

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97.

Name of entity

LACHLAN STAR LIMITED

ACN or ARBN

88 000 759 535

Quarter ended ("current quarter")

31 DECEMBER 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	18,276	35,423
1.2 Payments for		
(a) exploration and evaluation	(1,812)	(3,894)
(b) development	(7,195)	(11,924)
(c) production	(8,463)	(16,747)
(d) administration	(1,576)	(2,848)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	155	199
1.5 Interest and other costs of finance paid	2	(76)
1.6 Other: new ventures and royalties	(629)	(1,342)
Net Operating Cash Flows	(1,242)	(1,209)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(808)	(1,399)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Cash acquired on acquisition of subsidiary		
Net investing cash flows	(808)	(1,399)
1.13 Total operating and investing cash flows (carried forward)	(2,050)	(2,608)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,050)	(2,608)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	15,088
1.15	Costs associated with the issue of shares, options etc	-	(1,174)
1.16	Proceeds from borrowings	2,617	2,732
1.17	Repayment of borrowings	(2,191)	(4,104)
1.18			
1.19	Other (provide details if material)		
Net financing cash flows		426	12,542
Net increase (decrease) in cash held		(1,624)	9,934
1.20	Cash at beginning of quarter/year to date	16,123	4,515
1.21	Deposits at call		
1.23	Effects of foreign exchange	(25)	25
1.22	Cash at end of quarter	14,474	14,474

Note: US\$2,455,000 was owed from Johnson Matthey at quarter end from the sale of gold of which US\$2,284,000 was received in January 2012.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	242
1.24	Aggregate amount of loans to the parties included in item 1.10	—

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows:

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan and lease facilities	9,400	9,400
3.2 Credit standby arrangements	284	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(1,750)
4.2 Development	(6,200)
4.3 Production	(9,220)
4.4 Administration	(1,410)
Total	(18,580)

March 2012 quarter forecast gold revenue is A\$23.4 million at a forecast gold price of US\$1,645 per ounce. Forecast gold revenue and cash outflows are based on an assumed A\$/US\$ exchange rate of 1:1 and an assumed US\$ / Chilean Peso exchange rate of 1:510.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank (at call)	2,348	3,623
5.2 Deposits at call	3,524	4,000
5.3 Bank overdraft	—	—
5.4 Term Deposits	8,602	8,500
Total: cash at end of quarter (item 1.22)	14,474	16,123

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter %	Interest at end of quarter %
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

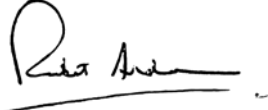
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid-up per security (see note 3) (cents)
7.1 Preference + securities (description)				
7.2 Issued during quarter				
7.3 + Ordinary securities	75,367,517	75,367,517		
7.4 Issued during quarter	18,400,000 on conversion of Special Warrants			
7.5 + Convertible debt securities (description and conversion factor)				
7.6 Issued during quarter				
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	375,002		\$1.50	18/11/2012
	166,667		\$1.20	31/12/2012
	166,669		\$1.20	20/12/2013
	166,669		\$1.50	20/12/2013
	3,597,090		\$1.20	20/05/2013
	10,856,000		\$1.20	26/08/2013
	650,000		\$1.20	25/11/2013
	150,000		\$1.50	25/11/2013
	50,000		\$1.50	25/11/2014
7.8 Issued during quarter	10,856,000		\$1.20	26/08/2013
	650,000		\$1.20	25/11/2013
	150,000		\$1.50	25/11/2013
	50,000		\$1.50	25/11/2014
7.9 Exercised during quarter				
7.10 Expired during quarter	375,002		\$1.20	18/11/2011
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Company Secretary

Date: 31 January 2012

Print name: Robert Anderson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.