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 August 31, 2012 and provides an analysis of the Company's performance and financial condition for the year ended June 30, 2012 (the "**Year**" or "**June 2012 Year**") and the quarter ending June 30, 2012 (the "**Quarter**" or "**June 2012 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. Capitalised terms used and not defined below have the meanings given to them in the Directors' Report and the audited Financial Report and the notes thereto.

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 June 30, 2012 was A$1.00 = US$1.0161. The average A$/US$ exchange rate used for the purposes of converting the statement of financial performance of CMD and DCEM for the three months to June 30, 2012 was A$1.00 = US$1.0116 and the year to June 30, 2012 was A$1.00 = US$1.0327. 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, 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 listed 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. The focus of the Company has 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$1,598.50/ounce as at June 30, 2012. Subsequent to June 30, 2012, the gold spot price has risen and is US$1,668/ounce as at August 28, 2012.

CMD Gold Mine, Chile (refer to "*CMD Gold Mine, Chile*", 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. The Group produced 10,080 ounces of gold in the June 2012 Quarter versus 11,906 ounces of gold in the March 2012 quarter, and 43,642 ounces of gold in the June 2012 Year versus 19,373 ounces of gold in the June 2011 Year (from the date of acquisition on December 24, 2010).

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, the stacking rates increased to an annualized 4.2 Mtpa as of June 30, 2012.

Current mineral reserve estimates for the CMD Gold Mine at 30 June 2012, with allowance for depletion due to exploitation of the Probable Mineral Reserve, was 5.2 Mt of probable mineral reserves at a grade of 0.8 g/t gold for 136,000 ounces of gold. The mineral resource estimate is 133.9 Mt of indicated mineral resources for 1,788,000 ounces of gold and 118.8 Mt of inferred mineral resources for 1,342,000 ounces of gold (mineral resources are not additive to mineral reserves). These estimates have been prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**").

Bushranger Copper Project, Australia (refer to "*Bushranger Copper Project, Australia*", below, for more detail)

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 a 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 30 June 2012 Newmont had spent $0.12 million on the Bushranger Copper Project.

(ii) At any time during that 18 month period Newmont can 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)

(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 $2.92 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.

The Group's exploration and evaluation expenditures for the June 2012 Year comprised $9.31 million of exploration at the CMD Gold Mine (classified as mine development expenditure in the consolidated statement of financial position) and $0.04 million at the Bushranger Copper Project.

CORPORATE

(i) Special Warrants Placement

Pursuant to an agency agreement (the "**Agency Agreement**") dated August 26, 2011 between Lachlan and Dundee Securities Ltd. and Salman Partners Inc., as agents (the "**Agents**"), on August 26, 2011 the Company completed a private placement (the "**Special Warrants Placement**") of 18,400,000 special warrants (the "**Special Warrants**") primarily to institutional investors, including Canadian institutional investors, at a price of $0.82 per Special Warrant for gross proceeds of $15.09 million. The proceeds of the Special Warrants Placement were held in escrow, pending satisfaction of certain escrow release conditions, which conditions were satisfied on September 26, 2011 and the net proceeds of the Special Warrants Placement were released to the Company on that date.

Each Special Warrant converted, as described below, for no additional consideration, into one unit (a "**Unit**") comprised of one Ordinary Share and one-half of one ordinary share purchase warrant (each whole ordinary share purchase warrant being a "**Warrant**"). Each Warrant entitles the holder to purchase one Ordinary Share (each, a "**Warrant Share**") for a purchase price of $1.20 (subject to adjustment in certain events) at any time prior to 5:00 p.m. (Vancouver time) on August 26, 2013.

Pursuant to the Agency Agreement, the Company also issued 1,104,000 special broker warrants (the "**Special Broker Warrants**") to the Agents as partial compensation for services provided by the Agents. Each Special Broker Warrant converted, as described below, for no additional consideration, into one compensation option of the Company (a "**Compensation Option**"). Each Compensation Option entitles the holder, upon due exercise and payment to the Company of additional consideration of $1.20, to acquire a unit (a "**Compensation Unit**") comprised of one Ordinary Share (a "**Compensation Share**") and one-half of one Warrant at any time prior to 5:00 p.m. (Vancouver time) on August 26, 2013.

The escrow release conditions for the gross proceeds of the Special Warrants Placement included approval by the shareholders of the Company (the "**Shareholders**") of the issuance of the Ordinary Shares issuable pursuant to the conversion of the Special Warrants and the exercise of the Warrants underlying the Special Warrants, the Compensation Options and the Warrants underlying the Compensation Options.

The Special Warrants automatically converted into Units and the Special Broker Warrants automatically converted into Compensation Options upon the Company obtaining a receipt for a final prospectus on November 22, 2011 qualifying the distribution of the Units and the Compensation Options, at which time the Ordinary Shares forming part of each Unit, the Warrant Shares and the Compensation Shares became free-trading.

Lachlan is using the net proceeds from the Special Warrant Placement for the continued development of the CMD Gold Mine and for general working capital purposes.

(ii) Special Warrants Placement

Lachlan announced on March 8, 2012 that it had entered into an agreement with a syndicate of underwriters, led by Macquarie Capital Markets Canada Ltd., and including Dundee Securities Ltd., Raymond James Ltd., and GMP Securities L.P. (collectively the "**Underwriters**"), pursuant to which the Underwriters agreed to purchase, on a bought deal private placement basis, 11,000,000 common shares (the "**Common Shares**") of the Company at a price of CDN$1.60 per Common Share, for gross proceeds of CDN$17,600,000 (the "**Offering**").

Lachlan announced on March 12, 2012 that the Offering had been restructured so that the Company will issue, and the Underwriters will purchase, on a bought deal private placement basis, 10,975,000 special warrants (the "**Special Warrants**") at a price of CDN$1.60 per Special Warrant, for gross proceeds of CDN$17,560,000 (the "**Offering**"). Each Special Warrant entitles the holder to acquire, upon exercise and for no additional consideration, one Ordinary Share of the Company.

As partial consideration for their services in connection with the Offering, the agents were granted options to acquire an aggregate of 329,250 Ordinary Shares at a strike price of CDN$1.60 and an expiry date of 3 April 2014.

The Offering closed and the net proceeds were received on April 3, 2012 subsequent to the receipt of all necessary approvals, including the approval of the TSX. The Company obtained a receipt for a final prospectus on April 27, 2012. The Special Warrants converted into Ordinary Shares and the agent options were issued on May 4, 2012.

The Company intends to use the net proceeds from the Offering for the continued development of the Company's CMD Gold Mine and for general working capital purposes.

(iii) Listing on Toronto Stock Exchange

Lachlan commenced trading on the Toronto Stock Exchange under code LSA on October 19, 2011.

(iv) Appointment of Chief Operating Officer

A highly experienced, Spanish speaking Chief Operating Officer, Mr Ubiratan (Bira) De Oliveira was appointed in May 2012. Mr De Oliveira is a professional engineer with formal qualifications in Mining Engineering, Minerals Processing, and Project Management. He is currently completing a PhD in Management - Leadership and Organisational Change in the USA. These formal qualifications are backed by more than 35 years operational experience in Latin America and West Africa in base metals and gold mines.

Most recently Mr De Oliveira was Chief Operating Officer for CuCo Resources Limited, a private Canadian company with copper and cobalt operations in the Democratic Republic of Congo. His mine operations pedigree also includes: General Manager of First Quantum Minerals Ltd, Frontier Operations in the DRC; General Manager of First Quantum Minerals Ltd, Guelb Moghrein Operations in Mauritania; and Operations Manager at AngloGold Ashanti’s Sadiola Hill Gold Mine in Mali.

The Company plans to strengthen the CMD Gold Mine management team as the transition to owner mining approaches and the operation ramps up from its current levels.

OUR PEOPLE

The continued development of the operating CMD Gold Mine has seen the Company’s staff numbers rise rapidly with the overall complement of employees increasing to 270 from 210 in the previous year. The majority of employees are Chilean nationals, with over 260 based at or near to the CMD Gold Mine.

RESULTS OF OPERATIONS

The CMD Gold Mine currently has an estimated 5.2 Mt of Probable Mineral Reserves at a grade of 0.8 g/t gold, for 136,000 oz gold, and an estimated 133.9 Mt of indicated mineral resources for 1,788,000 oz gold and 118.8 Mt of inferred mineral resources for 1,342,000 oz gold (the mineral resources are not additive to the mineral reserves). The CMD Gold Mine currently has a mine life of three years, which is followed by continuing gold production from the leach pads for an additional two years. Processing plant throughput is currently approximately 11,000 tonnes per day. Current maximum gold production is approximately 7,000 oz gold per month. The Company had budgeted $10.17 million for resource definition and exploration drilling over the period from August 2011 to August 2012 During the Year, the Company spent a total of $7.24 million on resource definition drilling, and an additional $2.07 million on exploration drilling.

The CMD Gold Mine currently has an estimated 5.2 Mt of probable mineral reserves at a grade of 0.8 g/t.

During the Quarter, the Company spent a total of $2.34 million on resource definition drilling, and an additional $0.57 million on exploration drilling. The pre-strip of the Chisperos deposit continued with costs of $0.24 million incurred for this activity.

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 providing for the potential acquisition by Newmont of a 51% interest in the Bushranger Copper Project.

Total sales during the Quarter from the CMD Gold Mine were $15.89 million, cost of sales was $18.44 million, and net sales were ($2.55) million.

Total sales during the Year from the CMD Gold Mine were $72.21 million, cost of sales was $72.50 million, and net sales were ($0.3) million. See "*Operating Results"* below.

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 900,000 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 June 30, 2012 as compared to the three months ended March 31, 2012 for the CMD Gold Mine.

Table 1 – CMD Gold Mine Key Performance Indicators

Item	Unit	3 months ended June 30 2012	3 months ended March 31 2012	% Change Variance
Ore Mined	Dmt	890,561	812,921	10%
Waste Mined	Dmt	3,109,018	4,085,469	-24%
Total Mined	Dmt	3,999,580	4,898,390	-18%
Waste:Ore Ratio	t:t	3.5	5.0	-31%
Ore grade Mined	Au g/t	0.55	0.51	8%
Gold Mined	Au oz	15,815	13,396	18%
Ore stacked	Dmt	868,010	803,094	8%
Stacked Grade	Au g/t	0.55	0.51	7%
Gold Stacked	Au oz	15,290	13,274	15%
Average stacking rate	dmt/d	9,539	8,825	8%
Gold Produced	Au oz	10,080	11,906	-15%
Mining Cost/t moved	US$/t	$2.46	$2.39	3%
Mining Cost/t ore	US$/t	$11.03	$14.37	-23%
Process Cost/t ore stacked	US$/t	$9.14	$8.86	3%
G+A Cost/t ore	US$/t	$1.80	$1.76	2%
Total Cost/t ore	US$/t	$21.97	$24.99	-12%
Average Sales Price	USD/oz	$1,613	$1,682	-4%
Cash Cost	USD/oz	$1,144	$835	37%
Non Cash Process Inventory Adjustment	USD/oz	($167)	$110	-252%
C1 Cash Cost	USD/oz	$977	$945	3%
CMD Gold Mine Gross Operating Profit / (Loss) (unaudited)	US$million	($2.85)	$2.66	-207%

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 Tables 6 and 7 below.
2. CMD Gross operating profit equals revenues 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 to the IFRS measure consolidated Profit / (Loss) Before Income Tax is provided in Tables 3 and 4 below.
3. Percentages may not calculate exactly due to rounding.

Table 2 below compares key performance indicators, including production and recovery rates and costs, for the June 2012 Year as compared to the June 2011 Year (for the 27 weeks since acquisition on December 24, 2010) for the CMD Gold Mine.

Table 2 – CMD Gold Mine Key Performance Indicators

Item	Unit	Year ended June 30 2012	Year ended June 30 2011
Ore Mined	dmt	3,324,384	1,173,820
Waste Mined	dmt	12,628,847	8,096,354
Total Mined	dmt	15,953,231	9,270,174
Waste:Ore Ratio	t:t	3.80	6.90
Ore grade	Au g/t	0.56	0.6
Gold Mined	Au oz	60,029	22,438
Ore stacked	dmt	3,279,837	1,160,000
Stacked Grade	Au g/t	0.55	0.59
Gold Stacked	Au oz	58,431	22,088
Average stacking rate	dmt/d	8,961	6,170
Gold Produced	Au oz	43,642	18,595
Mining Cost/t moved	US$/t	$2.35	$1,70
Mining Cost/t ore	US$/t	$11.28	$13.61
Process Cost/t ore stacked	US$/t	$8.37	$8.21
G+A Cost/t ore	US$/t	$1.67	$2.18
Total Cost/t ore	US$/t	$21.32	$24.00
Average Sales Price	USD/oz	$1,669	$1,453
Cash Cost	USD/oz	$893	$824
Non Cash Process Inventory Adjustment	USD/oz	$40	($5)
C1 Cash Cost	USD/oz	$933	$819
CMD Gold Mine Gross Operating Profit / (Loss) (unaudited)	US$m	$6,314	($1,799)

A reconciliation of CMD Gold Mine Gross Operating Profit / (Loss) to the IFRS measure consolidated Profit Before Income Tax is provided in Tables 3 and 4 below. The year ended 30 June 2011 data relates to the period from 24 December 2010 to 30 June 2011.

Table 3 – Reconciliation of quarterly unaudited CMD Gross Operating Profit / (Loss) to unaudited consolidated Profit Before Income Tax

		3 months ended June 30, 2012	3 months ended March 31, 2012
CMD Gross Operating (Loss) / Profit (unaudited)	US$000	(2,850)	2,656
A$ / US exchange rate for the period		1.012	1.055
CMD Gross Operating (Loss) / Profit (unaudited)	A$000	(2,816)	2,518
Process Inventory adjustment	A$000	1,155	(1,237)
Depreciation and amortisation	A$000	(1,154)	(1,355)
Foreign exchange gain / (loss)	A$000	195	(657)
Revaluation of deferred consideration	A$000	(4)	19
Finance income	A$000	233	120
Finance expense	A$000	(329)	92
New venture expenditure written off	A$000	(260)	(72)
Other head office related costs	A$000	(566)	(505)
Other	A$000	141	-
Consolidated Profit / (Loss) Before Income Tax (unaudited)	A$000	(3,405)	(1,077)

Table 4 – Reconciliation of annual unaudited CMD Gross Operating Profit to unaudited consolidated Profit / (Loss) Before Income Tax

		Year ended June 30, 2012	Year ended June 30, 2011
CMD Gross Operating Profit / (Loss) (unaudited)	US$000	6,314	(1,799)
A$ / US exchange rate for the period		1.065	1.034
CMD Gross Operating Profit / (Loss) (unaudited)	A$000	5,930	(1,739)
Process Inventory adjustment	A$000	(1,958)	(96)
Depreciation and amortisation	A$000	(4,674)	(4,379)
Unwinding of discount on provision	A$000	(31)	(95)
Foreign exchange gain / (loss)	A$000	385	(373)
Revaluation of deferred consideration	A$000	188	412
Finance income	A$000	576	153
Finance expense	A$000	(237)	(193)
New venture expenditure written off	A$000	(332)	(1,202)
Other head office related costs	A$000	(2,748)	(678)
Share of net loss of associate	A$000	-	(595)
Profit on sale of shares in associate	A$000	-	3,856
Consolidated Loss Before Income Tax	A$000	(2,901)	(4,929)

The inventory adjustment over the year reflects the decrease in the gold inventory contained within the leach pad from stacking less recoverable gold than was sold.

The Group's expenditure for the year includes $38.15 million (2011: $14.3 million) of mine development and exploration costs at the CMD Gold Mine in Chile, of which $16.4 million (2011: $4.2 million) has been capitalised.

Gold production for the June quarter was 10,080 ounces, which was a 15% decrease in gold sales quarter on quarter. In addition, 4,823 ounces of silver was produced. These sales represent 100% of production sold at spot prices. The reduced gold production is a direct result of the reduced ounces stacked in the March quarter, where gold stacked was down 21% compared to the December quarter. Given the leaching time of around 120 days for the majority of the gold recovered, the leading indicator for future production are gold ounces stacked.

Gold ounces stacked for the June quarter was up 15% on the March quarter, the impact of which will be seen in the September and December quarters' gold produced.

The CMD Gold Mine gross operating loss (as defined above) was (US$2.85) million for the June quarter. This result was primarily driven by the reduced gold pours and the increased costs associated with building up pad inventory again.

C1 cash costs, which exclude waste costs expensed or amortised and royalties, increased slightly during the quarter to US$977 per ounce of gold sold (an increase of 3% quarter on quarter).

The inventory adjustment of (US$167) per ounce reflects the decrease in the gold inventory contained within the leach pad from stacking less recoverable gold than was sold (refer to mining and process sections below).

Table 5 below shows the cash costs for the last four quarters 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 June 30 2012	Quarter ending March 31 2012	Quarter ending Dec 31 2011	Quarter ending Sept 30 2011	12 months
Cash costs with inventory adjustment ($/oz)	977	945	799	953	933
Cash costs without inventory adjustment ($/oz)	1,144	835	900	755	893
Inventory adjustment effect ($/oz)	(167)	110	(101)	198	40

Total costs per tonne of ore stacked decreased 12% quarter on quarter to $21.97 per tonne as a result of the lower waste stripping ratio.

A reconciliation of C1 cash costs to the IFRS measure Cost of Sales is provided in Tables 6 and 7 below. The year ended 30 June 2011 data relates to the period from 24 December 2010 to 30 June 2011.

Table 6 – Reconciliation of cash cost (US$/oz) per ounce to unaudited Cost of Sales

		3 months ended June 30, 2012	3 months ended March 31, 2012
Cash cost per ounce	US$	999	945
Ounces poured		10,080	11,906
Cash costs	US$000	10,070	11,257
A$ / US exchange rate for the period		1.0116	1.0552
Cash costs	A$000	9,954	10,668
Process inventory provision	A$000	426	-
Depreciation and amortization	A$000	1,152	1,355
Waste costs expensed and amortised	A$000	6,490	6,365
Royalties	A$000	386	353
Other	A$000	52	64
Copper / silver net revenue	A$000	(22)	498
Cost of sales (unaudited)	A$000	18,438	19,303

Table 7 – Reconciliation of cash cost (US$/oz) per ounce to unaudited Cost of Sales

		Year ended 30 June, 2012	Year ended 30 June, 2011
Cash cost per ounce	US$	933	819
Ounces poured		44,420	18,595
Cash costs	US$000	41,426	15,229
A$ / US exchange rate for the period		1.0342	1.0342
Cash costs	A$000	40,059	14,727
Depreciation and amortization	A$000	4,674	4,379
Waste costs expensed and amortised	A$000	24,527	11,029
Royalties	A$000	1,689	1,081
Process inventory provision	A$000	426	-
Other	A$000	112	86
Copper / silver net revenue	A$000	1,016	223
Cost of Sales	A$000	72,503	31,525

Depreciation and amortization costs have not increased proportionately from 2011 to 2012 due to the adoption of a mine plan with a higher mineralised material in the 2012 financial year.

Mining

Total ore mined for the year was 3.3 million tonnes for 60,029 contained Au ounces, with the strip ratio for the year falling to 3.8 from 6.9. Ore was principally sourced from the Las Loas, Churrumata and Toro pits. Given the leaching time of around 120 days for the majority of the gold recovered, the leading indicator for future production is gold ounces stacked. Gold ounces stacked for the June quarter was up 15% on the March quarter, the impact of which will be seen in the September and December 2012 quarters' gold produced.

Production from the Chisperos pit was affected by proximity restrictions imposed as a result of damage to a power line in March. This resulted in lower production than budgeted, although after detailed discussion with the local power supplier, the power line is to be moved so that unfettered activity can resume at Chisperos during the September 2012 quarter. Chisperos is the highest grade pit, with a remaining Probable Reserve of 0.80 million tonnes at 1.2 g/t Au.

Pre-production waste stripping continued at Tres Perlas, with more than one third of the total waste moved during the June quarter coming from this cut back. Whilst the overall strip ratio for this area was high during the quarter (waste to ore ratio of 17.5:1), mining in July has shown a very rapid decrease in this strip ratio to around 5.3:1. It is anticipated that this strip ratio will further decrease over the September quarter as the hanging wall of the ore body is exposed. The Life of Mine waste ratio for the Tres Perlas pit is expected to be around 1:1.

Mining of ore from the Natalia back filled pit has commenced with a significant portion of this waste dump expected to be above ore grade. This material is close to the plant and mostly oxide. This material has been mined opportunistically and as the plant availability increases following maintenance in May and early June, this will form a useful ore source.

Mining resumed at the Las Loas pit during the June quarter, and in response to the lower production at Chisperos, the production rate from Las Loas is continuing to increase with additional truck capacity being added during July. Las Loas continues to produce ore at above 0.6g/t and will remain as a short term production focus until full mining at Chisperos resumes.

Unit mining costs increased to US$2.35/t moved over the year, partly as a result of replacing the major mining contractor in the first half of the financial year, although the mining cost per tonne of ore reduced 17% to $11.28 as a result of a decreasing strip ratio. The company has implemented a process improvement program in order to improve the efficiency and cost of the mining operation, particularly in the drill and blast area, with emphasis on dilution control, fragmentation and loading efficiency.

The results of the Quarter were impacted by the events at Chisperos and the termination of one mining contractor. The Company has engaged an additional mining contractor from the local area. In June total material mined was 1.3 million tonnes, ore production of 330 thousand tonnes, and 5,454 ounces of gold stacked onto the leach pad. Table 8 details the ore and waste movement in the year by pit.

Table 8 – Annual mine production by pit

Item	Unit	Churrumata	Tres Perlas	Chisperos	Toro	Las Loas	Tailings	Total
Ore Mined	kt	1,017,177	313,782	206,901	1,367,847	355,674	63,003	3,324,384
Au Grade	g/t	0.58	0.42	0.53	0.57	0.59	0.79	0.56
Contained Au	oz	18,927	4,190	3,494	25,079	6,739	1,600	60,029
Waste Mined	kt	2,504,040	2,297,752	2,630,405	3,809,048	1,387,602	-	12,628,847
Total Mined	kt	3,521,216	2,611,535	2,837,306	5,176,895	1,743,276	63,003	15,953,231
Strip Ratio	W:O	2.46	7.32	12.71	2.78	3.90	-	3.80

Figure 1 shows the mine production by pit over the year on a quarterly basis:

Figure 1 – Quarterly mine production by pit

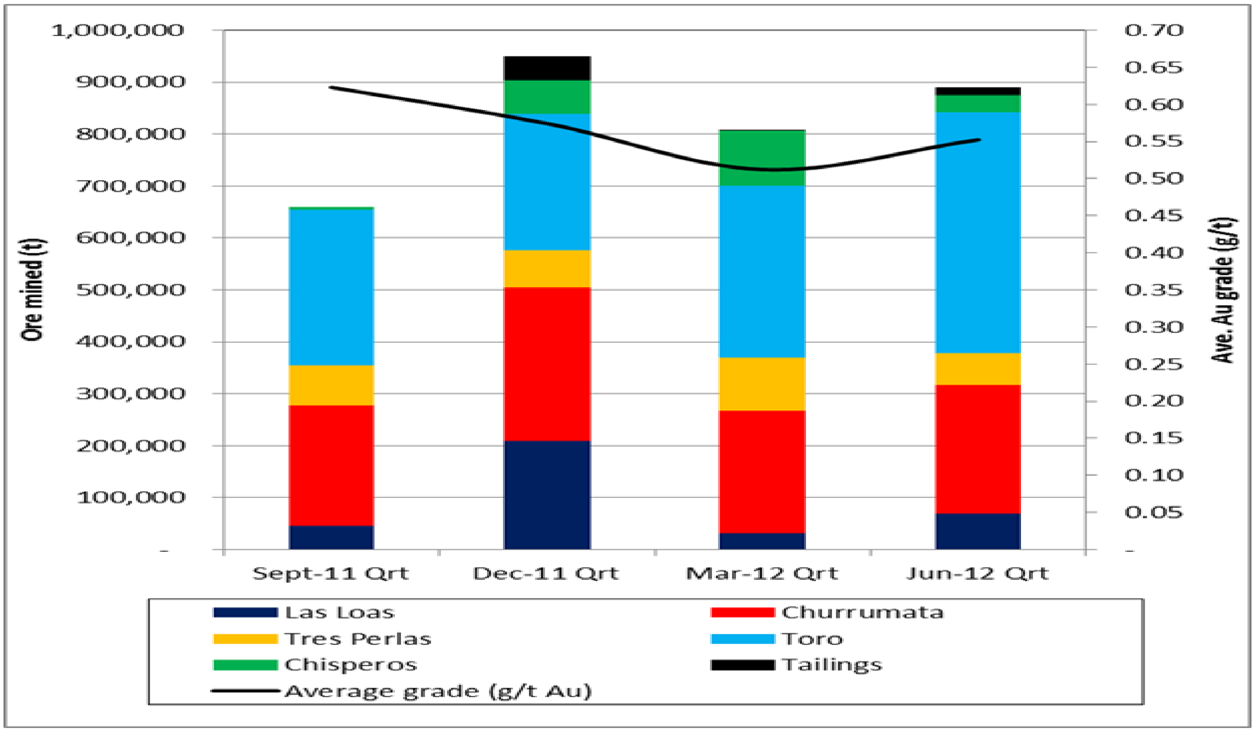
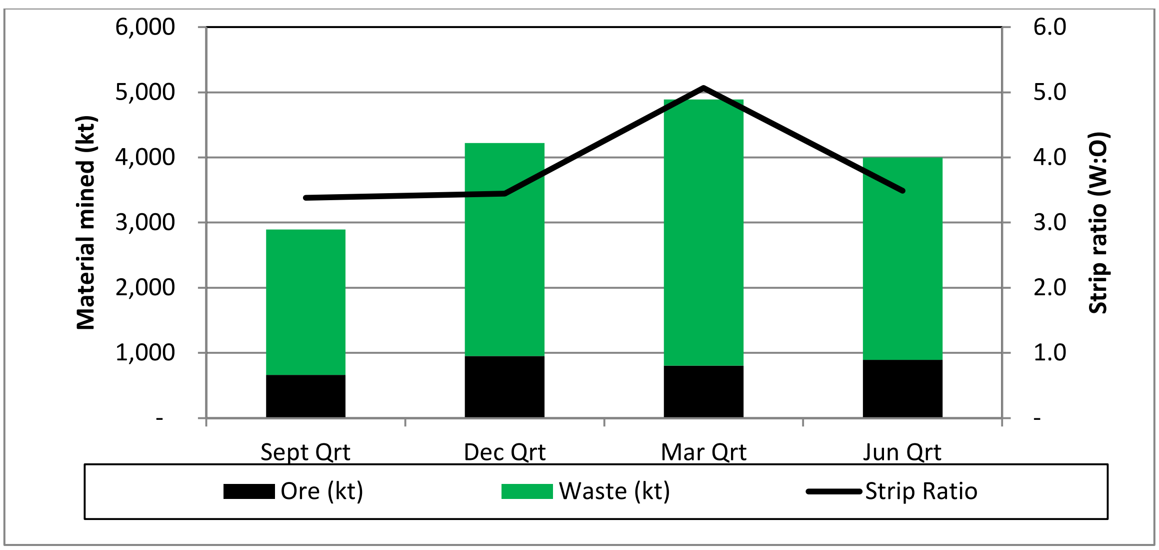


Figure 2 shows the total material movement and strip ratio by pit over the year on a quarterly basis:

Figure 2 – Quarterly material movement and strip ratio



The Company has continued to work to improve the reliability of the production profile by employing a number of small contracting companies to mitigate third party risk. The Company is looking to reduce its reliance on contacting companies and has signed a letter of intent with Komatsu Chile for the purchase of a mining fleet, comprising HD785 (91 tonne) trucks, WA900 loaders and ancillary equipment and the implementation of a maintenance and repair contract. The execution of an owner-mining strategy with a larger fleet is expected to result in improved efficiency, reduce unit operating costs and reduce production volatility. The Company anticipates that the first elements of this fleet will be ready to work before the end of the calendar year. In addition, the Company is planning to purchase a small fleet of Mercedes Benz trucks to be used for the dynamic leach pad rehandle which is predominately carried out by contractors now.

The total capital requirement for the owner mining fleet is US$20.4 million. The Company has received credit committee approved leasing facilities from Komatsu and Chilean banks for a total of US$17.9 million of this amount, with the remaining US$2.5 million to be financed from the Company's cash balances. Of the US$17.9 million in leasing facilities, US$16.5 million is repayable over a 48 month term, and the remaining US$1.4 million over a 12 month term. Interest rates are a combination of fixed and variable and range between 5.5% and 6.2% per annum depending on the facility.

The Company expects the owner mining strategy to deliver savings of up to US$150 per ounce of gold over its current mining costs once implementation has been completed.

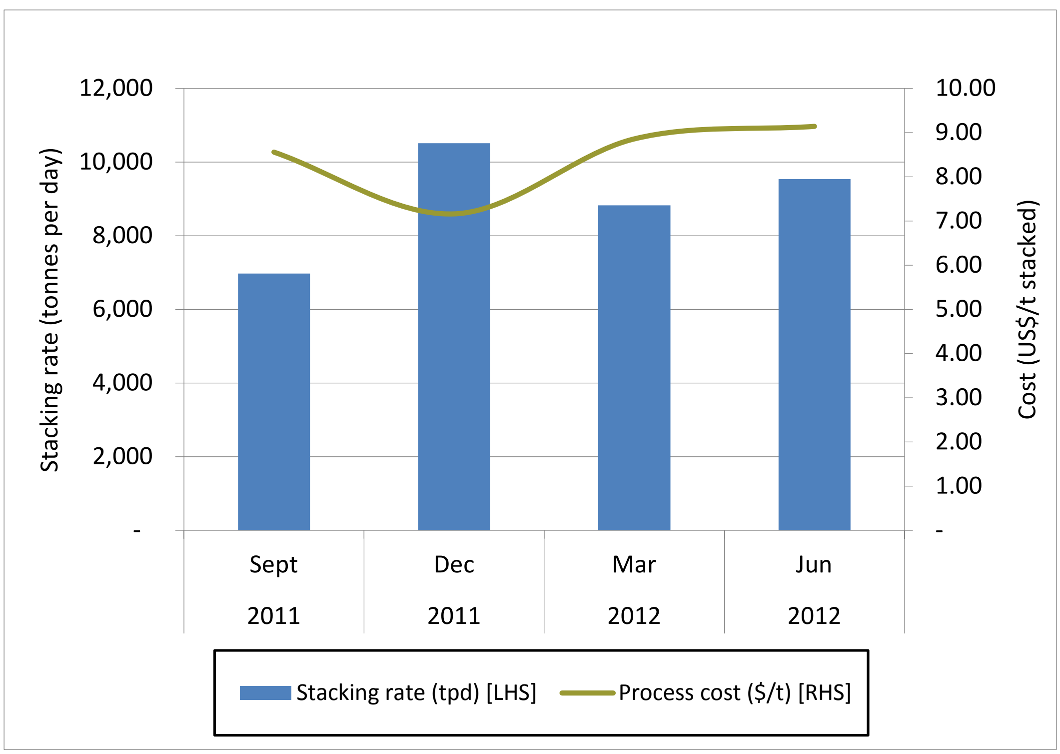
Mine Reconciliation

Reconciliation of the 60,029 Au ounces mined during the year with the Coffey Mining Indicated and Inferred mineral resource estimate showed that 31,421 Au ounces (53% of contained Au) of mined Au production was sourced from the Indicated mineral resource, 14,682 Au ounces (24% of contained Au) from the Inferred mineral resource. The balance of mined production of 13,926 Au ounces (23% of contained Au) was mined from outside the mineral resource.

Ore Processing

The average process cost per tonne of ore stacked of $8.37 during the year was stable compared to the prior year of $8.21 despite significant increases in the cost of some production inputs. Figure 3 shows the ore stacked versus the process cost per tonne over the year on a quarterly basis:

Figure 3 – Quarterly ore stacked versus cost per tonne stacked



There was continued pressure on the cyanide supply price as a direct result of a global cyanide shortage. The Company continues to investigate methods to improve the efficiency of cyanide use and reduce consumption.

During the month of May, the Company carried out a detailed maintenance upgrade on the crushing plant, which resulted in a week of limited throughput. This was considered necessary in order to set the plant up for the scheduled increase in ore tonnages. Following the plant maintenance shutdown, the plant has been able to run at substantially higher rates than previously, with 351,000 tonnes of ore stacked in June, a record under Lachlan's ownership.

The high level of fixed costs in the processing area means that there is potential for further reductions in unit rates as stacked tonnages increase. Daily crushing and stacking rates during June and July have steadily increased with peak rates of over 18,000 tpd now being achieved. The Company's goal is to achieve this on a sustainable basis with the bottleneck for increased plant throughput being ore supply.

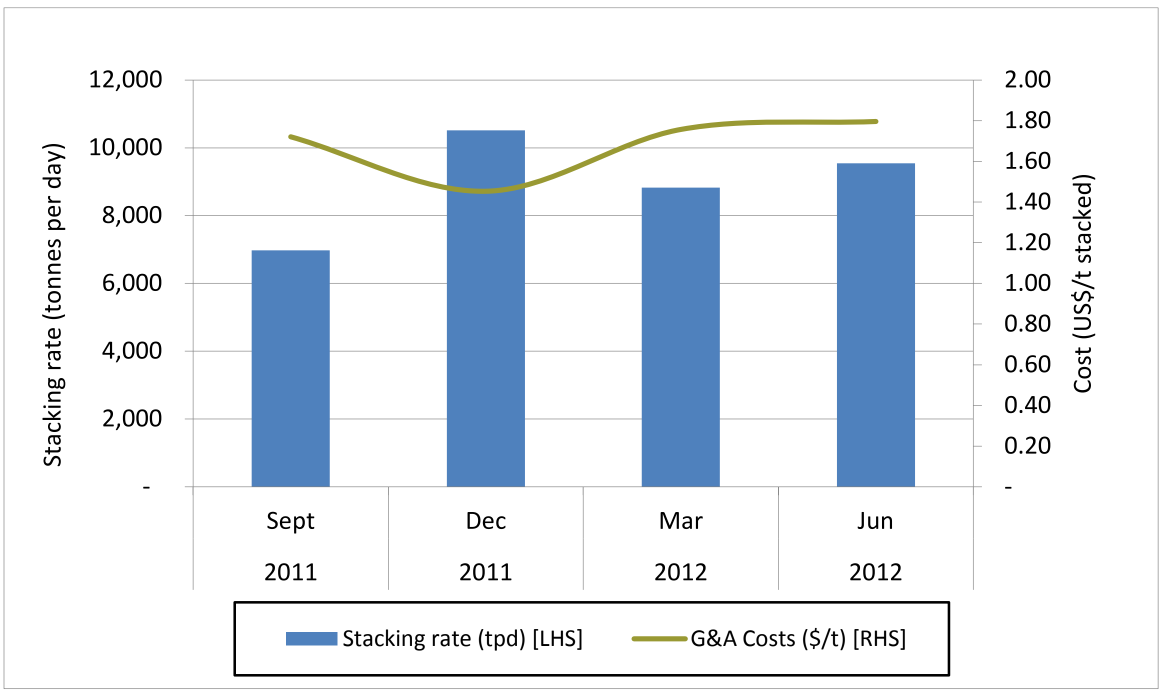
Construction of a new leach pad (Pad 6) was commenced in the June quarter. This pad will be used for crushed ore stacking from the December quarter onwards.

Backfilling of the mined out Tres Perlas West pit has commenced using waste from mining of the main Tres Perlas pit and once the final backfill level is reached a new leach pad will be constructed on this to be used for ROM leaching. The new ROM leach pad will be very close to the Tres Perlas pit and allow the lowest possible cost for mining of the low grade ore to be stacked on the pad. The backfilling of this pit will also reduce waste and ore haulage costs significantly given the proximity to the Tres Perlas West pit.

General and Administration (G+A)

Unit rates for G+A fell over the year to $1.67 per tonne of ore compared to $2.18 in the prior year. Figure 4 illustrates the history of quarterly G+A costs over the Year. Whilst G+A unit costs have been stable over the year, these costs are largely independent of production throughput. As the crushed ore exceeds 10,000 tonnes per day the Company expects to achieve reductions in G+A unit costs.

Figure 4 – Quarterly ore stacked versus G&A cost per tonne



Dump Leach and Two Stage Crush Trials

The second trial of Run of Mine (ROM) leaching and coarse ore (two stage crushed) leaching ran through the entire June quarter. The ore for this trial was sourced from the Tres Perlas area and consisted of approximately 7,500 tonnes of each ore type.

This is the second trial to test the response of the CMD Gold Mine ores to ROM leaching and coarse crushing. The first trial indicated recoveries of 46% and 66.5% respectively, however this trial may have been completed too early given the extended recoveries seen in the current trial.

The current status of this trial is as follows:

(i) The ROM leaching trial has been concluded. The ROM trial has been washed with water to flush remaining cyanide solution and gold from the material. Once the remnant material has been dried sufficiently to pass through the crushing plant, the entire ROM trial will be methodically sampled to determine the remaining gold grade. This will allow accurate estimation of the process recovery.

(ii) The coarse crushed trial continues to show increasing recovery on a daily basis, and consequently leaching is continuing. Once the daily recovery declines, the trial will be flushed of cyanide and crushed to determine the residual gold grade.

The Company expects to announce the results of this second trial in early September. In addition, a review of the recovery for the three-stage crushing process route has been completed and indicates that recoveries of 76% have been achieved over the past 18 months which is higher than the previously estimated 73% recovery. Gold is still being recovered from this ore and the final recovery will thus be higher than 76%. The increased recovery is attributable to the dynamic leach system in place now, where the ore is leached for 120 days on a single lift pad and then moved to a final pad for additional gold recovery. The additional processing costs of moving the ore are more than compensated for by the additional gold recovery and faster leach times.

Further metallurgical test work and process monitoring is being completed to accurately ascertain the full recovery being achieved in the dynamic leach pad. Once the final results are received from the current test work and the review of the dynamic leaching the Company can determine the optimal processing method for the CMD Gold Mine ores.

Exploration

The exploration effort was reduced during the June quarter, with the demobilisation of one RC and one diamond drill, in response to the significant upgrading of the mineral resource as a result of drilling over the past 18 months. Further, given the changing focus for the CMD Gold Mine from exploration and resource development to development and execution of a mine plan to exploit the mineral resource base the remaining exploration drill was demobilised during July.

Encouraging drill results were received from the El Sauce (northern part of Tres Perlas deposit), Chisperos and Toro areas for gold mineralisation.

Set out below are the most recent drill results for the CMD Gold Mine for holes that have been drilled post the recent mineral resource update.

(i) Chisperos Deposit

The Chisperos Deposit is located in the centre of the CMD Gold Mine tenements. The Chisperos Deposit contains an Indicated mineral resource of 36,000 ounces of gold (1.0 Mt grading 1.1 g/t Au) plus inferred mineral resources of 43,000 ounces of gold (1.4 Mt grading 1.0 g/t Au) and is the highest grade resource at the CMD Gold Mine.

A small drill program has been underway to upgrade Inferred mineral resources and to extend the extent of the mineralisation.

This has delivered some excellent results including the 21.2m grading 3.33 g/t Au in DDH 2012-125 which was located outside the mineral resource and to the immediate north of the current mining area. The other two significant results of 17m grading 1.10 g/t Au in RCH 2012-126 and 13m grading 1.94 g/t Au from 21m downhole RCH 2012-127 were to the immediate south east of the current mining area. All three results indicate that the overall grades of mineralisation in and around Chisperos are higher than the other deposits and that there is potential to increase the current mineral resources for this deposit.

(ii) Tres Perlas Deposit

Drilling has been focussed to the east of the historical Tres Perlas pit and adjacent to the operating Teck copper mine further to the east. Recent drilling has been targeted at the copper mineralisation to the east of the current Tres Perlas pit and the gold mineralisation in the far south around the old Churrumata pit.

Drilling targeting the south-western end of the Churrumata pit has successfully intersected gold mineralisation in an area with limited previous data, known as Mercedes Hill. Previously announced hole DDH-2012-105, drilled from the apex of Mercedes Hill, returned 41m at 0.74g/t Au from 68m downhole plus another 10m at 0.64g/t Au from 123m downhole. Based on this result, further drilling has been completed with assay results pending. Most of this significant mineralisation is above the floor of the adjacent pit, and the Company expects to generate a mining target with low strip ratio for exploitation in the short term.

(iii) Toro Deposit

Drilling at Toro has been focussed around mineralisation outside the mineral resource estimate but proximal to current pits that could be mined within the next 12-18 months if a mineral reserve is established based on the drilling. This drilling continues to define relatively shallow and high grade gold mineralisation as evidenced by the following holes:

- 7m grading 0.76g/t Au from surface in RCH-2012-140;
- 7m grading 2.92 g/t Au from 57m downhole in RCH 2012-142,
- 14m grading 1.00 g/t Au from 106m in RCH 2012-143.

All these holes are directly to the south of the Toro Central Pit and mining to extend this pit further south has already commenced.

HEALTH AND SAFETY

Lachlan 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 Lachlan's operations. A healthy workforce contributes to business success. Lachlan's aim is for zero injuries to achieve this objective.

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 can 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**").

- 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.

Newmont did not carry out any material work on the Bushranger Copper Project in the June 2012 Quarter. As at June 30, 2012 Newmont had spent $0.12 million on the Bushranger Copper Project.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information of, as at and for the periods indicated.

	2012 $000 Audited Actual	**2011 $000 Audited Actual**	**2010 $000 Audited Actual**
Total Revenue from continuing operations	72,209	30,314	182
Net profit / (loss) for the period	996	(4,319)	(4,638)
Profit / (loss) per share basic (cents per share)	1.4	(11.7)	(25.8)
Profit / (loss) per share diluted (cents per share)	1.4	(11.7)	(25.8)
Cash and cash equivalents	17,412	4,515	3,856
Total assets	95,246	61,132	7,946
Total non-current financial liabilities	1,384	3,111	-
Cash dividends declared (cents per share)	-	-	-

Notes:

1. Options over Ordinary Share are not considered to be dilutive in the calculation of earnings per share if they would not increase the loss per share.
2. The loss per share for 2010 and 2009 has been restated to reflect the 60 for 1 share consolidation as approved by Shareholders on June 10, 2011.

FINANCIAL PERFORMANCE

The financial performance of the Group during the Year was affected by ongoing exploration activities being conducted on its properties and 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. Previous economic analysis on the CMD Gold Mine's mineral reserve estimate has indicated a break-even cut-off grade of between 0.3 and 0.4 g/t gold at a gold price of US$1,250/ounce (see "*Mineral Reserves*", above). If the gold price drops below US$1,250/ounce, that may render the continued operation of the CMD Gold Mine uneconomic based on the current mineral reserves.

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 Tables 1 and 2 above).

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 14 months to run, with the Company able to terminate the contract with 6 months' notice without penalty.

The cyanide supply contract is denominated in US dollars and expires January 1, 2013. The gold mining industry is experiencing a general shortage of cyanide supply and whilst the Company is contracted for its full consumption in calendar 2012, the potential for shortfalls or price increases exists due to factors outside the Company's control. The Company has mitigated this risk where possible through the buildup of additional cyanide stockpiles and by broadening its cyanide supply base.

The supply price for cyanide has increased approximately 40% between 2011 and 2012. The Company is contracted with the cyanide supplier at a lower price, however a global shortage of cyanide has resulted in the supplier being unable to supply cyanide at the contracted price. The Company has reserved its rights under the supply contract but in the interim is paying the higher price to ensure cyanide supply is maintained. The Company expects that the higher cyanide supply price will be incurred during the remainder of 2012 and 2013 given the global cyanide shortage and that there is potential for further cost increases on its cyanide supply.

As most of the CMD Gold Mine costs are denominated in Chilean pesos, the Group is affected by changes in the Peso/US dollar exchange rate. 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 July 31, 2012 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	8.94
Mine pre-stripping	3.06	-	3.06	5.79
Plant and leach pad liners	0.51	4.60	5.11	2.75
Accumulation of mineral inventory on the leach pad	3.06	-	3.06	-
Claims acquisition	-	1.00	1.00	-
Land acquisition	-	1.50	1.50	0.04
Permitting and studies	-	0.25	0.25	0.53
Total	12.80	11.35	24.15	18.05

(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 July 31, 2012

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:	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	Mar-31 2011 A$000	Dec-31 2010 A$000	Sep-30 2010 A$000
Cash and cash equivalents	17,412	12,715	14,474	16,123	4,515	5,350	6,490	3,522
Total assets	95,246	83,084	82,673	80,607	61,132	67,315	70,904	7,228
Total liabilities	33,005	34,304	31,857	30,047	30,958	34,919	38,762	60
Net assets	62,241	48,780	50,816	50,560	30,174	32,396	32,142	7,168

Cash and cash equivalents

As at June 30, 2012 the Group had cash reserves of $17.41 million, an increase of $4.70 million from March 31, 2012 and an increase of $12.90 million from June 30, 2011. See "*Cash flow*" section below. The Group's cash reserves were $11.58 million at August 24, 2012, of which $5.06 million was held in A$.

Trade and other receivables

Trade and other receivables have increased by $0.34 million since June 30, 2011.

Trade receivables were $0.97 million higher at June 30, 2012 than June 30, 2011. The last gold pour of the year on June 30, 2011 was not collected by Johnson Matthey until July 1 and therefore was not been treated as a June 2011 financial year sale. That sale had a value of $1.11 million and therefore June 30, 2011 trade receivables were lower than they might otherwise have been.

VAT receivable in CMD increased US$0.65 million over the same period as a result of additional expenditure towards the end of the Quarter.

The termination of a mining contact resulted in mine plant of $1.49 million that was classified as a receivable at June 30, 2011 being reclassified as property plant and equipment in the June 2012 Year.

In addition, the A$ / US$ exchange rate decreased from 1:1.0597 at June 30, 2011 to 1:1.0161 at June 30, 2012 meaning an increase of $0.15 million in the value of trade and other receivables which are presented in the CMD financial statements in US$.

Inventories

Inventories have decreased by $1.13 million over the Year, comprising a $1.79 million reduction in CMD inventories offset by a $0.66 million increase as a result of the A$ / US$ exchange rate decreasing from 1:1.0597 at June 30, 2011 to 1:1.0161 at June 30, 2012.

The $1.79 million decrease in CMD inventory primarily consists of a decrease of 1,797 recoverable ounces in the leachpad with an associated cost of US$2.59 million, a US$0.87 million increase attributable to the increased average cost per ounce on the leachpad, a $0.42 million reduction from a provision against leachpad inventory to write down to net realizable value, a $0.30 million increase relating to the purchase of concentrate and electrolytic mud from a third party that is being processed and sold, a $0.27 million increase in stores inventory, and a reduction from $0.19 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 $13.70 million over the Year, comprising expenditure of $16.43 million, a $1.18 million increase as a result of the A$ / US$ exchange rate decreasing from 1:1.0597 at June 30, 2011 to 1:1.0161 at June 30, 2012, and amortisation of $3.91 million.

Of the $16.43 million expenditure, $9.21 million relates to exploration at the CMD Gold Mine, $5.54 million capitalized waste, and $1.68 million to the capitalization of mobilization costs.

Property, plant and equipment

Property, plant and equipment increased by $4.02 million over the Year, comprising expenditure of $4.27 million at the CMD Gold Mine, a $0.41 million increase as a result of the A$ / US$ exchange rate decreasing from 1:1.0597 at June 30, 2011 to 1:1.0161 at June 30, 2012, the reclassification of $1.49 million that was classified as a receivable at June 30, 2011 (see "*Trade and other receivables*" above), offset by a depreciation charge of $2.15 million.

Expenditure in the June 2012 Quarter of $1.57 million mainly related to the purchase of a generator and the repair of conveyors and drill rigs.

Deferred tax asset

The deferred tax asset increased by $4.26 million in the Year, comprising an income tax credit of $3.90 million (refer "*Income tax*" below) and a $0.36 million increase as a result of the A$ / US$ exchange rate decreasing from 1:1.0597 at June 30, 2011 to 1:1.0161 at June 30, 2012.

The availability of tax losses at June 2011 was determined using the Company's internal December 2010 net present value ("NPV") model; the higher mineralised material and cash flow shown in the Company's internal July 2011 NPV model mean that the justification for recognizing an increased deferred tax asset for CMD's income tax losses was satisfied in the Year with a consequent increase in the deferred tax asset.

In addition, a review of historical income tax returns for CMD carried out in the December 2011 Quarter revealed an understatement of tax losses claimed in prior years of US$3.35 million with a consequent increase in the deferred tax asset in the December 2011 Quarter.

Total liabilities

As at June 30, 2012, the Group had total liabilities of $33.01 million compared to $30.96 million at June 30, 2011, an increase of $2.05 million.

A US$4.98 million increase in CMD trade and other payables in the Year and a $1.01 million increase as a result of the A$ / US$ exchange rate decreasing from 1:1.0597 at June 30, 2011 to 1:1.0161 at June 30, 2012 has been offset by a net repayment of borrowings of $4.05 million.

Trade and other payables have increased in the Year primarily as the result of the net purchase of $0.57 million of concentrate, electrolytic mud, and consumables, higher exploration expenditure in the June 2012 Quarter than the June 2011 Quarter, and the deferral of some creditor payments into July 2012.

As at June 30, 2012, the Group had $6.73 million in debt obligations consisting of bank loans, leases, and deferred consideration due to the vendors of the CMD Gold Mine. During the Year CMD drew down bank facilities totaling US$4.67 million.

Contributed equity

The contributed equity increase of $29.64 million over the Year is shown below:

	Ordinary shares Number	$000
Ordinary shares		
1 July	56,967,517	174,796
Issue of shares for cash	29,375,000	32,028
Costs of issue of shares	-	(2,611)
Exercise of share options	37,500	45
Share based payments	-	178
30 June	86,380,017	204,436

As noted in the "*Corporate*" section above:

(i) 18,400,000 Special Warrants automatically converted into Units and 1,104,000 Special Broker Warrants automatically converted into Compensation Options during the Year. A Unit comprised one Ordinary Share and one-half of one ordinary share purchase warrant and a Compensation Options entitles the holder, upon due exercise and payment to the Company of additional consideration of $1.20, to acquire a Compensation Unit comprised of one Ordinary Share a "Compensation Share and one-half of one Warrant at any time prior to 5:00 p.m. (Vancouver time) on August 26, 2013. The net proceeds received from the issue of these Special Warrants were recognized in Contributed Equity in the September 30, 2011 Quarter. The conversion of the Special Warrants and the Special Broker Warrants resulted in the issue of 18,400,000 fully paid Ordinary Shares and 10,856,000 warrants / options. In addition, 850,000 options with various terms and exercise prices were issued to employees, consultants and directors during the 9 months subsequent to shareholder approval received on 30 November 2011.

(ii) Lachlan announced on March 12, 2012 that the Company would issue, and the Underwriters would purchase, on a bought deal private placement basis, 10,975,000 Special Warrants at a price of CDN$1.60 per Special Warrant, for gross proceeds of CDN$17,560,000. Each Special Warrant entitled the holder to acquire, upon exercise and for no additional consideration, one Ordinary Share of the Company. As partial consideration for their services in connection with the Offering, the agents were granted options to acquire an aggregate of 329,250 Ordinary Shares at a strike price of CDN$1.60 and an expiry date of 3 April 2014. The Offering closed and the net proceeds were received on April 3, 2012. The impact of this transaction has been recognised in the Quarter. The Offering closed and the net proceeds were received on April 3, 2012 subsequent to the receipt of all necessary approvals, including the approval of the TSX. The Company obtained a receipt for a final prospectus on April 27, 2012. The Special Warrants converted into Ordinary Shares and the agent options were issued on 4 May 2012.

The share based payment movement mainly relates to a $0.26 million transfer from the share based payments reserve on the expiry of share options during the September 31, 2011 Quarter, offset by a cost of $0.08 million cost recognized on the issue of broker options.

Reserves

Reserves of $0.12 million consist of a $0.42 million share based payments reserve, which reflects the fair value of share options at their date of issue, offset by a negative balance of $0.30 million in the foreign exchange reserve.

The reduction in the share based payments reserve in the Year mainly reflects a transfer of $0.26 million to contributed equity on the expiry of 375,002 share options, offset by a cost of $0.08 million recognized on the issue of broker options.

The movement of $1.61 million in the foreign exchange reserve balance since June 30, 2011 comprises $1.28 million from the translation of CMD financial statements, which are presented in US$, to A$ on consolidation, and the foreign exchange effect of the fair value uplift on acquisition of the CMD Gold Mine, together with a $0.33 million unrealized foreign exchange gain on an intercompany balance. The movement in the foreign exchange reserve reflects the A$ / US$ exchange rate decreasing from 1:1.0597 at June 30, 2011 to 1:1.0161 at June 30, 2012.

Accumulated losses

The Year's reduction of $1.00 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:	**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**	**Mar-31 2011 A$000**	**Dec-31 2010 A$000**	**Sep-30 2010 A$000**
Operating activities	(3,071)	7,599	1,726	2,313	(581)	(782)	(7)	(287)
Investing activities	(6,708)	(7,383)	(3,776)	(2,871)	(2,617)	1,499	(8,428)	(47)
Financing activities	14,654	(1,963)	426	12,116	1,280	(1,787)	11,391	-

From the September 30, 2011 Quarter onwards the numbers are derived from the quarterly interim financial reports. Prior quarter numbers have been derived from the Company's quarterly cash flow lodged with the ASX as adjusted to reflect exploration and capitalised development costs in "investing activities".

The Operating Activities outflow of $3.07 million in the June 2012 Quarter reflects the net cash outflow from operations at the CMD Gold Mine of $2.53 million, corporate overhead of $0.63 million, and net interest income of $0.18 million. As at June 30, 2012 the CMD Gold Mine had a trade receivable of $1.72 million relating to the sale of gold.

Investing activities in the June 2012 Quarter of $6.71 million reflect $1.61 million property, plant and equipment costs and exploration / capitalised development work at the CMD Gold Mine of $5.10 million.

Financing activities of $14.65 million in the June 2012 Quarter reflect the net capital raising of $15.56 million (refer "*Contributed Equity*" above), option exercise proceeds of $0.05 million, and net borrowing repayments of $0.96 million comprising of the net repayment of bank loans, leases, and payments under the terms of the sale agreement with the vendors of the CMD Gold Mine. During the Year the Company reduced net borrowings by $3.86 million. Borrowing repayments of $8.90 million comprised $6.45 million of bank / lease debt and $2.45 million of deferred consideration to the vendors of the CMD Gold Mine.

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:	**June-30 2012 A$000**	**Mar-31 2012 A$000**	**Dec-31 2011 A$000**	**Sep-30 2011 A$000**	**June-30 2011 A$000**	**Mar-31 2011 A$000**	**Dec-31 2010 A$000**	**Sep-30 2010 A$000**
Revenue	15,892	19,332	18,737	18,248	13,485	11,549	1,184	-
Other income	615	(537)	103	975	317	3,794	259	40
Cost of sales	(18,514)	(19,303)	(17,562)	(17,124)	(15,707)	(14,454)	(1,364)	-
Total net operating expenses	(19,912)	(19,872)	(18,116)	(18,366)	(17,302)	(15,267)	(2,311)	(677)
Net (loss) / profit before tax	(3,405)	(1,077)	724	857	(3,500)	76	(868)	(637)
Net (loss) / profit after tax	(3,124)	(1,110)	1,941	3,289	(3,196)	382	(868)	(637)
Basic (loss) / profit per share (cents)	(4.1)	(1.5)	3.1	5.8	(5.8)	0.7	(4.0)	(3.5)
Diluted (loss) / profit per share (cents)	(4.1)	(1.5)	3.1	5.8	(5.8)	0.7	(4.0)	(3.5)

Review of the financial year ended June 30, 2012 as compared to the financial year ended June 30, 2011, and the quarter ended June 30 June, 2012 as compared to the quarter ended June 30, 2011

The Group's net profit after tax for the financial year ended June 30, 2012 was $1.00 million (2010: loss of $4.32 million) after recognising:

- a profit before taxation of $5.25 million (2011: loss $0.04 million) from gold mining operations at the Group's CMD Gold Mine (see below) in Chile, including royalties and site based administration, but excluding $5.64 million (2011: $5.27 million) depreciation and amortisation. The 2011 result is attributable to the period from project acquisition on 24 December 2010 to 30 June 2011.
- a net profit of $Nil (2011: $3.86 million) on the sale of shares in Luiri Gold Limited ("Luiri").
- new venture expenditure written off of $0.33 million (2011: $1.20 million). The 2011 year includes costs associated with due diligence performed in relation to the acquisition of the CMD Gold Mine in Chile.
- a non-cash expense of $Nil (2011: $0.04 million) attributable to the cost of share based payments.
- a $0.38 million foreign exchange gain (2011: loss $0.37 million) arising from unrealised gains on the Company's holdings of US$ and CDN$ cash, and payables denominated in Chilean Pesos translated to the functional currency of CMD, being US$.
- an increase in corporate compliance and management costs to $2.21 million (2011: $0.90 million), the increase being associated with listing and compliance costs of listing on the TSX ($0.28 million), travel and accommodation costs associated with the CMD Gold Mine ($0.27 million), bonus costs associated with the development of the CMD Gold Mine and the Company's listing on TSX ($0.23 million), salary increases ($0.26 million), and salary costs of $0.21 million associated with the CMD Gold Mine which in the prior year would have been classified as "new venture expenditure written off".
- an income tax benefit of $3.90 million (2011: benefit of $0.61 million) arising from the recognition of a deferred tax asset in respect of income tax losses attributable to the CMD Gold Mine.

Revenue

	Year ended June-30 2012 $000	Year ended June-30 2011 $000
Sale of gold	71,779	26,153
Sale of silver (net of refining)	(56)	20
Sale of copper	486	46
	72,209	26,219

Revenue is from the sale of metals, mainly gold, by the CMD Gold Mine, acquired on December 24, 2010.

Revenue for the June 2012 Quarter includes 10,080 ounces of gold at an average achieved sale price of US$1,613 per ounce (March 2012 Quarter: 11,906 ounces of gold at an average achieved sale price of US$1,682 per ounce).

Revenue for the June 2012 Year includes 44,465 ounces of gold at an average achieved sale price of US$1,669 per ounce (June 2011 Year: 18,595 ounces of gold at an average achieved sale price of US$1,453 per ounce for the 27 weeks from 24 December 2010).

Other income

Other income of $0.62 million for the Quarter includes a foreign exchange gain of $0.20 million plus $0.23 million of interest income. The foreign exchange gain arises from unrealised losses on the Company's holdings of US$ cash and cash equivalents, and foreign exchange gains on payables denominated in Chilean Pesos translated to the functional currency of CMD, being US$.

Other income of $1.16 million for the Year (June 2011 Year: $4.41 million) includes a foreign exchange gain of $0.38 million (June 2011 Year: $0.37 million loss), $0.58 million (June 2011 Year: $0.24 million) of interest income, a fair value gain on deferred consideration of $0.19 million (June 2011 Year: $0.41 million), and a profit on sale of shares in an associate, Luiri Gold Limited ("**Luiri**"), of $Nil (June 2011 Year: $3.86 million).

The Group had invested a total of $4.8 million in Luiri, a TSX Venture exchange listed company with gold projects in Zambia. The investment consisted of a $3 million placement / conversion of a convertible note, $1.8 million as part of Luiri's' listing of CHESS Depositary Interests ("CDI's") on the Australian Stock Exchange in November 2009, and some on-market purchases.

On 29 July 2010 Luiri announced that it had received a letter from the Zambian government stating that it had cancelled LML48 (Luiri's main asset) and that Luiri was appealing that decision to the Ministry of Mines in accordance with the Mining Act. Luiri announced on 15 September 2010 that the Zambian High Court had awarded a stay of the decision of the Minister of Mines and Minerals Development to cancel its Large Scale Mining Licence pending the hearing of a High Court appeal lodged by Luiri. At the same time Luiri announced that the Zambian Department of Mines had granted Luiri a one year extension to LPL209, the prospecting licence that surrounds LML48.

Given issues relating to title and the slow progress of the technical aspects of Luiri's assets, Lachlan Star called a Special General Meeting to remove the incumbent Luiri management. Proxy voting indicated that the required two thirds majority to make management changes would not be forthcoming and the meeting request was withdrawn.

Given Lachlan's dissatisfaction with Luiri management, and its inability to instigate change through a Luiri shareholders' meeting, it sold all its Luiri CDI's and shares during the June 30, 2011 year for gross proceeds of $4.7 million at an average sale price of $0.151 per share, compared to the average $0.154 per share cash acquisition cost.

Cost of sales

	Year ended June-30 2012 $000	Year ended June-30 2011 $000
Depreciation and amortisation	5,637	5,266
Gold in process inventory adjustment	1,958	96
Mine operational expenses	32,527	14,004
Reagents	8,491	3,510
Utilities, maintenance	14,198	4,788
Personnel expenses	6,198	2,255
Royalties	1,689	1,081
Other expenses	1,805	525
	72,503	31,525

Cost of sales relates to costs attributable to the operation of the CMD Gold Mine. The year ended June 30, 2011 numbers relate to the 27 weeks from December 24, 2010. Depreciation and amortization costs have not increased proportionately from 2011 to 2012 due to the adoption of a mine plan with a higher mineralised material in the 2012 financial year.

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.

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 June 2012 Quarter includes $6.49 million (March 2012 Quarter: $6.37 million) waste costs expensed and amortised. Cost of sales for the June 2012 Year includes $24.53 million (June 2011 Year: $11.03 million) waste costs expensed and amortised.

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 June 2012 Year depreciation and amortisation charge of $5.64 million (June 2011 Year: $5.27 million) includes $1.78 million (June 2011 Year: $2.58 million) relating to amortisation on the uplift in fair values of assets recognized on acquisition of the CMD Gold Mine and $1.15 million (June 2011 Year: $0.91 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. As at June 30, 2012 there was a $0.42 million provision (June 30, 2011: $Nil) against leach pad inventories to write the cost down to net realizable value.

Corporate compliance and management

Corporate compliance and management costs of $0.41 million for the Quarter (March 2012 Quarter: $0.43 million) reflect costs associated with the management of the CMD Gold Mine, corporate office costs, executive bonus for the Year, and the costs of a listed company on the ASX and TSX.

Corporate compliance and management costs of $2.21 million for the Year (June 2011 Year: $0.90 million) reflect costs associated with the management of the CMD Gold Mine, corporate office costs, executive bonus for the Year, and the costs of a listed company on the ASX and TSX. The increase is attributable to the listing and compliance costs of listing on the TSX ($0.28 million), travel and accommodation costs associated with the CMD Gold Mine ($0.27 million), bonus costs associated with the development of the CMD Gold Mine and the Company's listing on TSX ($0.23 million), salary increases ($0.26 million), and salary costs of $0.21 million associated with the CMD Gold Mine which in the prior year would have been classified as "new venture expenditure written off".

Occupancy costs

Occupancy costs of $0.03 million for the Quarter (March 2012 Quarter: $0.03 million) and $0.11 million for the Year (June 2011 Year: $0.10 million) relate to the occupancy costs of the Company's head office in Perth.

New venture expenditure written off

Expenditure of $0.13 million for the Quarter (March 2012 Quarter: $0.07 million) and $0.33 million for the Year (June 2011 Year: $1.20 million) reflects Lachlan's expenditure on investigating new venture opportunities. The 2011 year includes costs associated with due diligence performed in relation to the acquisition of the CMD Gold Mine in Chile.

Finance expense

Finance expense of $0.38 million for the Quarter (March 2012 Quarter: $0.01 million) and $0.79 million for the Year (June 2011 Year: $0.64 million) consists of bank and financial institution interest, together with the foreign exchange gain / loss on financial liabilities.

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 June 2012 Quarter gain of $0.03 million compares to the March 2012 Quarter loss of $0.02 million. The Year gain of $0.19 compares to the June 30, 2011 Year gain of $0.41 million.

Income tax

The tax credit for the June 2012 Year of $3.90 million (June 2011 Year: credit of $0.61 million) consists of:

(i) $3.33 million credit (June 2011 Year: credit of $0.11 million) related to the recognition of a deferred tax asset in respect of income tax losses and timing differences of CMD. The availability of tax losses at June 2011 was determined using the Company's internal December 2010 net present value ("NPV") model; the higher mineralised material and cash flow shown in the Company's internal July 2011 NPV model mean that the justification for recognizing an increased deferred tax asset for CMD's income tax losses was satisfied in the Year with a consequent increase in the deferred tax asset.

    In addition, a review of historical income tax returns for CMD carried out in the December 2011 Quarter revealed an understatement of tax losses claimed in prior years of US$3.35 million with a consequent increase in the deferred tax asset in the December 2011 Quarter.

(ii) $0.57 million (June 2011 Year: credit of $0.50 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 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 June 2012 Year $1.61 million foreign exchange reserve movement is a result of the A$ / US$ exchange rate decreasing from 1:1.0597 at June 30, 2011 to 1:1.0161 at June 30, 2012. 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. For the purposes of calculating diluted earnings per share those options with an exercise price lower than the Company's share price at June 30, 2012 have been included in denominator.

LIQUIDITY, CAPITAL RESOURCES AND COMMITMENTS

During the last three years, the Group has accessed equity capital markets 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.

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 June 30, 2012:

	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)]	$0.10	$0.10	---	—	—
Borrowings[(2)]	$6.73	$5.35	$1.38	-	—
Trade And Other Payables	$20.19	$20.19	—	—	—
Provisions[(3)]	$6.08	—	—	$6.08	—
Other[(4)]	$64.92	$31.85	$19.05	$14.02	—

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 unused banking facilities of $0.73 million at June 30, 2012

(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 June 30, 2012 at the CMD Gold Mine, primarily for mining, power, explosives and cyanide.

(5) A letter of intent has been placed with Komatsu Chile to secure a 100t truck fleet and associated equipment with an approximate capital cost of US$22 million. Delivery is expected towards the end of calendar 2012. The potential commitment is not included in the table above.

The net proceeds of (i) the Special Warrants Placement and expenses in qualifying the Units and Compensation Options of approximately \$13.91 million received in the September 30, 2011 Quarter (ii) the Special Warrants Placement and expenses in qualifying the Units and Compensation Options of approximately \$15.75 million received in the June 30, 2012 Quarter are anticipated to be sufficient, together with cashflows 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 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 June 2012 Quarter was \$3.07 million and net cash generated from operating activities the June 2012 Year \$8.57 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 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 has continued to work to improve the reliability of the production profile by employing a number of small contracting companies to mitigate third party risk. The Company is looking to reduce its reliance on contacting companies and has signed a letter of intent with Komatsu Chile for the purchase of a mining fleet, comprising HD785 (91 tonne) trucks, WA900 loaders and ancillary equipment and the implementation of a maintenance and repair contract. The execution of an owner-mining strategy with a larger fleet is expected to result in improved efficiency, reduce unit operating costs and reduce production volatility. The Company anticipates that the first elements of this fleet will be ready to work before the end of the calendar year. In addition, the Company is planning to purchase a small fleet of Mercedes Benz trucks to be used for the dynamic leach pad rehandle which is predominately carried out by contractors now.

The total capital requirement for the owner mining fleet is US\$20.4 million. The Company has received credit committee approved leasing facilities from Komatsu and Chilean banks for a total of US\$17.9 million of this amount, with the remaining US\$2.5 million to be financed from the Company's cash balances. Of the US\$17.9 million in leasing facilities, US\$16.5 million is repayable over a 48 month term, and the remaining US\$1.4 million over a 12 month term. Interest rates are a combination of fixed and variable and range between 5.5% and 6.2% per annum depending on the facility.

The Company expects the owner mining strategy to deliver savings of up to US\$150 per ounce of gold over its current mining costs once implementation has been completed.

OFF BALANCE SHEET ARRANGEMENTS

There are no material off-balance sheet arrangements as at June 30, 2012.

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 \$3,994 during the Year (June 30 2011 Year: \$Nil) on an arm's length basis to

Nevada Iron Limited, a company of which Mr Michael McMullen is Chairman, for office rent, administration staff, and car parking under an office sublease effective 11 June 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 judgments, 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 Group. 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 June 30, 2012 recoverable amount was tested using the following forward gold prices from data supplied by Bloomberg:

2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
US$1,595	US$1,601	US$1,609	US$1,623	US$1,631	US$1,657	US$1,683

At 30 June 2012 the spot gold price was US$1,598.50 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 judgment 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 is 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 a shutdown of operations that occurred in September 2000, prior to its acquisition by Lachlan. The recovery assumption is also supported by the feasibility study prepared by the previous operator of the CMD Gold Mine in the 1990s. Management evaluates 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. However, the Company has not formally updated the original feasibility study and has evaluated and planned for the operation of the CMD Gold Mine on the basis of its known operating costs, which are well-known given the period of time the mine has been in operation.

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 judgment 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.

Mineral reserve estimates

Mineral reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate mineral 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 mineralised 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 mineral 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” 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 June 2012 Year.

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.

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 year. 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 Canadian dollars. 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 and Year were as follows:

	Average for Quarter ended June 30, 2012	**Average for Year ended June 30, 2012**	**As at June 30, 2012**
A$ / US$	1.0116	1.0327	1.0161
A$ / CDN$	1.0207	1.0359	1.0416
US$ / Peso	502.15	492.32	501.84
A$ / Peso	497.11	508.88	509.07

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, a subsidiary 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 their mining contract. The Company has been made aware that Martimec intends to seek the appointment of an arbitrator under Chilean law who would be called to rule on the early termination of the contract. The Company remains confident that the contract was terminated in accordance with its terms. The Company intends to defend itself vigorously if this arbitration is brought, including considering bringing a counterclaim against Martimec.

SUBSEQUENT EVENTS

The Company has signed a letter of intent with Komatsu Chile for the purchase of a mining fleet, comprising HD785 (91 tonne) trucks, WA900 loaders and ancillary equipment and the implementation of a maintenance and repair contract. The Company anticipates that the first elements of this fleet will be ready to work before the end of the calendar year. In addition, the Company is planning to purchase a small fleet of Mercedes Benz trucks to be used for the dynamic leach pad rehandle which is predominately carried out by contractors now. The total capital requirement for the owner mining fleet is US$20.4 million. The Company has received credit committee approved leasing facilities from Komatsu and Chilean banks for a total of US$17.9 million of this amount, with the remaining US$2.5 million to be financed from the Company's cash balances. Of the US$17.9 million in leasing facilities, US$16.5 million is repayable over a 48 month term, and the remaining US$1.4 million over a 12 month term. Interest rates are a combination of fixed and variable and range between 5.5% and 6.2% per annum depending on the facility.

Other than described above, since June 30, 2012 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 years.

OUTSTANDING SECURITIES DATA

The Company presently has 86,380,017 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	375,002	$1.50	18/11/2012
Stock Options	166,667	$1.20	31/12/2012
Stock Options	166,669	$1.20	20/12/2013
Stock Options	166,669	$1.50	20/12/2013
Placement Options(1)	3,400,009	$1.20	20/05/2013
Broker Options(1)	197,081	$1.20	20/05/2013
Broker Options / Warrants(2)	10,818,500	$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(2)	329,250	CDN$1.60	3/04/2014

Notes:

(1) May 2011 private placement.

(2) These securities were issued or issuable pursuant to the Special Warrants Placements. See "*Corporate*", above.

No Ordinary Shares or options have been issued since June 30, 2012 and up to the date of this MD&A.

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 judgments 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 Member 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.

The information in this report that relates to the CMD Gold Mine Reserve is based on information approved by Declan Franzmann, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy. Mr. Franzmann is employed by Citraen Pty Ltd and is an officer of the Company. 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. 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