

17 November 2010

ACQUISITION OF OPERATING GOLD MINE IN CHILE

Lachlan Star Limited (Lachlan) has signed a binding share sale agreement to acquire 100% of DMC Newco Pty Ltd, a company that in turn owns 100% of two Chilean companies, Compañía Minera Dayton (CMD) and Dayton Chile Exploraciones Mineras Limitada (DCEM). CMD and DCEM collectively own a 100% interest in the CMD Project, located in Andacollo approximately 350km north of Santiago (Figure 1).

Figure 1 – CMD Project Location



Figure 1

CMD Project

The CMD Project is an operating open pit heap leach gold mine that commenced production in 1995 and has produced approximately 830,000 ounces of gold since operations commenced. The CMD Project is located immediately adjacent (100m) to the large Andacollo copper gold mine owned by Teck that is forecast to produce 80,000 tonnes of copper and 60,000 ounces of gold per annum over a mine life in excess of 20 years.

The assets of the CMD Project include:

- Existing unhedged gold production (circa 40,000 to 50,000 ounces per annum) with incumbent management;
- Potential exploration targets for the known mineralisation ranging between 53.3 Mt grading 0.65 g/t Au to 79.8 Mt grading 0.68 g/t Au containing between 1.1 million and 1.7 million ounces of gold;
- Excellent exploration potential to define significant resources as the known mineralisation is open either along strike, or at depth, or both;
- Underutilised 8Mtpa production facility currently running at 1/3 capacity;
- 100 tpd ball mill and CIL circuit;
- Water rights in excess of that required for production and
- Carry forward tax losses of approximately US\$65 million and a capital repatriation credit of approximately US\$30 million¹

Figure 2 below shows the location of the CMD Project (in red outline) and the adjacent Teck Andacollo operation. The Los Loas pits are located approximately 5km north of the heap leach facility, whilst the remaining CMD deposits are all located within 1 to 2km of the heap leach facility. Approximately 70% of the forecast gold production under the current mine plan is scheduled to be sourced from the Los Loas pits.

Figure 2 – CMD Project



Figure 2

Figure 3 shows the crushing circuit and view over the Tres Perlas and Churumata pits towards the Teck Andacollo mine from the heap leach pads.

Figure 3 Crushing Plant and Pits

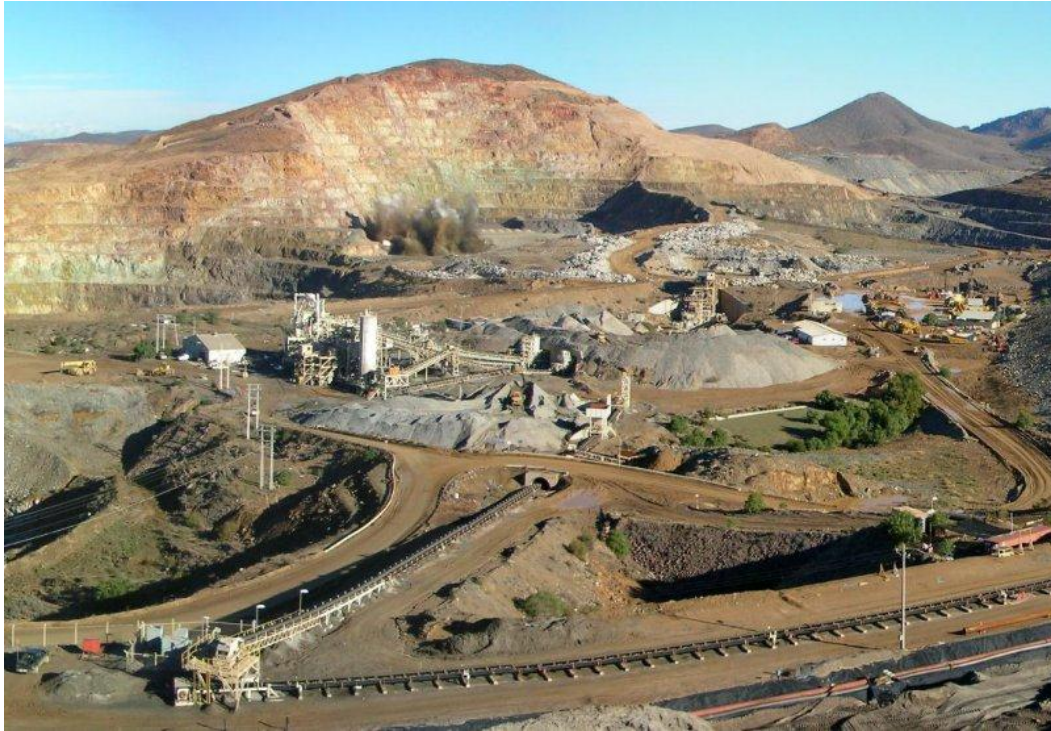


Figure 3

Lachlan is unable to quote a JORC compliant resource for the CMD Project due to the following reasons:

- The operation was previously owned by an unlisted company and consequently was under no obligation to report resources and reserves in any of the globally recognised reporting codes; and
- Whilst Chile has the +Certification Code for Exploration Prospects, Mineral Resources and Ore Reserves+ (December 2004), which is largely based on the methodology established under the JORC Code, the Instituto de Ingenieros de Minas de Chile is not currently a +Recognised Overseas Professional Organisations+ (ROPO) as defined by JORC.

One of Lachlan's initial objectives is to provide a JORC compliant estimate of the Mineral Resources and Ore Reserves. The Company expects to announce this in early 2011. A considerable amount of data from drilling and mining already exists, and this is expected to expedite estimation work.

Until this work is completed, the Company must report mineralisation in terms of % exploration targets.

The targets defined for all the projects in Table 1 are based on drilling data and grade modeling (Gemcom block model) compiled by CMD personnel.

Table 1 – Exploration Targets at CMD

| Project | Potential Quantity (Mt) | | Potential Grade (g/t Au) | |
|-------------|-------------------------|-------|--------------------------|-------|
| | lower | upper | lower | upper |
| Las Loas | 8.2 | 10.9 | 1.06 | 1.10 |
| Churumata | 12.1 | 16.2 | 0.75 | 0.76 |
| Tres Perlas | 13.5 | 22.1 | 0.53 | 0.54 |
| Chisperos | 5.8 | 7.1 | 0.55 | 0.57 |
| Toro | 13.3 | 21.2 | 0.53 | 0.55 |
| Socorro | 0.5 | 2.3 | 0.65 | 0.80 |
| Totals | 53.3 | 79.8 | 0.65 | 0.68 |

The potential quantity and grade detailed in Table 1 is considered conceptual in nature. Whilst there is sufficient drilling data to compile a JORC compliant resource estimate, this remains to be done. The Company plans to complete project review, geological interpretation and grade modeling for all the projects, with the aim of estimating a JORC compliant resource as soon as possible.

Board and Management

Peter Babin will join the Lachlan board as a non executive director on completion. Peter is a Denver based lawyer with 30 years experience as a lawyer, including 9 years as General Counsel and later President of Royal Gold, a TSX and NASDAQ listed gold royalty company capitalised at \$2.7 billion. Since 2004 he has managed his private interests which include the CMD project and oil and gas ventures in the US. His appointment will ensure transfer of the historical knowledge of the project to the Company.

Declan Franzmann will move to an executive director role and assume operational responsibility for the CMD Project. Declan's operational and team building experience will be invaluable in improving the current operation and evaluating the potential to expand the operations to fill the plant up.

Kees Dekker (General Manager Southern Africa) will assume responsibility for the assessment of new projects at both the CMD project and on surrounding tenements. His ability to speak Spanish and experience in project evaluation will be crucial in expanding the scale of the operation of the medium term.

Program Going Forward

Completion of the CMD project acquisition is expected to occur by the end of December 2010. In the interim, Lachlan will immediately assume management responsibility for the CMD operation which will enable the Company to optimize current operational processes, commence work on a JORC compliant resource and reserve estimate, and to initiate a strategic exploration program. This program will focus on expanding the open pit mineral inventory and examining the potential for the development of underground mines below some of the open pits.

Under the current private owners, only limited exploration has been carried out and there is excellent exploration potential to define additional mineralisation. The geology of the area hosts major porphyry style deposits (Andacollo Mine, total resources of 535 Mt grading 0.37% copper and 0.12 g/t Au²), bulk tonnage disseminated gold deposits (Manto style at CMD) and vein type deposits (Los Loas at CMD and adjacent CMD Manto deposits).

A small drill program by the current owners to define some near pit mineralisation not currently in the mine plan has returned encouraging results including:

- 10m @ 2.28 g/t Au from 5 m in Rec-TR07 at the Toro deposit;
- 8m @ 10.6 g/t Au from 95 m in Rec-TR10 at the Toro deposit;
- 15m @ 4.07 g/t Au from 113 m in Rec-CHIS09 at the Chisperos deposit;
- 8m @ 1.19 g/t Au from 3 m in Rec-CHU05 at the Churumata deposit; and
- 42m @ 0.63 g/t Au from 55 m in Rec-CHU05 at the Churumata deposit.

There appears to be potential to define additional mineralisation at depth that may, subject to further studies, support one or more underground mining operations. Figure 4 shows the higher -grade zones defined underneath the Los Loas pit by sparse drilling.

Figure 4 –Higher Grade Mineralisation at Los Loas

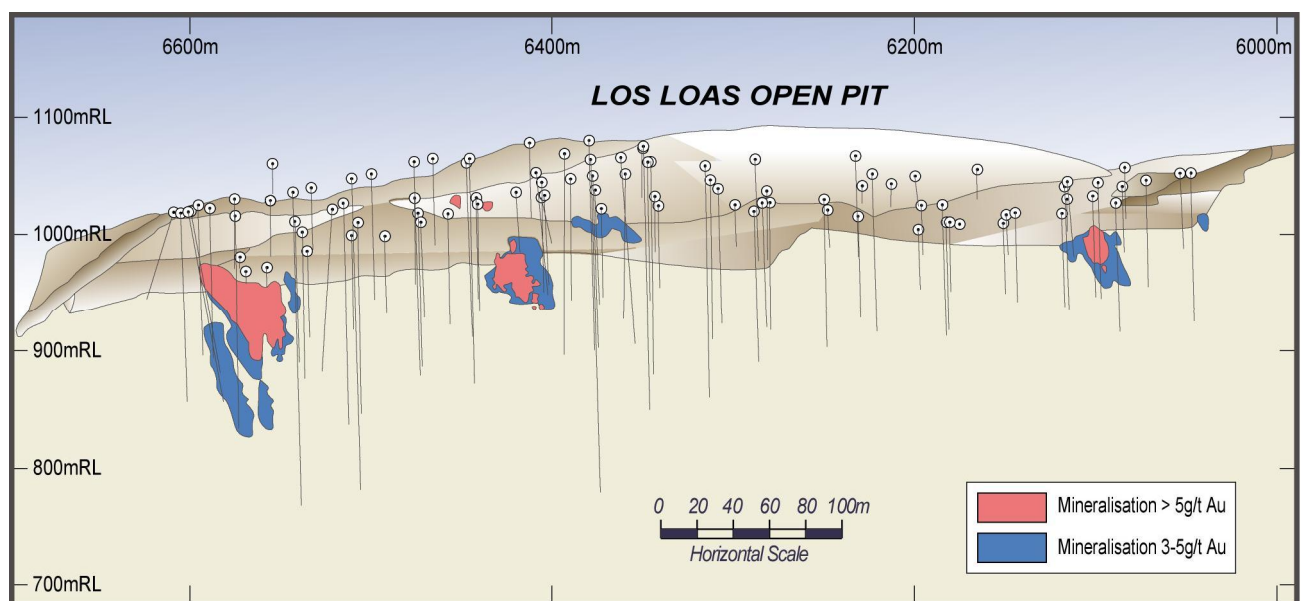


Figure 4

Most of the mineralisation defined at each deposit is limited by drilling as shown in Figure 5 and an aggressive exploration program is planned to extend the mineralisation where possible.

Figure 5 –Cross Section Churrumata deposit

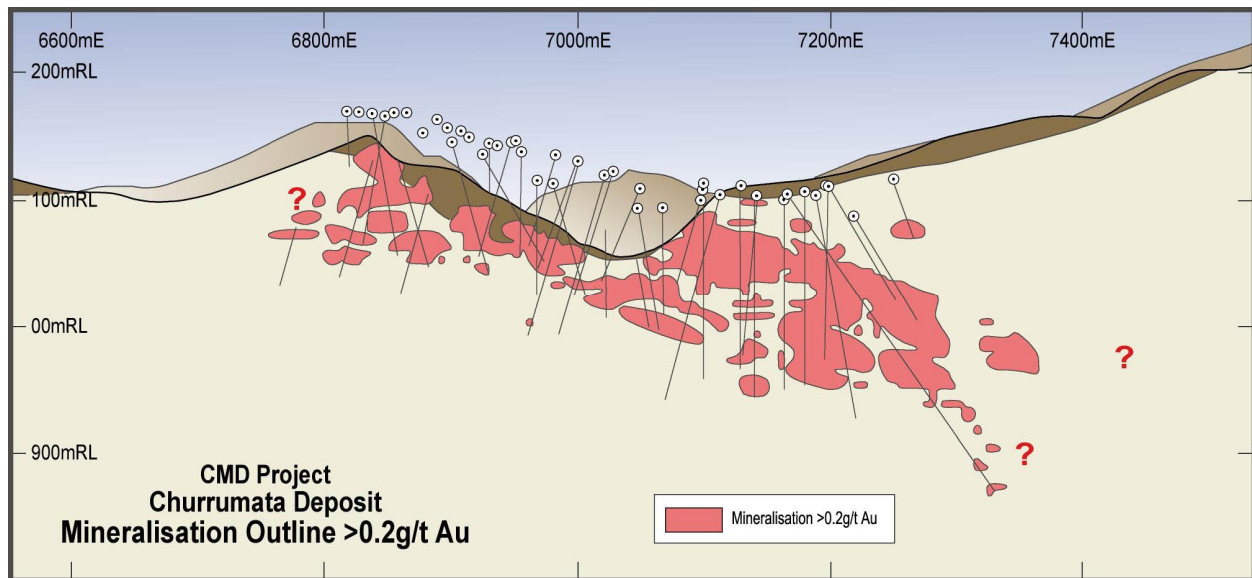


Figure 5

Transaction Summary

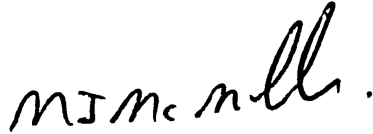
The CMD project is located in an area that hosts very large gold and copper mineralised systems, and Chile is a politically stable country with a strong mining culture. The acquisition of an unhedged gold producer with significant exploration potential will enable Lachlan to reposition itself to a self funded gold explorer with the potential to increase production to in excess of 100,000 ounces of gold per annum over a 2 to 3 year time frame, subject to exploration success.

The risks associated with a start up mining operation have been reduced in this case by acquiring an operating asset, and the existing exploration data will enable the Company to focus its efforts on high priority targets quickly.

Luiri Gold Limited

The Company holds 31,092,500 shares and CDI's in Luiri Gold Limited (Luiri) which are currently valued at \$6.84 million. As Lachlan has been unable to effect the changes in Luiri management it considered necessary, the Company may sell some or all of its position in Luiri given the noncore nature of the investment.

For and on behalf of the Board



Mick McMullen
Chairman

¹ Carry forward losses and capital repatriation credit are both revalued each year based on the Chilean peso and USD exchange rates and as such, will vary from year to year

² Source . Teck 2009 Annual Information Form

About Lachlan Star Limited

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

Lachlan Star's current projects include the Bushranger copper and gold project in NSW and the Princhester magnesite deposit in QL as well as a 28% holding in Luiji Gold Limited.

Visit: www.lachlanstar.com.au