



LACHLAN STAR LIMITED

30 September 2013

LACHLAN STAR ANNOUNCES C\$8 MILLION NON-BROKERED PRIVATE PLACEMENT AND PROMOTION OF COO TO CEO POSITION

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Perth, Western Australia: Gold miner, Lachlan Star Limited (“Lachlan Star” or the “Company”) (ASX and TSX: **LSA**) is pleased to announce that it has entered into subscription agreements with accredited North American and European investors to raise a total of C\$8 million at an issue price of C\$0.20 a share from the issuance of 40 million ordinary shares.

Private Placement

The private placement is non-brokered and the issue price is priced at the 5 day Volume Weighted Average Price (VWAP) for the Company’s ordinary shares on the Toronto Stock Exchange (the “TSX”) as of the close of trading on 27 September 2013. The placement will be completed in two tranches:

- Tranche 1 - 14,985,597 ordinary shares that can be issued within the Company’s approved placement limit, expected to complete within 3 business days. Tranche 1 will raise gross proceeds of approximately C\$3.0 million. Finder’s fees totalling 3% cash and 432,871 warrants are payable on Tranche 1 upon completion.
- Tranche 2 - 25,014,403 ordinary shares that will be issued subject to shareholder approval at a shareholder meeting to be called as soon as practicable and currently expected to be held on or about 4 November 2013. Tranche 2 will raise gross proceeds of approximately C\$5 million. Finder’s fees totalling

3% cash and 722,560 warrants (which are also subject to shareholder approval) are payable on Tranche 2 upon completion.

The placement is not underwritten. Ordinary shares issued under the placement to North Americans will be subject to the customary 4-month hold period from the date of issue. No prospectus will be issued in association with the private placement.

The net proceeds of the private placement will be used to fund development and working capital at the Company's 100% owned CMD Gold Mine in Chile.

The Company is making Tranche 1 of the private placement within its 15% approval limit under Australian Securities Exchange (the "ASX") Listing Rule 7.1 and the additional 10% approval limit approved by shareholders at the last Annual General Meeting under ASX Listing Rule 7.1A. The Company has elected to raise the additional funds needed by way of private placement pursuant to its 10% capacity under ASX Listing Rule 7.1A rather than a rights issue for the following reasons:

- Rights issues are not widely used in North America (where the bulk of the Company's shareholders reside) compared to Australia
- Pricing the offer at the current share price would not have been possible had the Company elected to raise the funds by way of a rights issue given that typically rights issue incorporate a larger discount
- The timetable of a rights issue would have exposed the Company to pricing risk on the financing

Once the Company has issued the 6,256,409 ordinary shares within its remaining 15% approval limit under ASX Listing Rule 7.1 there will be 105,363,862 ordinary shares on issue. The issue of the additional 9,162,059 ordinary shares within its 10% approval limit under ASX Listing Rule 7.1A will result in a dilution of 8.70%.

The Company has agreed to amend the terms of its credit facility with Sprott Resource Lending Partnership such that it will prepay C\$0.5 million from the proceeds of the Tranche 1 placement against the outstanding facility balance of C\$5 million. Following completion of this, the credit facility balance will be reduced to C\$4.5 million.

Promotion of Chief Operating to Chief Executive Officer

The Company is please to announce that it has promoted its Chief Operating Officer (Bira de Oliveira) to the vacant position of Chief Executive Officer (CEO). Mr de Oliveira joined the Company in May 2012 and since that time has been largely responsible for building a team of professionals at the CMD Gold Mine that has been responsible for the substantial improvement in production and costs over that time. He has held many senior management positions over his 37-year career, including General Manager at the Frontier and Mauritanian Copper Mines for First Quantum and Operations Manager at Sadiola for Anglo Gold Ashanti, as well as Chief Operating Officer for Lachlan Star.

Mr de Oliveira is a Certified Project Management Professional and holds an MBA in Project Management, with exposure to all phases of a mineral property development, from project conceptualization, bankable feasibility studies and social & environmental impact studies to exploitation, environmental and construction permitting, site construction and finally operations management.

He has a background in Mining Engineering with post-graduate degree in Mineral Processing and is a seasoned professional with more than 25 years management experience in base metals and gold industry with relevant Latin-American (4 countries) and West- and Southern-Africa (4 countries) working experience. He has managed operations with over 1,500 direct employees, open-pit production in excess of 30 million tonnes per annum and processing plants above 10 million tonnes per annum and 500,000 Oz Au per annum. During his career he has had



P&L accountability for annual operational budgets of up to US\$200 million, capital budgets of up to US\$40 million, revenues from sales of up to US\$ 400 million, and net income in the order of US\$100 million per annum.

Mr de Oliveira resides in Chile and for the past year has been responsible for all Company operational management and hosting all analysts, banker and investor site visits. The move to CEO is a natural career path progression for Mr de Oliveira and continues to align the geographic spread of the Company's assets and shareholders with management.

The positions of COO and CEO will be merged going forward and is consistent with the Company's goal of reducing corporate G+A expenses.

For and on behalf of the Board

Mick McMullen
Chairman

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About Lachlan Star Limited

Lachlan Star Limited is a gold mining company headquartered in Perth, Western Australia. The Company is focused on optimizing free cash flow from its CMD Gold Mine in Chile. The Company has a board of directors and management team with an impressive track record of advancing resource projects through to production. Lachlan Star's current projects include a 100% interest in the CMD Gold Mine in Chile, a 100% interest in the Bushranger Copper Project in New South Wales (subject to Newmont earning 51%) and a 100% interest in the Princhester magnesite deposit in Queensland.

Caution Regarding Forward Looking Information:

This news release contains forward-looking information which is based on the assumptions and judgments of management regarding future events and results. Such forward-looking information includes but is not limited to information with respect to completion of the private placement, the use of proceeds of the private placement, the procurement of the approval of the TSX to the private placement. Forward-looking information involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance and achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward looking information. Such factors include, among others, the performance of the changed management team, the effectiveness of the Company's corporate strategy and its ability to maximise cash flow, the price of gold, current financial markets, changes in project parameters as plans continue to be evaluated, and other factors that are disclosed in the Company's publicly filed documents. The Company believes that the assumptions and expectations reflected in the forward-looking information are reasonable. Assumptions have been made regarding, among other things, that the conditions to completion of the private placement, including the receipt of TSX approval of the placement and shareholder approval of Tranche 2, will be obtained in due course, the ability of the Company to increase gold production, the continued outperformance of cash flow paying royalty companies over gold equities, the Company's ability to report financial results in terms of gold and pay dividends in gold and the timely receipt of required regulatory approvals. Readers should not place undue reliance on forward-looking information. The Company does not undertake up update any forward-looking information, except as may be required in accordance with applicable laws.

