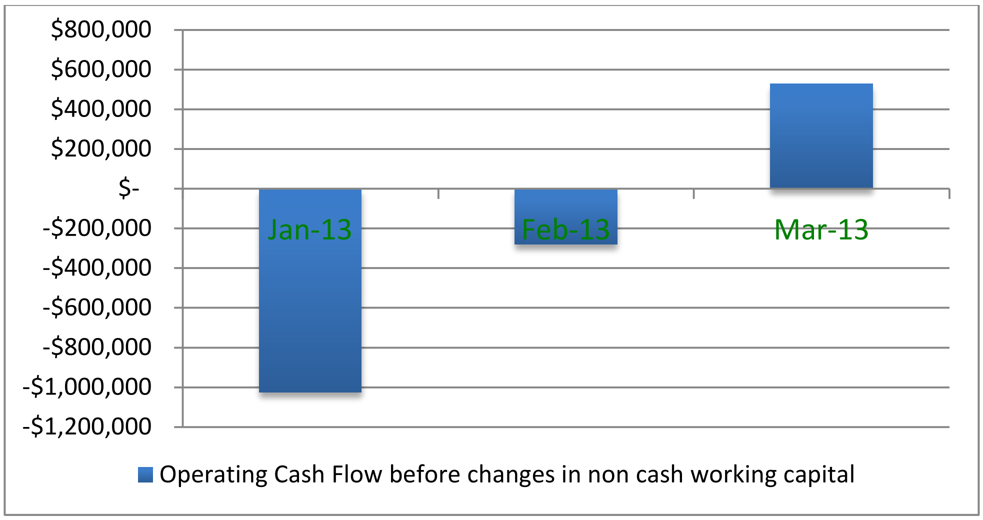
The Company's mine cash margin for the CMD Gold Mine, being defined as gold revenue less royalties, cash costs for ounces produced, inventory movements and waste costs can be represented in Au oz as set out in Table 4 below:

Table 4 – Mine cash margin represented in Au oz

Gold equivalents for the three months ended:	**Mar-31 2013 A$000**	**Mar-31 2013 Au oz**	**Dec-31 2012 A$000**	**Dec-31 2012 Au oz**	**Sept-30 2012 A$000**	**Sept-30 2012 Au oz**
Gold revenue	17,610	11,191	21,633	12,897	16,244	10,369
Royalties	(305)	(194)	(593)	(354)	(583)	(372)
Cash costs for ounces produced	(12,991)	(8,256)	(13,585)	(8,098)	(9,184)	(5,862)
Inventory movements	(1,154)	(733)	267	159	(587)	(375)
Waste costs	(7,599)	(4,829)	(9,247)	(5,514)	(9,292)	(5,931)
Mine cash margin	(4,439)	(2,821)	(1,525)	(910)	(3,402)	(2,172)
Average gold price (A$)		1,574		1,677		1,567

Operating cash flow before changes in non-cash working capital was negative $0.77 million for the Quarter. Operating cash flow before changes in non-cash working capital has improved markedly over the past 3 quarters and, as seen in Figure 2, during the March 2013 Quarter the negative operating cash flow before changes in non-cash working capital in January was turned into a result of $0.53 million by the month of March. Increasing monthly gold pours drove the improvement in the result in the month of March.

Figure 2 – Operating cash flow before changes in non-cash working capital March 2013 Quarter



C1 cash costs, which exclude waste costs expensed or amortised and royalties, increased to US$1,239 per ounce of gold produced (an increase of 21% quarter on quarter). The inventory adjustment of (US$98) per ounce reflects the additional recoverable ounces added to the leach pad versus the ounces recovered during the period.

Table 5 below shows the cash costs for each quarter over the past year, and the impact of the inventory valuation adjustment (all numbers US$ per ounce).

Table 5 – Cash Cost (US$ per ounce) and inventory adjustments

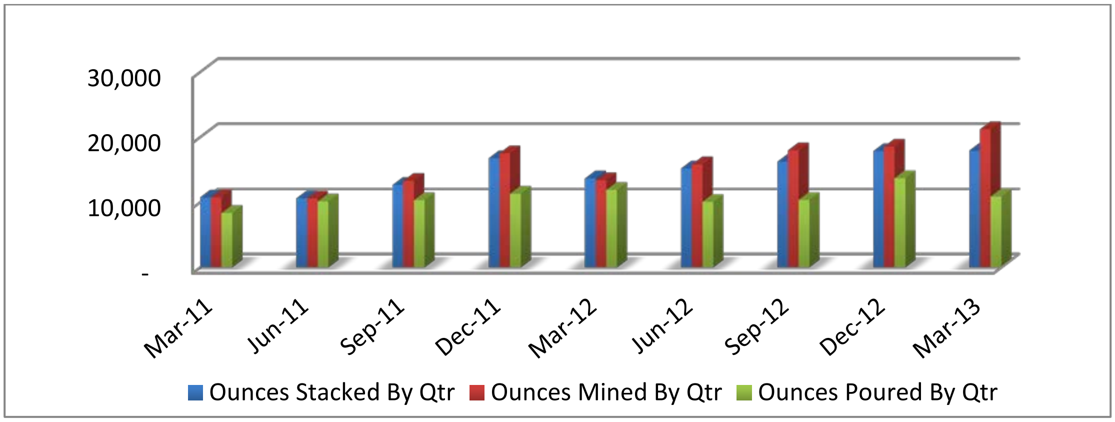
Item	Quarter ending 31 March 2013	Quarter ending 31 Dec 2012	Quarter ending 30 Sept 2012	Quarter ending 30 June 2012
Cash costs with inventory adjustment ($/oz)	1,239	1,026	921	977
Cash costs without inventory adjustment ($/oz)	1,337	1,062	1,166	1,144
Inventory adjustment effect ($/oz)	(98)	(35)	(246)	(167)

Total costs per tonne of ore stacked decreased 3% quarter on quarter to US$18.35 per tonne, reflecting a significant (18%) decrease in the waste to ore ratio partially offset by increased process costs. The total costs per tonne (including waste stripping) are the lowest under the Company's ownership.

Figure 3 illustrates the ounces mined, stacked and produced by quarter since the Company bought the CMD Gold Mine at the end of 2010. As can be seen gold mined has increased rapidly over the past 6 months and is surpassing stacked ounces as the owner mining fleet ramps up. A large ore stockpile has been built up in front of the crusher given the strong mine performance over the March 2013 Quarter and subsequent to the end of the Quarter mining has been slowed down in order to process some of the stockpile.

Gold pours were down in the March 2013 Quarter compared to the December 2012 Quarter as a result of (i) one less gold pour compared to the previous quarter (ii) the presence of elevated levels of copper in some Tres Perlas ores mined in November that has slowed recovery, thus increasing the lag period between stacking and recovery (discussed in the process section below) (iii) stacked ounces heavily weighted to the second half of the Quarter, and given the leach cycle of 3 to 5 months the Company anticipates that these ounces should be produced in the June quarter.

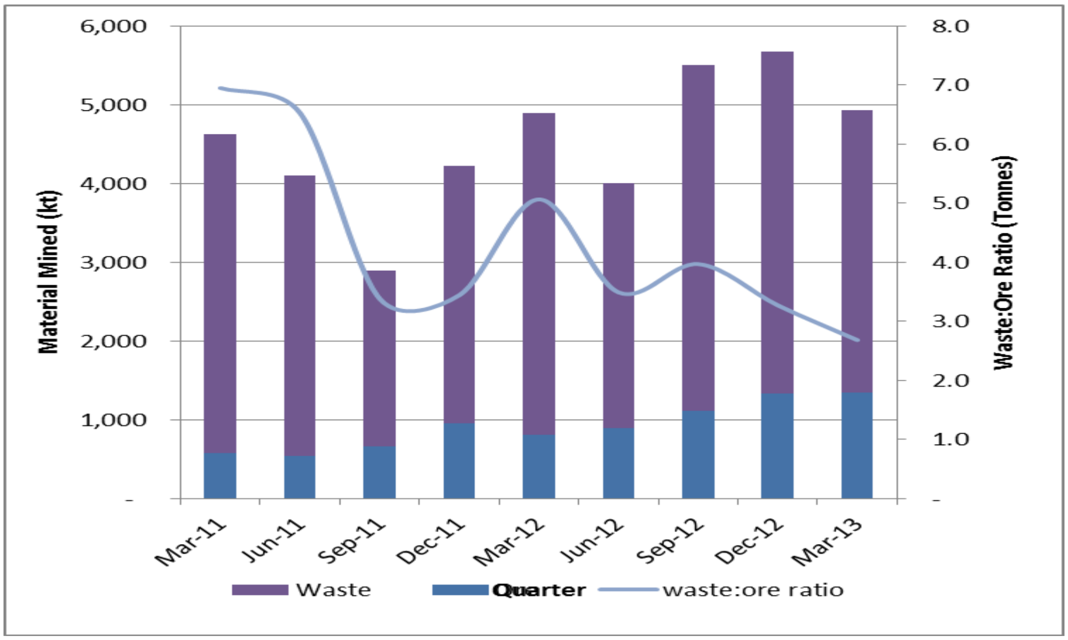
Figure 3 – Quarterly Ounces Mined, Stacked and Gold Produced



Mining

Total ore mined for the Quarter was 1.34 million tonnes for 21,220 contained Au ounces, with the waste to ore ratio for the quarter decreasing to 2.7 to 1 (from 3.3 to 1 in the previous quarter). Ore was principally sourced from the Tres Perlas, Churrumata and Chisperos pits. Figure 4 shows the mining rate and waste to ore ratio by quarter since the Company acquired the project.

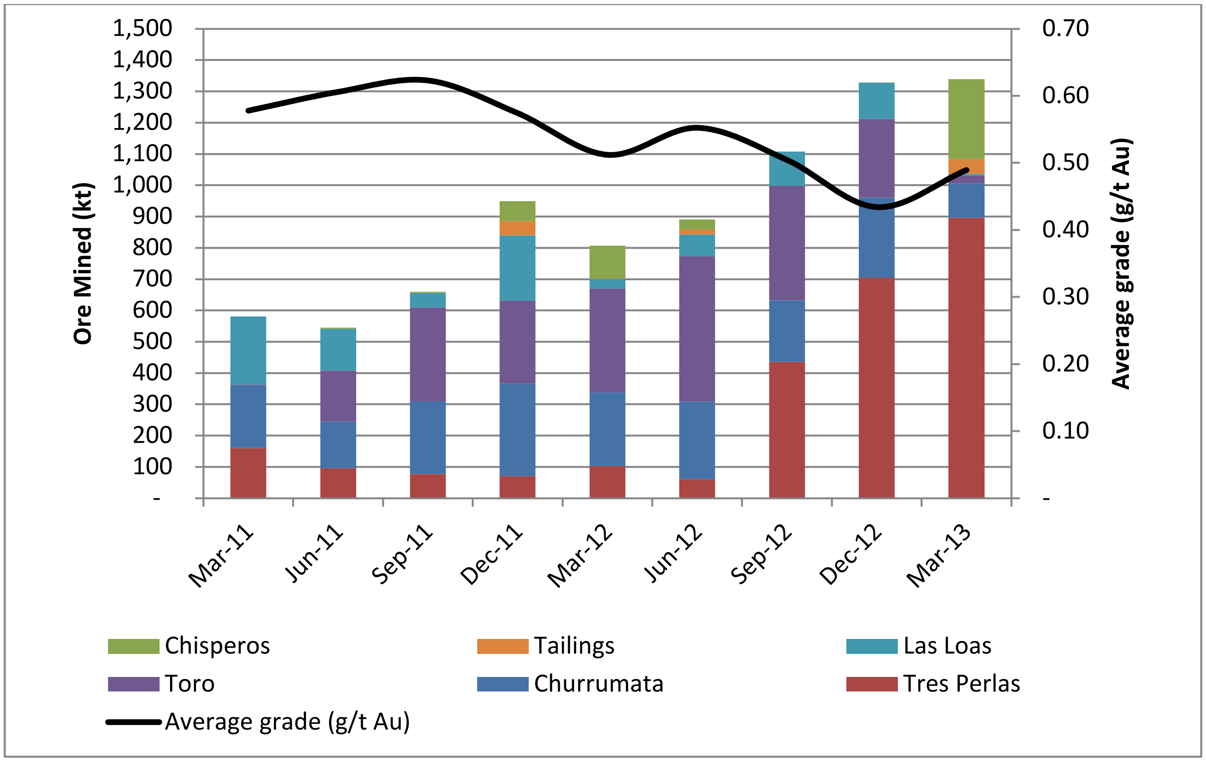
Figure 4 – Material Mined and Waste to Ore Ratio by Quarter



No run of mine (ROM) ore was mined during the Quarter, as all ROM stockpiles are full. ROM ore mining was recommenced in the month of April in anticipation of completion of the new ROM dump leach pad.

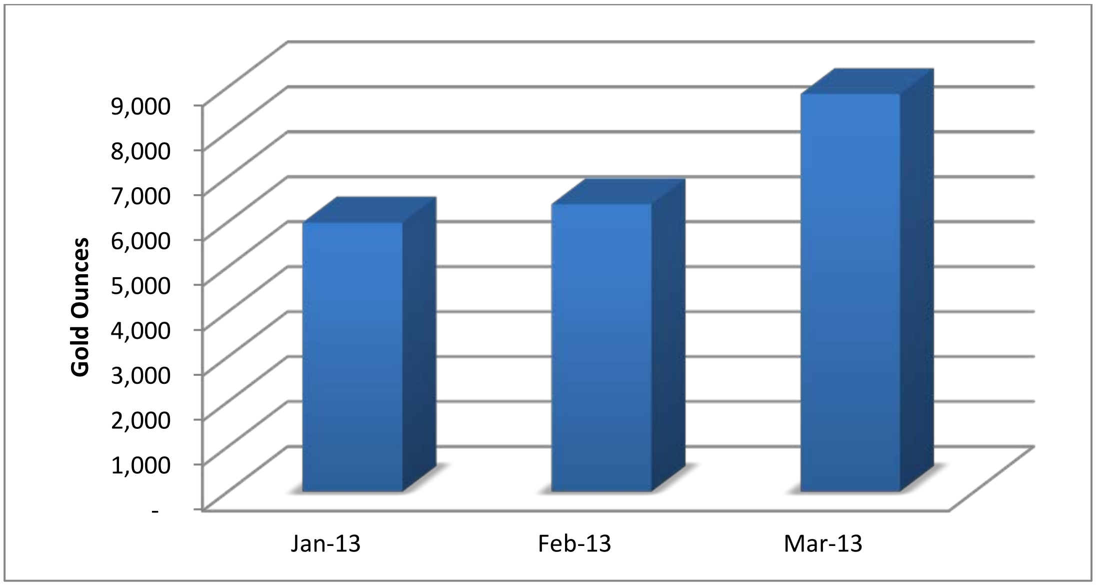
Mining was focussed on the Tres Perlas pit using the Company's owner mining fleet, with total quarterly ore production from Tres Perlas increasing to 69% of the total ore mined, as illustrated in Figure 5.The life of mine waste to ore ratio for the Tres Perlas pit is expected to be around 1:1.

Figure 5– Ore Mined by Pit and Quarter



Ore was also sourced from the higher grade Chisperos pit where full access was established in mid-January. Substantial ore mining from this pit was commenced in mid-February and the impact of the higher grade material was seen in the ounces stacked in the month of March as seen in Figure 6 below. During the month of March over 500,000 tonnes of ore was mined at an average grade of 0.55 g/t Au.

Figure 6 – March Quarter Ounces Mined



Average mined grades increased from 0.44 g/t Au in February to 0.55 g/t Au in March, an increase of 25% month on month and a direct result of the mining of the Chisperos pit.

The higher ore tonnage available from Tres Perlas and the high grades from Chisperos combined to make the month of March a record for ounces mined and stacked under the Company's ownership. The effect of the larger truck fleet and declining waste:ore ratios can be seen in the daily ore mining rates, with mining rates of 35,000 tpd and 40,000 tpd of ore being achieved during the Quarter, the highest ore mining rates achieved in the 18 year history of the mine.

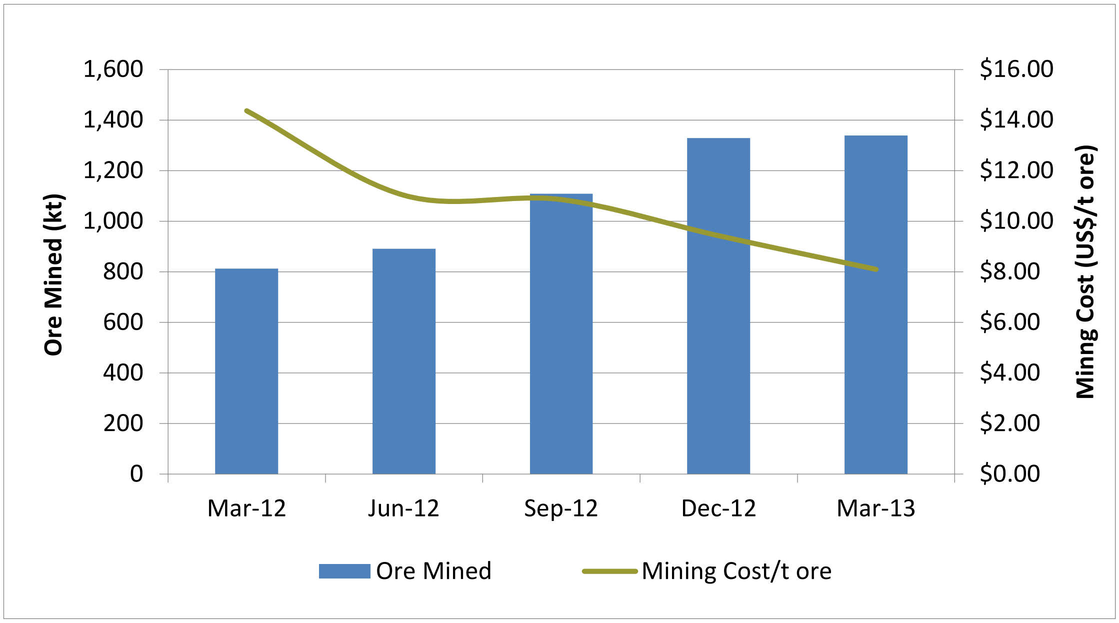
Mining during January was negatively impacted by the change out of the contractor in the Tres Perlas pit but by mid-February the Company's own fleet of Komatsu equipment was operating at capacity and this led to a substantial portion of the ounces mined in the Quarter being mined in the second half of the period. Table 6 details the ore and waste movement in the March quarter by pit.

Table 6 – Quarterly mine production by pit

Item	Unit	Churrumata	Tres Perlas	Chisperos	Toro	Las Loas	Tailings	Total
Ore Mined	Kt	110	896	254	25	6	48	1,339
Au Grade	g/t	0.53	0.40	0.78	0.50	0.34	0.58	0.49
Contained Au	Oz	1,888	11,472	6,359	392	62	893	21,066
Waste Mined	Kt	409	2,036	1,035	90	18	6	3,594
Total Mined	Kt	519	2,935	1,289	115	24	54	4,935
Strip Ratio	W:O	3.7	2.3	4.1	3.7	3.2	0.1	2.7

Unit mining costs decreased slightly to US$2.20/t moved (from $2.21/t the previous quarter) and the mining cost per tonne of ore was reduced 14% to $8.10 as a result of the lower waste to ore ratio. Figure 7 illustrates the quarterly history of mining costs per ore tonne over the past five quarters.

Figure 7 – Ore mined and mining cost per tonne of ore

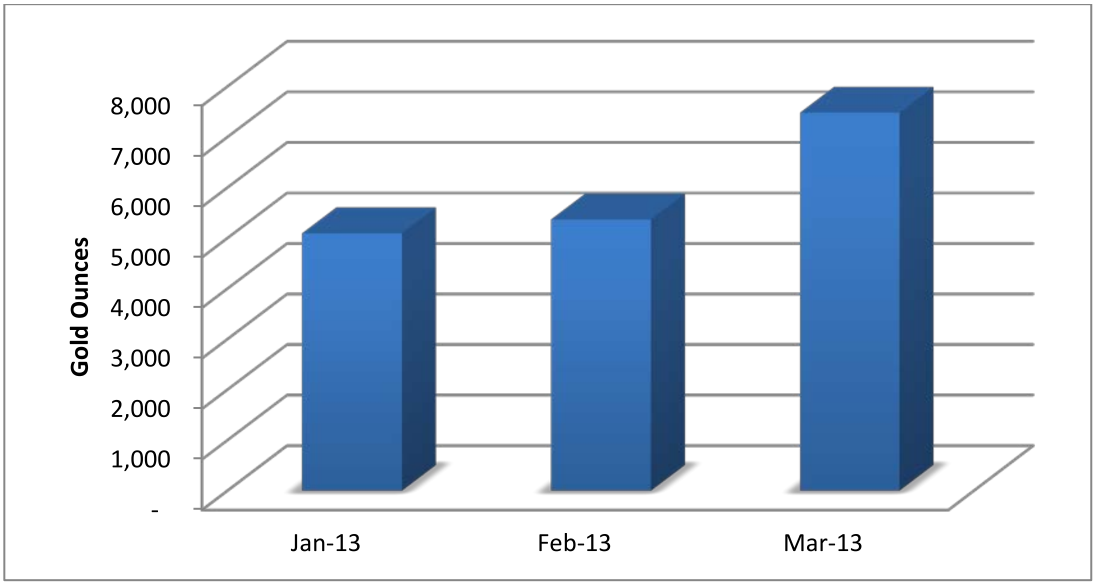


Average unit mining costs (a mix of contractor and owner fleet costs) were reduced over the Quarter as the owner mining fleet ramped up to full production, with unit rates falling from US$2.24/t moved in January to US$2.11/t moved in March. The owner mining fleet continues to deliver savings and the unit rate for the owner mining fleet in the month of March was reduced to US$2.01/t moved.

Processing

Ore tonnage stacked was flat quarter on quarter. The ore tonnage available for stacking in January was reduced due to the Tres Perlas contractor change-out. As seen in Figure 8, the stacking of gold accelerated in the second half of the March 2013 Quarter.

Figure 8 – March Quarter Ounces Stacked



A series of minor maintenance issues throughout the Quarter also negatively impacted plant availability. When running at full capacity, the plant has comfortably exceeded 18,000 tpd on numerous days throughout the Quarter but downtime associated with maintenance in the tertiary crushers and stacking circuit reduced the average throughput. The Company continues to pursue a number of initiatives to increase plant availability, particularly in the crushing circuit, and is increasing the spares inventory on site to reduce downtime associated with the processing facilities.

For the month of March, 482,000 tonnes of ore was crushed in the primary and secondary crushers, but only 423,000 tonnes of ore was stacked on the pads, resulting in the build-up of a large crushed ore stockpile within the plant.

Given that the mine fleet has been able to sustainably mine well in excess of the current plant capacity and the front end of the plant has excess capacity, the Company has been considering ways to increase throughput at the back end of the plant. The first initiative has been to increase the sizing of the tertiary crushed product from 9mm to 11mm. This is expected to give up to an additional 2,000 tpd of crushing capacity for no material negative impact on recovery or leach times. It should also result in lower maintenance costs and reduced downtime in the tertiary crushing circuit.

During the second half of the year the Company is considering leasing a mobile primary crusher to crush the low-grade ore and to further increase stacked tonnages. The goal of the Company is to have sufficient crushing capacity to be able to run the mining fleet at a higher production rate.

Gold pours were down in the March 2013 Quarter compared to the December 2012 Quarter as a result of (i) one less gold pour compared to the previous quarter (ii) the presence of elevated levels of copper in some Tres Perlas ores mined in November that has slowed recovery, thus increasing the lag period between stacking and recovery (discussed in the process section below) (iii) stacked ounces heavily weighted to the second half of the Quarter, which given the leach cycle of 3 to 5 months the Company anticipates that these ounces should be produced in the June quarter.

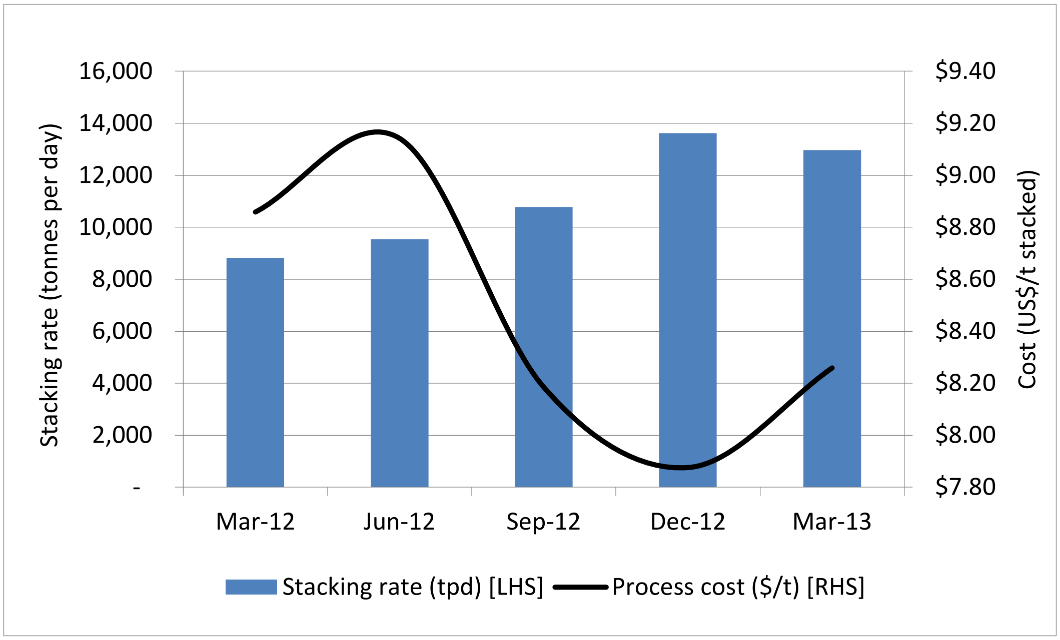
The elevated levels of copper in the ore mined from Tres Perlas between September and December 2012 started to be seen in the solution grades from the leach pads in mid-December. Copper has the effect of consuming cyanide preferentially to gold and thus reduces the amount of cyanide available for leaching the gold on the pads. The CMD Gold Mine operates a copper cyanide precipitation circuit that removes copper from the solution flows, and this was activated in January and has been gradually reducing the copper in the circuit. Mining of the higher copper grade ore has been completed and mined copper grades have fallen as mining has progressed deeper at Tres Perlas.

The impact of this has been to delay the leaching of gold on the pads, with gold pours in January and to a lesser extent February being depressed due to the copper in solution. Gold pours in March and April have increased as the impact of the copper is reduced and the gold makes its way into the solution flow.

Cyanide consumption has increased quarter on quarter as the Company has increased cyanide addition rates in order to overcome the impact of the copper in solution. This has increased process costs but also resulted in higher gold recovery in the months of March and April. The weighting of the ounces stacked to the back half of the quarter has also meant that ounces poured in the quarter have been reduced given the 3 to 5 month leach cycle of the CMD Gold Mine ores.

Crushed ore tonnes stacked were flat quarter on quarter. Process costs per tonne of ore increased to $8.51 per tonne stacked which was an 8% increase (Refer Figure 9). The higher cyanide consumption and increased maintenance costs were the main drivers for the higher process costs.

Figure 9 – Process cost per tonne stacked



General and Administration (G&A)

G&A increased by 4% quarter on quarter to $1.74 per tonne of ore.

Cost Review

Given the recent fall in the gold price, the Company is reviewing its cost structure and reducing costs where possible. The mine plan has been revised to focus on the lowest cost ounces available for the remainder of calendar year 2013, with mining to focus on the high grade Chisperos pit and the low waste:ore ratio sections of the Tres Perlas pit. Mining costs in the March 2013 Quarter accounted for approximately 44% of total production costs, down from 50% in the previous quarter.

The biggest impact on mining costs per ore tonne is the waste:ore ratio and mining of some higher waste:ore ratio ounces in the Toro and Churrumata pits has been deferred while the focus is moved to either the high grade ore in Chisperos (currently averaging around 1g/t Au) and the low waste to ore ratio Tres Perlas pit.

Process costs now account for 46% of total production costs, up from 41% in the previous quarter. The increased costs in the March quarter were disappointing given the reduction in costs seen in the previous quarter. Much of the increased costs are associated with cyanide consumption and ongoing maintenance in the plant aimed at increasing availability to take advantage of the excess ore being mined.

The Company utilises a dynamic pad system where leaching of the ore is carried out for approximately 4 months before the ore is moved to a final pad for another phase of leaching. Indications are that the top half of each pad contains very little gold and leaching of this is only consuming cyanide for little gold recovery, and trials will be run going forward looking at only leaching the bottom half of each pad after its been moved to the final pad. This should optimise cyanide consumption and focus production on the lowest cost ounces available.

The Company has in the past week retrenched 36 workers in Chile as part of the cost restructuring exercise.

Exploration

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

HEALTH AND SAFETY

The Company is committed to achieving the highest performance in occupational health and safety to create and maintain a safe and healthy workplace. The Company's approach to health and safety management is guided by its policy where the safety, health and well-being of employees, contractors and the community are a core value to the Company's operations. A healthy workforce contributes to business success. Lachlan's aim, to achieve this objective, is for zero injuries.

AUSTRALIA

BUSHRANGER COPPER PROJECT

The Bushranger Copper Project is located in New South Wales, approximately 25km south of the town of Oberon.

On September 29, 2011 the Company entered into the Newmont Farm In Agreement providing for the potential acquisition by Newmont of a 51% interest in the Bushranger Copper Project. The material terms of the Newmont Farm In Agreement, as amended, are:

- Newmont will have an 18 month option period (the "**Option Period**") to evaluate the Bushranger Copper Project, during which time it must spend a minimum of $250,000.

- At any time during that 18 month period, Newmont could elect to exercise the option, and earn a 51% interest in the Bushranger Copper Project by spending a total of $1 million (including expenditures during the Option Period) over a period of two years and 6 months from the date of the Newmont Farm In Agreement (the "**Farm In Period**"). Newmont elected to exercise this option on March 7, 2013.

- At the completion of the Farm In Period, the Company and Newmont will form a joint venture owned 49% and 51% respectively, with both parties funding exploration and development on a pro rata basis. Either party may elect to dilute its interest during the joint venture.

As at March 31, 2013 Newmont had spent $0.55 million on the Bushranger Copper Project. No significant work was completed during the Quarter.

FINANCIAL PERFORMANCE

The financial performance of the Group was affected by the continued development of the CMD Gold Mine. The financial performance of the Company is closely linked to the price of gold as the CMD Gold Mine economics are most sensitive to movements in the gold price.

Generally, the mining industry has experienced cost increases related to inflation of cost inputs. The main cost inputs for the CMD Gold Mine are mining contractor rates and cyanide prices. The Company entered into new contracts for both of these inputs during calendar 2011, which incorporated cost increases over the previous contracts and are included in the current period key performance indicators (see Table 1 above). Importantly, the Company has now entered into new contracts for the supply of cyanide with two suppliers for 2013 with a significant pricing reduction of 14% over the 2012 prices.

The mining contract term is the earlier of 24 months and the mining of 22.6Mt of material at the CMD Gold Mine. The price is fixed in Chilean Pesos and has approximately 6 months to run.

As most of the CMD Gold Mine costs are denominated in Chilean pesos and US$, the Group is affected by changes in the Peso/US dollar and AU dollar / US dollar exchange rates. See the discussion under "*Financial Instruments and Related Risks - Market risk – (ii) Foreign Exchange Risk*", below.

The following table sets out the intended use of the net proceeds along with the use of proceeds from the Company's August, 2011 (as disclosed in the Company's November, 2011 prospectus) and April 2012 (as disclosed in the Company's April, 2012 prospectus) special warrant offerings, the total funds allocated to each intended use of proceeds, and the amount actually spent as of March 31, 2013 (other than working capital):

Use of net proceeds (all at CMD Gold Mine)	**November 2011(1)**	**April 2012(2)**	**Total**	**Spent(3)**
	(CDN$ millions)			
Exploration and resource definition drilling	6.17	4.00	10.17	9.67
Mine pre-stripping(4)	3.06	-	3.06	8.11
Plant and leach pad liners	0.51	4.60	5.11	5.28
Accumulation of mineral inventory on the leach pad	3.06	-	3.06	2.89
Claims acquisition	-	1.00	1.00	-
Land acquisition	-	1.50	1.50	0.08
Permitting and studies	-	0.25	0.25	0.60
Total	12.80	11.35	24.15	26.63

(1) As set out in "Use of Proceeds" in the Company's November 22, 2011 prospectus
(2) As set out in "Use of Proceeds" in the Company's April 26, 2012 prospectus
(3) August 2011 to March 31, 2013
(4) Chisperos pit only

SUMMARY OF QUARTERLY RESULTS

Not all prior period information has been prepared or presented on a basis consistent with the most recent interim financial information. The Company became a reporting issuer upon its listing on TSX on October 19, 2011. Prior to that date it had no obligation to prepare quarterly consolidated interim financial statements.

Financial Condition

The quarter-on-quarter movements in the financial position of the Group over the last eight quarters are shown below.

Financial position as at:	**Mar-31 2013 A$000**	**Dec-31 2012 A$000**	**Sept-30 2012 A$000**	**June-30 2012 A$000**	**Mar-31 2012 A$000**	**Dec-31 2011 A$000**	**Sep-30 2011 A$000**	**Jun-30 2011 A$000**
Cash and cash equivalents	3,103	7,489	8,336	17,412	12,715	14,474	16,123	4,515
Total assets	114,170	100,089	93,077	95,246	83,084	82,673	80,607	61,132
Total liabilities	55,151	39,421	34,192	33,005	34,304	31,857	30,047	30,958
Net assets	59,019	60,668	58,885	62,241	48,780	50,816	50,560	30,174

Cash and cash equivalents

As at March 31, 2013 the Group had cash reserves of $3.10 million, a decrease of $4.39 million from December 31, 2012 and a $14.31 million decrease from June 30, 2012. See "*Cash flow*" section below.

Trade and other receivables at March 31, 2013 include $ $1.82 million for VAT, all of which has been received subsequent to period end, and $3.05 million relating to the sale of gold, of which $1.24 million has still to be received due to the presence of impurities in a shipment poured on behalf of a third party. Inventories at Quarter end include $0.74 million relating to doré produced but not sold at period end, and to which title passed to Johnson Matthey on April 5, 2013.

The Group's cash bank balances were $3.19 million as at April 30, 2013. At that date it also had a $1.38 million receivable for the sale of gold in the last week of April that was received early in May.

During the Quarter the Company entered into a CDN$10 million secured debt facility ("Facility") with Sprott Resource Lending Partnership ("Sprott"). The Facility has a 12-month term and is drawable in two C$5 million Tranches. The term of the loan can be extended for a further 12 months under certain circumstances and the payment of an extension fee.

Under the terms of the Facility, Tranche 1 was required to be drawn and Tranche 2 is drawable within a 6 month period after the closing of the Facility. The Facility bears interest at 11% per annum, payable monthly. A fee is payable to Sprott in an amount equal to 4% of each draw under the Facility, being $200,000 for each C$5 million draw, payable by the issuance of ordinary shares of the Company to be priced at a 10% discount to the 5 day Volume Weighted Average Price (VWAP) of the Company's shares on the TSX prior to the draw down, subject to the receipt of applicable exchange approvals.

Tranche 1 of the Facility was drawn on February 19, 2013 and 221,680 ordinary shares issued in satisfaction of the fee.

Trade and other receivables

Trade and other receivables have increased by $1.58 million since June 30, 2012 primarily because of a US$1.42 million increase in gold sales receivables.

The A$ / US$ exchange rate increased from 1:1.0161 at June 30, 2012 to 1:1.0423 at March 31, 2013 meaning an decrease of $0.09 million in the value of trade and other receivables which are presented in the CMD financial statements in US$.

Inventories

Inventories have increased by $6.10 million since June 30, 2012, comprising a $6.47 million increase in CMD inventories offset by a $0.37 million decrease as a result of the A$ / US$ exchange rate increasing from 1:1.0161 at June 30, 2012 to 1:1.0423 at March 31, 2013.

The $6.47 million increase in CMD inventory primarily consists of an increase of 3,167 recoverable ounces in the leachpad with an associated cost of $4.71 million, a $1.37 million decrease attributable to the reduced average cost per ounce on the leachpad, a $0.74 million increase in doré in process inventory, $0.42 million increase from the reversal of a provision against leachpad inventory, $1.08 million recognised for stockpiles, a $0.96 million increase in stores inventory, and a reduction from $0.06 million of amortization of the fair value recognized on acquisition of the CMD Gold Mine in December 2010.

Mine development properties

Mine development properties increased by $2.41 million since June 2012, comprising expenditure of $7.66 million, a $0.94 million decrease as a result of the A$ / US$ exchange rate increasing from 1:1.0161 at June 30, 2012 to 1:1.0423 at March 31, 2013, and amortisation of $4.31 million.

Of the $7.66 million expenditure, $1.17 million relates to exploration at the CMD Gold Mine and $6.49 million to capitalized waste. The Company adopted a new internal mine plan with a lower life of mine waste:ore ratio of 1:1 for the purposes of calculating waste capitalisation from January 1, 2013.

Property, plant and equipment

Property, plant and equipment has increased by $20.03 million since June 2012, comprising expenditure of $23.64 million at the CMD Gold Mine, a $0.45 million decrease as a result of the A$ / US$ exchange rate increasing from 1:1.0161 at June 30, 2012 to 1:1.0423 at March 31, 2013, offset by a depreciation charge of $3.16 million.

Expenditure of $23.64 million mainly relates to the purchase of the new owner operated mining fleet (US$19.08 million), construction of MARC facilities for that fleet, used drilled rigs, a power line, and leach pad construction. The purchase of the new owner operated mining fleet was partly financed by new leasing and financing facilities of US$16.66 million.

Deferred tax asset

The deferred tax asset has increased by $3.11 million since June 2012, comprising an income tax credit of $3.39 million (refer "*Income tax*" below) and a $0.28 million decrease as a result of the A$ / US$ exchange rate increasing from 1:1.0161 at June 30, 2012 to 1:1.0423 at March 31, 2013.

Total liabilities

As at March 31, 2013, the Group had total liabilities of $55.15 million compared to $33.00 million at June 30, 2012, an increase of $22.15 million (which primarily relates to finance for the owner mining fleet assets). There was a $3.28 million increase in trade and other payables in the nine months in addition to a net increase in borrowings of $19.29 million. Trade and other payables have increased since June 2012 primarily as the result of the increased operating activities on site.

As at March 31, 2013, the Group had $26.02 million in debt obligations consisting of bank loans, leases, and deferred consideration due to the vendors of the CMD Gold Mine. During the Quarter CMD drew down bank and lease facilities totaling US$15.78 million to part finance the purchase of the remainder of the new owner operated mining fleet and for working capital purposes, and the Company borrowed C$5 million as the first tranche of the Sprott secured lending facility, refer "C*ash and cash equivalents"* above.

Contributed equity

The contributed equity increase of $6.74 million since June 30, 2012 is shown below:

	Number	$000
Ordinary shares		
July 1, 2012	86,380,017	204,436
Share issue costs	-	(48)
Shares issued on exercise of options	5,240,576	6,289
Shares issued under a Credit Agreement	221,680	193
Share based payments	-	309
March 31, 2013	91,842,273	211,179

Reserves

Negative reserves of $1.55 million consist of a $0.13 million share based payments reserve, which reflects the fair value of share options at their date of issue, offset by a negative balance of $1.68 million in the foreign exchange reserve.

The movement of $1.37 million in the foreign exchange reserve balance since June 30, 2012 comprises $0.82 million from the translation of CMD financial statements, which are presented in US$, to A$ on consolidation, and the foreign exchange effect of the fair value uplift on acquisition of the CMD Gold Mine, together with a $0.55 million unrealized foreign exchange loss on an intercompany balance. The movement in the foreign exchange reserve reflects the A$ / US$ exchange rate increasing from 1:1.0161 at June 30, 2012 to 1:1.0374 at March 31, 2013.

Accumulated losses

The Quarter's increase of $1.48 million in accumulated losses is explained under the heading "*Operating Results*" below.

Cash flow

The quarter-on-quarter movements in the cash flow of the Group over the last eight quarters are shown below.

Cash flows for the three months ended:	**Mar-31 2013 A$000**	**Dec-31 2012 A$000**	**Sept-30 2012 A$000**	**Jun-30 2012 A$000**	**Mar-31 2012 A$000**	**Dec-31 2011 A$000**	**Sep-30 2011 A$000**	**Jun-30 2011 A$000**
Operating activities	(351)	(2,414)	(6,912)	(3,071)	7,599	1,726	2,313	(581)
Investing activities	(20,192)	(8,024)	(3,085)	(6,708)	(7,383)	(3,776)	(2,871)	(2,617)
Financing activities	16,158	9,598	922	14,654	(1,963)	426	12,116	1,280

The Operating Activities outflow of $0.35 million in the Quarter reflects the net cash inflow from operations at the CMD Gold Mine of $0.70 million, corporate overhead of $0.82 million, and net interest expense of $0.23 million. The corporate overhead of $0.82 million includes cash outflows of $0.28 million of bank and legal fees relating to the CDN$10 million secured debt facility with Sprott Resource Lending Partnership and a private placement of CDN$12.93 million (refer *Liquidity, Capital Resources And Commitments* below) and $0.06 million of expenditure relating to a prior period.

Trade and other receivables at March 31, 2013 include $ $1.82 million for VAT, all of which has been received subsequent to period end, and $3.05 million relating to the sale of gold, of which $1.24 million has still to be received due to the presence of impurities in a shipment poured on behalf of a third party.

Investing activities in the Quarter of $20.19 million reflect $15.32 million property, plant and equipment costs, being primarily the acquisition of the remainder of the new mining fleet, and capitalised development work at the CMD Gold Mine of $4.87 million.

Financing activities net inflows of $16.16 million in the Quarter mainly reflect net receipts from borrowings of $16.18 million.

Net borrowings of $20.43 million for the nine months to March 31, 2013 comprise $25.58 million of new borrowings, including the first tranche of CDN$5 million under the Sprott Facility, and $5.15 million of repayments. Borrowings other than the Sprott Facility were primarily used to finance the new owner operated mine fleet. Borrowing repayments of $5.15 million comprised bank / lease debt of $4.14 million and $1.01 million of deferred consideration / deferred cash to the vendors of the CMD Gold Mine.

The Company's quarterly cash flows from operating activities before changes in non-cash working capital since the start of the most recent financial year are set out below.

	1 mth Mar-31 2013 A$000	1 mth Feb-28 2013 A$000	1 mth Jan-31 2013 A$000	3 mths Dec-31 2012 A$000	3 mths Sept-30 2012 A$000
Cash flows from operating activities before changes in non-cash working capital	528	(279)	(1,026)	(1,310)	(2,712)

Operating Results

The quarter-on-quarter movements in the operating results of the Group over the last eight quarters are shown below. The Company became a reporting issuer when it listed on the TSX on October 19, 2011.

Operating results for the three months ended:	Mar-31 2013 A$000	Dec-31 2012 A$000	Sept-30 2012 A$000	Jun-30 2012 A$000	Mar-31 2012 A$000	Dec-31 2011 A$000	Sep-30 2011 A$000	Jun-30 2011 A$000
Revenue	17,576	21,623	16,249	15,892	19,332	18,737	18,248	13,485
Other income	29	46	68	615	(537)	103	975	317
Cost of sales	(17,815)	(26,416)	(18,942)	(18,514)	(19,303)	(17,562)	(17,124)	(15,707)
Total net operating expenses	(19,729)	(26,797)	(21,207)	(19,912)	(19,872)	(18,116)	(18,366)	(17,302)
Net (loss) / profit before tax	(1,674)	(5,128)	(4,890)	(3,405)	(1,077)	724	857	(3,500)
Net (loss) / profit after tax	(1,477)	(4,548)	(2,277)	(3,124)	(1,110)	1,941	3,289	(3,196)
Basic (loss) / profit per share (cents)	(1.6)	(5.1)	(2.6)	(4.1)	(1.5)	3.1	5.8	(5.8)
Diluted (loss) / profit per share (cents)	(1.6)	(5.1)	(2.6)	(4.1)	(1.5)	3.1	5.8	(5.8)

A review of the quarter ended March 31, 2013 as compared to the quarter ended March 31, 2012 is provided below.

Revenue

	Quarter ended Mar-31 2013 $000	Quarter ended Mar-31 2012 $000
Sale of gold	17,610	18,835
Sale of silver (net of refining)	(34)	300
Sale of copper	-	197
	17,576	19,332

Revenue is from the sale of metals, mainly gold, by the CMD Gold Mine, acquired on December 24, 2010. Revenue for the March 2013 Quarter includes 11,191 ounces of gold at an average achieved sale price of US$1,635 per ounce (March 2012 Quarter: 11,906 ounces of gold at an average achieved sale price of US$1,682 per ounce).

Other income

Other income of $0.03 million for the Quarter consists of interest income. The March 2012 Quarter other income included $0.66 million of foreign exchange losses. From September 2012 Quarter onwards foreign exchange gains and losses are classified in total net operating expenses.

Cost of sales

	Quarter ended March-31 2013 $000	Quarter ended March-31 2012 $000
Depreciation and amortisation	2,662	1,602
Gold in process, doré and stockpile adjustments	(2,180)	1,237
Mine operational expenses	4,759	8,736
Reagents	3,955	2,071
Utilities, maintenance	4,471	3,471
Personnel expenses	3,243	1,464
Royalties	305	369
Other expenses	600	353
	17,815	19,303

Cost of sales relates to costs attributable to the operation of the CMD Gold Mine. It includes a $1.72 million (March 2012 Quarter: $Nil) reversal of a provision against leachpad inventory and $2.85 million of waste costs direct expensed (March 2012 Quarter: $6.06 million),

Depreciation and amortisation costs are calculated on the units of production method whereby costs are amortised according to gold production as a percentage of estimated ounces of gold recoverable from mineralised material in the mine plan. Such costs have increased from the March 2012 Quarter to the March 2013 Quarter due to the additional expenditure on CMD development, plant and exploration costs.

Deferred stripping (waste) costs are capitalised in any month where the actual stripping ratio exceeds the life of mine average stripping ratio, in which case costs relating to the waste tonnes mined over and above the life of mine stripping ratio are capitalised. In months where waste tonnes mined fall below the life of mine stripping ratio all waste costs are expensed. Cost of sales for the March 2013 Quarter includes $3.38 million (March 2012 Quarter: $6.37 million) waste costs expensed and amortised. The Company adopted a new internal mine plan with a lower life of mine waste:ore ratio of 1:1 for the purposes of calculating waste capitalisation from January 1, 2013.

The acquisition of CMD was treated as a business acquisition under IFRS requiring a fair valuation of consideration paid and assets, liabilities and contingent liabilities acquired. The resultant uplift in fair values of property, plant and equipment and mine properties on acquisition are subject to amortisation over estimated life of mine on the same basis as the underlying asset.

The March 2013 Quarter depreciation and amortisation charge of $2.66 million (March 2012 Quarter: $1.60 million) includes $0.41 million (March 2012 Quarter: $0.47 million) relating to amortisation on the uplift in fair values of assets recognized on acquisition of the CMD Gold Mine and $0.53 million (March 2012 Quarter: $0.30 million) waste amortisation.

Gold in leach pad inventories are valued based on the historical recovery of ounces from the pads using a rolling average of costs incurred, including leaching costs. Movements in the value of leach pad inventories are included in cost of sales. During the March 2013 Quarter 2,210 recoverable ounces were added to the leachpad (March 2012 Quarter: 2,252 decrease in recoverable ounces).

The gold in process, doré and stockpile inventory adjustment for the March 2013 Quarter includes a $1.72 million reversal of a provision to write the cost of the leachpad down to net realizable value (March 2012 Quarter: $Nil).

Corporate compliance and management

Corporate compliance and management costs of $0.34 million for the Quarter (March 2012 Quarter: $0.43 million) reflect costs associated with the management of the CMD Gold Mine, corporate office costs, and the costs of a listed company on the ASX and TSX.

Occupancy costs

Occupancy costs of $0.02 million for the Quarter (March 2012 Quarter: $0.03 million) relate to the occupancy costs of the Company's head office in Perth and reflect the recharge of 50% of the office costs to a sub tenant.

Foreign exchange gain / loss

The foreign exchange loss of $0.43 million arises from net unrealised losses on the Company's holdings of US$ and CDN$ cash and cash equivalents, and foreign exchange losses on payables denominated in Chilean Pesos translated to the functional currency of CMD, being US$. During the Quarter the US$: Chilean Peso exchange rate fell from 1:479.8 to 1:472.15.

The March 2012 Quarter $0.66 million of foreign exchange losses is included in other income in the *Operating Results* table above.

New venture investigation expenditure written off

Expenditure of $0.07 million for the Quarter (March 2012 Quarter: $0.07 million) reflects Lachlan's expenditure on investigating new venture opportunities.

Finance expense

Finance expense of $0.77 million for the Quarter (March 2012 Quarter: $0.01 million) consists of bank and financial institution interest, together with the foreign exchange gain / loss on financial liabilities. Finance costs have increased over the previous quarter as a result of the loans and leases associated with the purchase of the new mine fleet at the CMD Gold Mine together with the bank fees associated with securing the Sprott CDN$10 million loan facility.

Fair value loss on deferred consideration

The acquisition cost for the CMD Gold Mine included contingent deferred consideration payments relating to the achievement of specified gold production, in particular:

(a) 2.5% of the value of the gold produced from the existing open pit inventory contained within the pit designs and other specific deposits with mineralisation that may be economically exploited using open pit methods (collectively, the "Mineral Inventory") between January 1, 2011 and December 31, 2014; and

(b) 25% of the value of the gold produced from the Mineral Inventory between January 1, 2011 and December 31, 2014 over and above 119,000 ounces.

The March 2013 Quarter gain of $0.48 million reflects a re-assessment of the potential liability during the Quarter and compares to the March 2012 Quarter loss of $0.02 million.

Income tax

The income tax credit for the Quarter of $0.20 million (March 2012 Quarter: charge of $0.03 million) consists of:

(i) $0.11 million credit (March 2012 Quarter: charge of $0.12 million) related to the recognition of a deferred tax asset in respect of income tax losses and timing differences of CMD.

(ii) $0.09 million credit (March 2012 Quarter: credit of $0.09 million) relating to the deferred tax impact of the unwinding of the fair value adjustments taken up on the acquisition of the CMD Gold Mine. These fair value adjustments created a difference between the carrying value of the assets in the Company's financial statements and the assets' tax value, and resulted in the recognition of a deferred tax liability on acquisition. As the fair value uplift is amortised over time the difference between the carrying value of the assets in Lachlan's financial statements and the assets' tax value will reduce and the deferred tax liability will reverse.

Exchange difference on translation of foreign operations

The March 2013 Quarter $0.34 million foreign exchange reserve movement is a result of the A$ / US$ exchange rate increasing from 1:1.0374 at December 31, 2012 to 1:1.0423 at March 31, 2013. The movement is required to be shown on the face of the statement of comprehensive income as a reconciling item to total comprehensive income.

Earnings per Share

Earnings per share reflects the underlying result for the period. Given there is a loss for the Quarter the outstanding share options are not considered to be dilutive and diluted loss per share is the same as basic loss per share.

LIQUIDITY, CAPITAL RESOURCES AND COMMITMENTS

During the last three years, the Group has accessed equity capital markets and debt as its primary source of funding to finance its activities. Gross proceeds of $32.03 million were raised from the issue of Ordinary Shares during the financial year ending June 30, 2012. In the nine months to March 31, 2013 $6.29 million has been received from the exercise of share options and warrants.

See under the heading "*Financial Condition*", above, the table summarizing the movements in the financial position of the Group over the last eight quarters and the discussion of cash and cash equivalents.

The following table sets forth information regarding the Group's contractual obligations as at March 31, 2013:

	Payments Due				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 - 2 years**	**3 - 5 Years**	**After 5 Years**
	$ million	**$ million**	**$ million**	**$ million**	**$ million**
Exploration commitments(1)	--	--	---	—	—
Borrowings(2)	$26.45	$13.36	$5.64	$7.45	—
Trade And Other Payables	$23.47	$23.47	—	—	—
Provisions(3)	$5.65	—	—	$5.65	—
Other(4)	$78.76	$44.68	$17.21	$16.87	—

Notes:

(1) The Company's mineral rights in Chile are not subject to minimum expenditures on exploration activities.
(2) See the discussion in the sections entitled "*Total liabilities*" under the heading "Financial Condition" above. The Group had no unused banking facilities at May 8, 2013.
(3) Provisions relate to Chilean site restoration and employee termination obligations.
(4) Other relates to future commitments arising out of contracts in place as at March 31, 2013 at the CMD Gold Mine, primarily for mining, power, explosives and cyanide.

The net proceeds of (i) the finance facilities negotiated for the purchase of the owner operated mining fleet (ii) a CDN$10 million secured debt facility with Sprott Resource Lending Partnership dated February 13, 2013 (see "*Cash and cash equivalents"* above) (iii) a bank loan of $0.60 million drawn down in May 2013 (iv) a private placement of CDN$12.93 million announced on April 4, 2013 and scheduled for completion by May 17, 2013, are anticipated to be sufficient, together with cash flows from operations, to finance the current exploration program and operations and to meet all other contractual, corporate and administrative costs for the Company for the ensuing 18 months. The actual expenditures for exploration and drilling will depend on a number of factors including the success of the drilling or exploration program, as the case may be.

The Company expects to be able to finance its working capital requirements and planned growth and development activities from existing cash balances, finance facilities noted above and cash flows from operations. However, further financing may be required to fund any unforeseen increases in capital or operational expenditure at the CMD Gold Mine. It is anticipated that further funds would be obtained by additional debt or equity raisings. Net cash expended on operating activities in the March 2013 Quarter was $0.35 million. Expenses will be financed from cash flow from operations to the extent possible.

Based on the economics of the CMD Gold Mine the Company believes that it will be able to raise such funds through additional financings if required. However, there is no assurance additional financing will be available, as and when required, or if available, that it will be on terms acceptable to the Company. See "*Risk Factors — Need for Additional Capital*" in the Company's 2012 AIF, available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.lachlanstar.com.au.

COMMITMENTS

The Company had a no capital commitments at Quarter end.

OFF BALANCE SHEET ARRANGEMENTS

There are no material off-balance sheet arrangements as at March 31, 2013

TRANSACTIONS WITH RELATED PARTIES

Remuneration (including salaries, directors' fees and the issue of share options) was paid or is payable to the directors of the Company in the normal course of business. The Company pays its non-executive directors consulting fees for extra services, if any, performed outside of normally expected non-executive duties. These transactions are made on commercial terms and conditions and at market rates.

The Group recharged $0.03 million during the Quarter (December 2013 Quarter: $0.03 million) on an arm's length basis to Nevada Iron Limited, a company of which Mr Michael McMullen is Chairman, for administration staff, office rent and car parking under an office sublease effective June, 11 2012.

The Group acquired the CMD Gold Mine on December 24, 2010. One of the vendors is a substantial shareholder of Lachlan Star and another, Peter Babin, is a director of the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are:

Impairment

The recoverability of the carrying amount of property, plant and equipment and mine development properties has been reviewed by the consolidated entity. In conducting the review, the recoverable amount has been assessed by reference to the higher of 'fair value less costs to sell' and 'value in use'. In determining fair value less costs to sell, future cash flows are based on estimates of (a) quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction; (b) future production levels and sales; (c) timing of future production; (d) future exchange rates and commodity prices; and (e) future cash costs of production and capital expenditure.

Recoverable amount is most sensitive to forecast commodity prices. Variations to the expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which could in turn impact future financial results. At March 31, 2013 the spot gold price was US$1,598.25 per ounce.

The financial statement line items affected by this critical accounting estimate are “Property, plant and equipment” and “Mine development properties” in the Consolidated Statement of Financial Position, and “Cost of sales” in the Consolidated Statement of Comprehensive Income.

Provisions

The Group has recognised a provision for environmental restoration. This provision has been measured based on management’s estimates of the probable amount of resources that will be required to settle the obligation and the timing of settlement. Such estimates are subjective and there may be a future need to revise the book value of the provision as a result of changes in estimates.

The financial statement line items affected by this critical accounting estimate are “Provisions” in the Consolidated Statement of Financial Position and “Cost of sales” in the Statement of Comprehensive Income.

Functional currency

The financial performance and position of foreign operations whose functional currency is different from the Group’s presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at statement of financial position date; and
- income and expenses are translated at transaction date or average exchange rates for the period, whichever is more appropriate

Resulting exchange differences arising on translation of foreign operations are recognised in other comprehensive income and are transferred directly to the Group’s foreign currency translation reserve as a separate component of equity. These differences are recognised in profit or loss upon disposal of the foreign operation.

Companies in the Group have to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that management has to analyse several factors, including which currency mainly influences sales prices of product sold by the entity, which currency influences the main expenses of providing services, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities.

For subsidiaries CMD and DCEM, the above indicators are mixed and the functional currency is not obvious. Management used its judgement to determine which factors are most important and concluded the U.S. dollar is the functional currency for those companies. Management has determined that the Australian dollar is the functional currency for Lachlan and its other subsidiaries given their revenue and expenditure are mostly in Australian dollars.

The financial statement line items affected by this critical accounting estimate is “Reserves” and all assets and liabilities of foreign operations whose functional currency is different from the Group’s presentation currency in the Consolidated Statement of Financial Position, and “Foreign exchange gain / (loss)” in the Consolidated Statement of Comprehensive Income.

Recovery of ounces of gold in leach pad inventories

Management has estimated the recovery of gold in the leach pad at the CMD Gold Mine based on recovery rates experienced after the September 2000 shutdown. Management evaluate this estimate on an ongoing basis for any changes that may result in adjustments to the financial statements. To date no such changes have been identified giving rise to a revision in the estimate.

The financial statement line items affected by this critical accounting estimate are “Inventories” in the Consolidated Statement of Financial Position and “Cost of sales” in the Consolidated Statement of Comprehensive Income.

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent it is believed there will be sufficient future taxable profits against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of a subsidiary, which is not part of the tax consolidated group, to be able to satisfactorily substantiate its tax losses at the time they are recouped. It is believed the subsidiary tax losses can be substantiated.

The financial statement line item affected by this critical accounting estimate is “Deferred tax asset” in the Consolidated Statement of Financial Position and the “Income tax (expense) / benefit” in the Consolidated Statement of Comprehensive Income.

Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the consolidated entity's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. The group is required to determine and report ore reserves in Australia under the principles incorporated in the Australasian Code for Reporting of Mineral Resources and Ore Reserves December 2004, known as the JORC Code.

The Group is also required to determine and report mineral reserves in Canada pursuant to NI 43-101. Both the JORC Code and NI 43-101 require the use of reasonable investment assumptions to calculate reserves.

As the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the group's financial results and financial position in a number of ways, including recognition of deferred tax on mineral rights, deferred mining expenditure and capitalisation of mine development costs, and units of production method of depreciation and amortisation.

The financial statement line items affected by this critical accounting estimate are "Mine development properties" and "Property, plant and equipment" in the Consolidated Statement of Financial Position and "Cost of sales" in the Consolidated Statement of Comprehensive Income.

Exploration and evaluation expenditure

Expenditure which does not form part of the cash generating units assessed for impairment has been carried forward on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the period in which it is incurred. Exploration expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the period in which the decision is made.

The financial statement line items affected by this critical accounting estimate are "Exploration and evaluation" in the Consolidated Statement of Financial Position and "Exploration and evaluation expenditure" in the Consolidated Statement of Comprehensive Income.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company's key accounting policies and the adoption of new and revised accounting standards are provided in Note 1 to the Company's consolidated financial statements for the year ended June 30, 2012. There have been no significant changes in such policies in the Quarter.

The Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after July 1, 2012. As a result of this review, the directors have determined that there is no change necessary to Group accounting policies.

The International Accounting Standards Board published IFRIC *20 Stripping Costs in the Production Phase of a Surface Mine* on October 19, 2011*.* The interpretation, which has an effective date for annual periods beginning on or after January 1, 2013, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The main requirements of the interpretation are as follows:

- Waste removal costs (stripping costs) incurred in the production phase of a surface mining are accounted for in accordance with IAS 2 *Inventories* to the extent they relate to current period production.

- Production stripping costs are recognized as a non-current asset ("stripping activity asset") if all the following criteria are met (i) it is probable that future economic benefits will flow to the entity (ii) the entity can identify the component of the ore body to which access has been improved (iii) the costs incurred can be measured reliably. The stripping activity asset is amortised over the useful life of the component of the ore body to which access has been improved.

- When the costs of a stripping activity asset versus current period inventory are not separately identifiable, costs are allocated based on a production method.

- Application of the interpretation is on a prospective basis, with transitional adjustments being recognized in opening retained earnings.

The Company is currently reviewing how this interpretation may impact its record keeping and accounting policies in future periods. It is anticipated that the Company will adopt the interpretation from July 1, 2013.

FINANCIAL INSTRUMENTS AND RELATED RISKS

The Group's activities expose it to credit risk, market risk (including interest rate risk, foreign exchange risk and price risk), liquidity risk, and commodity price risk. This note presents qualitative and quantitative information about the Group's exposure to each of the above risks, their objectives, policies and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the financial performance of the Group. The Group does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in commodity prices, interest rates and exchange rates. The Group uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and ageing analysis for credit risk.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the Group's development there are no formal targets set for return on capital. There were no changes to the Group's approach to capital management during the Quarter. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Exposure to credit risk is considered minimal but is monitored on an ongoing basis.

Cash transactions are limited to financial institutions considered to have a suitable credit rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position at balance date. The carrying amount of the Group's financial assets represents the maximum credit exposure.

Receivables relate principally to amounts due to the Group by Johnson Matthey for shipments of doré pending final settlement. Johnson Matthey is considered to be of high credit quality and management has assessed the risk of default as minimal.

There has been no significant change in the Company's exposure to credit risk or its objectives and policies for managing this risk during the Quarter.

Market risk

(i) Interest rate risk

The significance and management of the risks to the Group is dependent on a number of factors including interest rates (current and forward) and the currencies that are held; level of cash and liquid investments and borrowings; maturity dates of investments and loans; and the proportion of investments and borrowings with fixed rate or floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate investments.

There has been no significant change in the Company's exposure to interest rate risk or its objectives and policies for managing this risk during the Quarter.

(ii) Foreign exchange risk

The Group is exposed to foreign exchange risk on metal sales proceeds and mining costs which are quoted in currencies (US$ and Chilean Peso) other than the functional currency of the Company, being the A$, and cash balances held in US$ and CDN$. The Group does not hedge this risk, however it continues to monitor these exchange rates so that this currency exposure is maintained at an acceptable level. There is a natural hedge in place to the extent US$ costs are covered by US$ revenues. Cash assets are held in Australian dollars, United States dollars, Canadian dollars and Chilean Pesos.

The major exchange rates relevant to the Group for the Quarter were as follows:

	Average for quarter ended March 31, 2013	As at March 31, 2013
A$ / US$	1.039	1.042
A$ / CDN$	1.047	1.061
US$ / Peso	473	472
A$ / Peso	492	492

There has been no significant change in the Company's exposure to foreign exchange rate risk or its objectives and policies for managing this risk during the Quarter.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under a range of financial conditions. There has been no significant change in the Company's exposure to liquidity rate risk or its objectives and policies for managing this risk during the Quarter.

Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity output, being mainly gold, which is denominated in US$. This risk has not been hedged in either the current or prior period, but is continually under review. There has been no significant change in the Company's exposure to commodity price risk or its objectives and policies for managing this risk during the Quarter.

CONTINGENT ASSETS AND LIABILITIES

In June 2011, the group terminated the contract of one of its mining contractors in Chile, "Maestranza Martinez Torres y Cia. Ltda" ("Martimec") for non-performance under the terms of its mining contract. The Company has been notified that Martimec intends to pursue an arbitration process under Chilean law to discuss the merits for early termination of the contract. The arbitration process has not yet commenced since Martimec has been declared bankrupt. The directors remain confident that the contract was terminated in accordance with its terms. The group intends to defend itself vigorously if this arbitration is brought, including considering bringing a counterclaim against Martimec.

A subsidiary had issued a bank guarantee to the value of US$2.5 million at Quarter end.

SUBSEQUENT EVENTS

Since March 31, 2013 the directors of the Company are not aware of any other matter or circumstance that has not been discussed in this MD&A that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent quarters.

OUTSTANDING SECURITIES DATA

The Company presently has 91,842,273 Ordinary Shares that are issued and outstanding. The Company presently has the following issued and outstanding securities that are convertible into Ordinary Shares:

Security or Instrument Name	Number	Exercise or Conversion Price (if applicable) ($)	Expiry Date (dd/mm/yy)
Stock Options	166,669	$1.20	20/12/2013
Stock Options	166,669	$1.50	20/12/2013
Placement Options	3,280,842	$1.20	20/05/2013
Broker Options	89,939	$1.20	20/05/2013
Broker Options / Warrants	5,970,900	$1.20	26/08/2013
Stock Options	650,000	$1.20	25/11/2013
Stock Options	150,000	$1.50	25/11/2013
Stock Options	50,000	$1.50	25/11/2014
Broker Options / Warrants	329,250	CDN$1.60	3/04/2014
Stock Options	75,000	$1.50	21/11/2014
Stock Options	100,000	$2.10	22/05/2015
Stock Options	100,000	$2.50	22/05/2015

Since March 31, 2013 and up to the date of this MD&A the Company has issued 221,680 shares as payment for a credit fee and 6,765,000 shares as the first tranche of a private placement of CDN$12.93 million announced on April 4, 2013 (refer *Liquidity, capital resources and commitments* above), with another US$0.28 million cash held by the Company pending the issue and allotment of 500,000 shares.

CONTROLS AND PROCEDURES

The Company maintains information systems, procedures and controls to provide reasonable assurance that information used internally and disclosed externally is complete and reliable. The Company continues to review and develop internal controls, including disclosure controls and procedures for financial reporting that are appropriate for the nature and size of the Company's business. Access to material information regarding the Company is facilitated by the small size of the Company's senior management team and workforce. The Company is continuing to develop appropriate controls for the nature and size of the Company's business.

Any internal controls, no matter how well conceived and operated, can provide absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion between two or more people, or by unauthorized override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Competent Persons Statement

The information in this Management Discussion and Analysis that relates to the mineral resources of Tres Perlas, Chisperos, Las Loas, El Sauce, Churrumata and Toro/Socorro is based on information compiled by David Slater, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy. Mr. Slater is employed full time by Coffey Mining Pty Ltd. The information in this Management Discussion and Analysis that relates to exploration results for the CMD Gold Mine and Bushranger Copper Project is based on information approved by Declan Franzmann, who is a Chartered Professional Fellow of The Australasian Institute of Mining and Metallurgy. Mr. Franzmann is employed by Citraen Pty Ltd and is an officer of the Company. Each of Mr. Slater and Mr. Franzmann has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves" and to qualify as a "Qualified Person" under NI 43-101. Each of Mr. Slater and Mr. Franzmann consents to the inclusion in this Management Discussion and Analysis of the matters based on his information in the form and context in which it appears.

GLOSSARY OF MINING TERMS

The following is a glossary of mining terms used in this MD&A:

Term	Definition	Term	Definition
Au	Gold	dmt	dry metric tonne
dmt/d	dry metric tonnes per day	g/t	grams per tonne
kt	thousand tonnes	Koz	thousand ounces
Mt	million tonnes	Mtpa	million tonnes per annum
oz	Troy ounce	t	tonnes
t:t	tonne to tonne	tonne	metric tonne, being a unit of mass equal to 1,000 kilograms
US$/oz	United States dollars per ounce	US$/t	United States dollars per tonne