LACHLAN STAR LIMITED

Quarterly Report for the Period Ending 31 December 2013

HIGHLIGHTS

CMD GOLD MINE (100%, CHILE)

- Lachlan's CMD Gold Mine sustained continuing improvements in most operating parameters, including cash costs per ounce of gold produced, gold production, stacking rate, unit mining costs, waste to ore ratio, and unit processing costs. Key metrics in the quarter include:

  - C1 cash costs reduced by 18% to US$784 per ounce from the previous quarter and have improved 37% from the March 2013 quarter
  - C1 inclusive cash costs reduced by 25% to $US1,072 per ounce from the previous quarter
  - Above guidance gold production which increased 9% quarter on quarter to 18,560 ounces of gold in the December quarter, a record under the Company's ownership;
  - Gold stacked increased 22% quarter on quarter to 27,322 ounces in the December quarter, another consecutive record under the Company's ownership;
  - Waste to ore ratio reduced by 44% quarter on quarter to 1.26:1, a new consecutive record low under the Company's ownership;
  - Total unit costs reduced by 10% to $14.27 per tonne of ore for the quarter, another consecutive record low under the Company's ownership

- Market capitalisation of the Company at quarter end expressed in gold ounces was 24,500 ounces

CORPORATE

- Completion of Tranche 2 of a private placement raising C$5 million in gross proceeds subsequent to shareholder approval obtained at shareholder meeting on 4 November 2013. An additional C$1.5 million was raised through the issue of 7.5 million shares at C$0.20 per share.
- Prepayment of C$0.5 million of the C$5 million Sprott Lending Partnership loan facility.

- The purchase of gold put options at a US$1,200 strike price in respect of 3,000 ounces of gold per month from January to June 2014 to protect the Company from volatility in the gold price.
- On 29 November 2013 Lachlan announced the resignation of Mr Peter Babin as a Non-Executive Director.
- On 4 December 2013 Lachlan announced the retirement of Mr Mick McMullen as Executive Chairman effective 6 January 2014 to pursue other interests and the appointment of Mr Scott Perry as Non-Executive Chairman, with the intention that Mr McMullen will step down from the Board in April 2014.

CMD GOLD MINE (100%, CHILE)

Production, Unit Costs and Sales

Production from the CMD Gold Mine is summarised in Table 1 below. Unless otherwise noted, all currency disclosures are in US dollars and all weights and measures are in metric units.

Table 1 – CMD Gold Mine Operating Summary

Item	Unit	3 months ended 31-Dec-13	3 months ended 30-Sep-13	% Change Variance
Ore Mined	Dmt	1,388,565	1,361,605	2%
Waste Mined	Dmt	1,742,760	3,050,674	-43%
Total Mined	Dmt	3,131,325	4,412,279	-29%
Waste:Ore Ratio	t:t	1.26	2.24	-44%
Ore grade Mined	Au g/t	0.60	0.56	7%
Gold Mined	Au oz	26,789	24,357	10%
Ore stacked	Dmt	1,472,498	1,334,563	10%
Stacked Grade	Au g/t	0.58	0.52	12%
Gold Stacked	Au oz	27,322	22,355	22%
Average stacking rate	dmt/d	16,005	14,506	10%
Silver produced	Ag Oz	18,206	18,757	-3%
Gold Produced	Au oz	18,560	17,056	9%
Mining Cost/t moved	US$/t	$2.82	$2.32	22%
Mining Cost/t ore	US$/t	$6.36	$7.53	-16%
Process Cost/t ore stacked	US$/t	$6.69	$7.20	-7%
G+A Cost/t ore	US$/t	$1.22	$1.21	1%
Total Cost/t ore	US$/t	$14.27	$15.94	-10%
Average Sales Price	USD/oz	$1,266	$1,335	-5%
Cash Cost	USD/oz	$808	$821	-2%
Non Cash Process Inventory and Stockpile Adjustment	USD/oz	-$24	136	-118%
C1 Cash Cost	USD/oz	$784	957	-18%
C1 Inclusive Cash Cost	USD/oz	$1,072	$1,420	-25%
CMD Gold Mine Gross Operating Profit (Unaudited)*	**US$ million**	**$2.34**	**$3.65**	-36%

* Revenues and dore in process plus ore stockpiles less cost of sales (including waste expensed and amortized), interest and other site expenses and excluding foreign exchange movements, depreciation, exploration and process inventory adjustments. The December quarter figure is after the write-off of $0.89 million of capitalized waste costs related to pits that are not currently intended to be mined in 2014.

C1 Inclusive Cash Costs represent C1 Cash Costs pus the costs of waste and royalties.

Gold production for the December quarter was 18,560 ounces, a 9% increase on the previous quarter. Silver production, which provides meaningful by-product credits, decreased by 3% quarter on quarter to 18,206 ounces. All production was sold at spot prices, with an average sale price of US$1,266 per gold ounce.

Gold ounces stacked for the December quarter were up 22% on the previous quarter to a new record under the Company's ownership. The high level of gold-in-inventory on the leach pads at the end of 4Q13 is a good indicative that 1Q14 production will follow the production trend upwards.

The CMD Gold Mine Gross Operating Profit (as defined above) was down 36% to US$2.34 million for the quarter after the write-off of $0.89 million of capitalized waste costs related to pits that are not currently intended to be mined in 2014. Without this write-off the CMD Gold Mine Gross Operating Profit would have been down only 11.5% for the quarter. This result was achieved against a backdrop of a declining gold price and is the second best result for the Company since the September 2011 quarter, when the average gold price was US$447 per ounce higher than the average price for the December 2013 quarter.

C1 cash costs, which exclude waste costs expensed or amortised and royalties, decreased by 18% quarter on quarter to US$784 per ounce of gold produced. C1 inclusive cash costs, which include waste costs and royalties, decreased by 25% quarter on quarter to US$1,072 per ounce of gold produced.

Table 2 below shows the cash costs for each quarter over the past year and the impact of the inventory valuation adjustment (all numbers in US$ per ounce).

Table 2 – Cash Cost (US$ per ounce) and inventory adjustments

Item	Quarter ending 31 Dec 2013	Quarter ending 30 Sep 2013	Quarter ending 30 Jun 2013	Quarter ending 31 Mar 2013
C1 cash costs with inventory adjustment ($/Oz)	784	957	1,137	1,239
Cash costs without inventory adjustment ($/Oz)	808	821	910	1,337
Inventory adjustment effect ($/Oz)	(24)	136	228	(98)

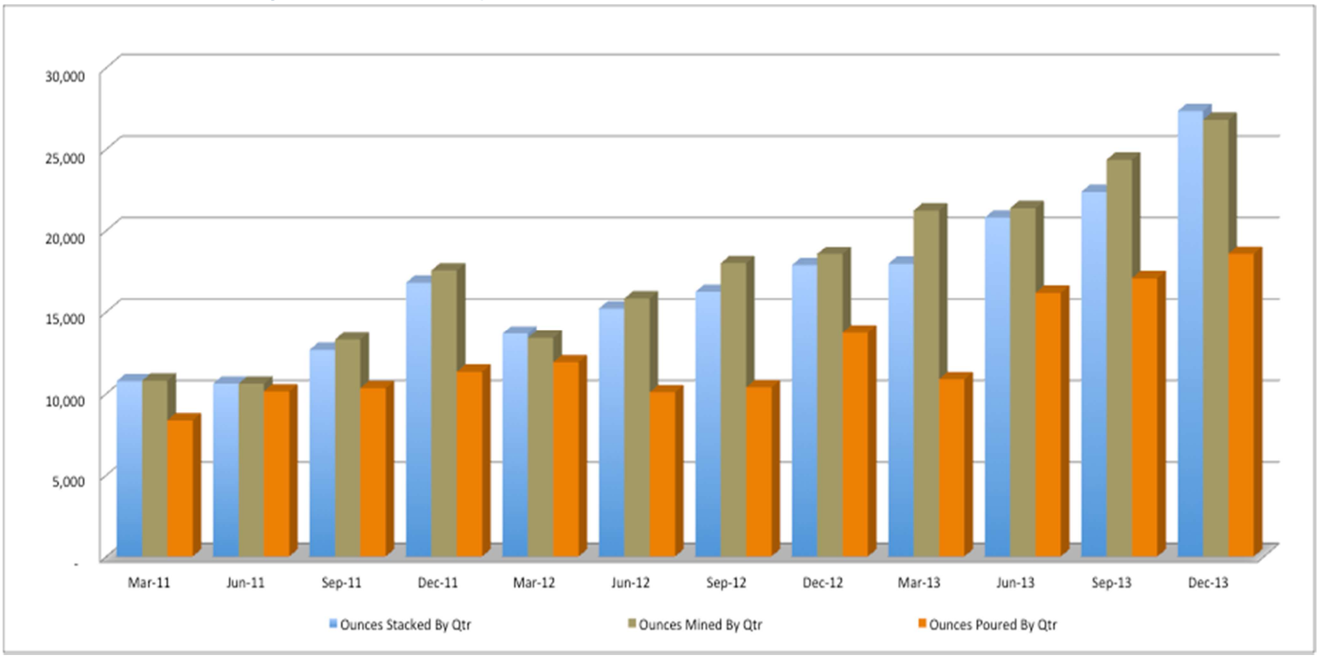
Total unit costs per tonne of ore decreased 10% quarter on quarter to US$14.27 per tonne, representing the lowest unitary cost under the company´s ownership. The material reduction in total costs was driven by:

- a 44% decrease in the waste to ore ratio;
- a 16% decrease in mining cost per tonne of ore;
- a 7% decrease in process costs per tonne of ore

Figure 1 illustrates the ounces mined, stacked and produced by quarter since the Company bought the CMD Gold Mine at the end of 2010. As can be seen in Figure 1, gold mined and stacked has increased rapidly over the past 12 months.

Gold pours continued to increase quarter on quarter to a new record under the Company's ownership, with production up 9% from the previous quarter.

Figure 1 – Quarterly Ounces Mined, Stacked and Gold Produced



Since the Company moved to a dynamic leaching system in mid-2011, the leaching time has been materially shortened, and recoveries increased.

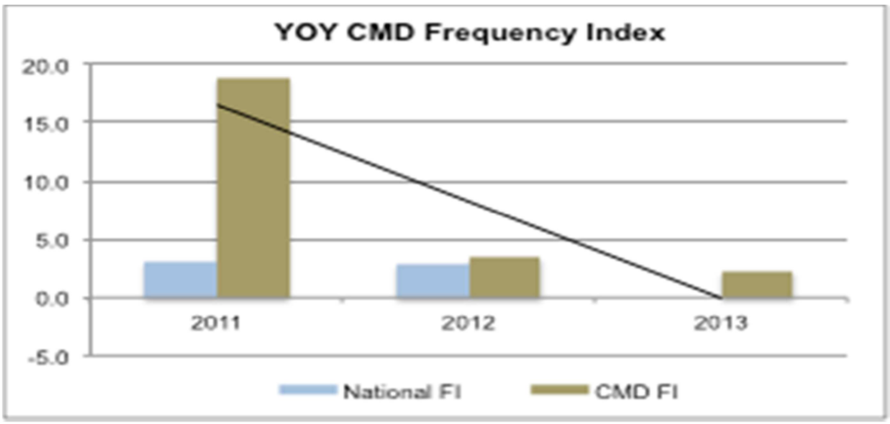
Safety

Safety is a key focus for management at the CMD Gold Mine and the results of this can be seen in Figure 2 below.

In 2011 the CMD Gold Mine injury frequency rate was 18.9 compared to a Chilean national average of 3.1. In 2012 this had been reduced to 3.5 and 2.9 respectively. For the 2013 year to date, the CMD Gold Mine average has been reduced further to 2.3, which is likely to be below the Chilean national average and is a strong achievement of the site management team.

On 18 January 2014, CMD regrettably recorded a fatality involving a contractor hired to spray water on the internal access roads, when the contractor's on call off-site mechanic was run over by the truck driver after an emergency night shift servicing on the truck had been done. The full investigation report involving all regulatory authorities was still underway at the date of this report.

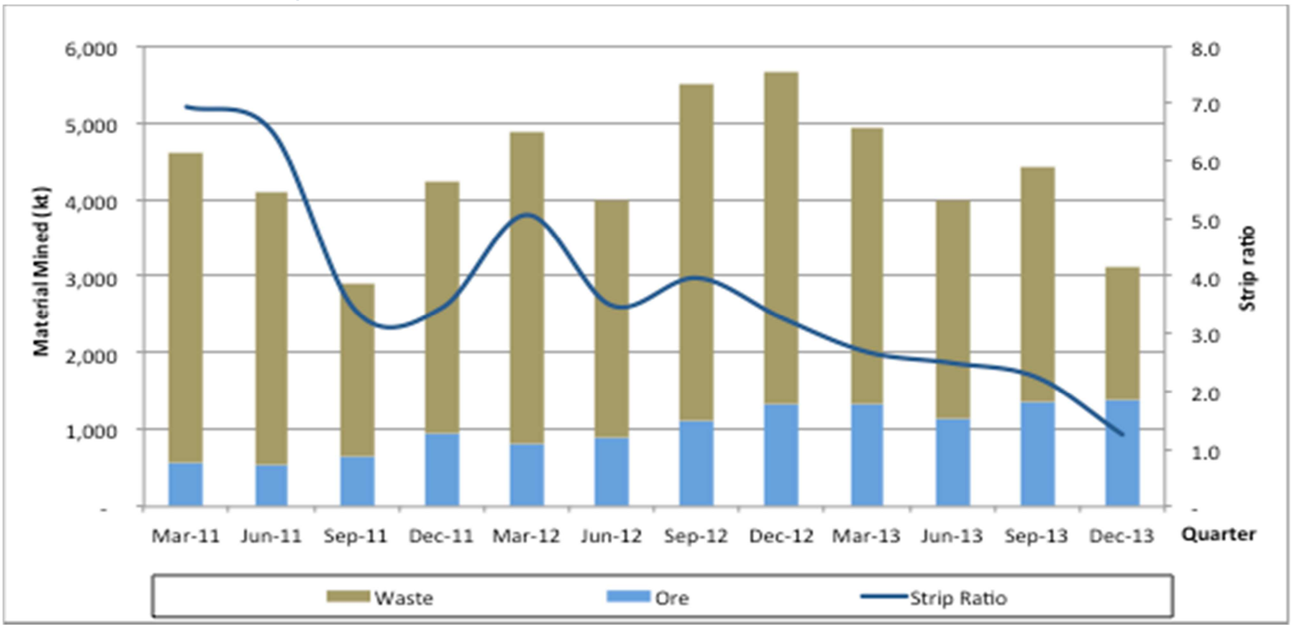
Figure 2 – CMD Gold Mine Safety Statistics



Mining

Total ore mined for the quarter was 1.39 million tonnes for 26,789 contained Au ounces, an increase of 2% and 10% respectively, relative to the prior quarter. The waste to ore ratio decreased again during this quarter to 1.26 to 1 (from 2.24 to 1 in the previous quarter) and is a new low under the Company's ownership. Ore was principally sourced from the Tres Perlas, Churrumata and Chisperos pits, and thirty party ore purchases. Figure 3 shows a steady and continuing decrease in the strip ratio as operations are focused more on the Tres Perlas open pit, which has a low strip ratio. This has allowed to Company to increase the tonnes of ore mined with the same equipment, contributing to the decreasing cash costs of production. These metrics are the best quarter since the Company acquired the CMD Gold Project.

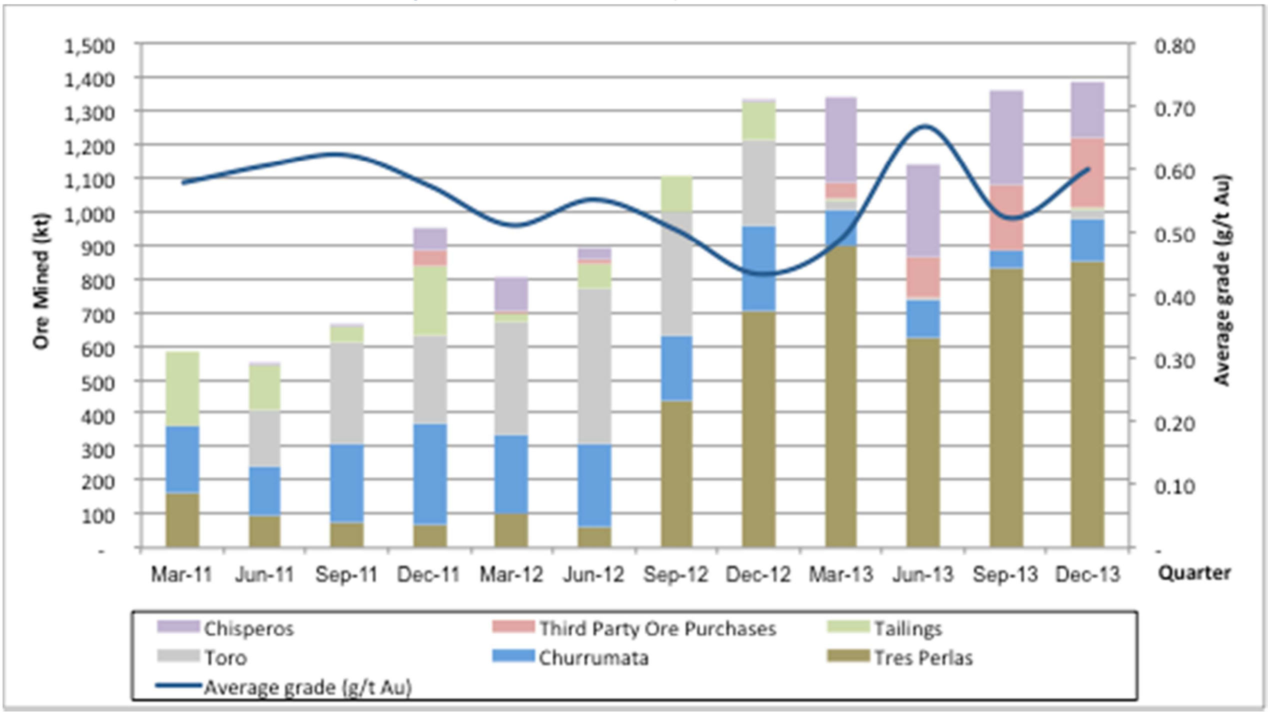
Figure 3 – Material Mined and Waste to Ore Ratio by Quarter



Mining was focussed on the Tres Perlas pit (61% of total ore mined) using the Company's owner mining fleet, with total quarterly ore production from Tres Perlas increasing to 52% of the total ounces mined, due to a decrease in mining in Chisperos, as illustrated in Figure 4. The Life of Mine waste to ore ratio for the Tres Perlas pit is expected to be around 1:1.

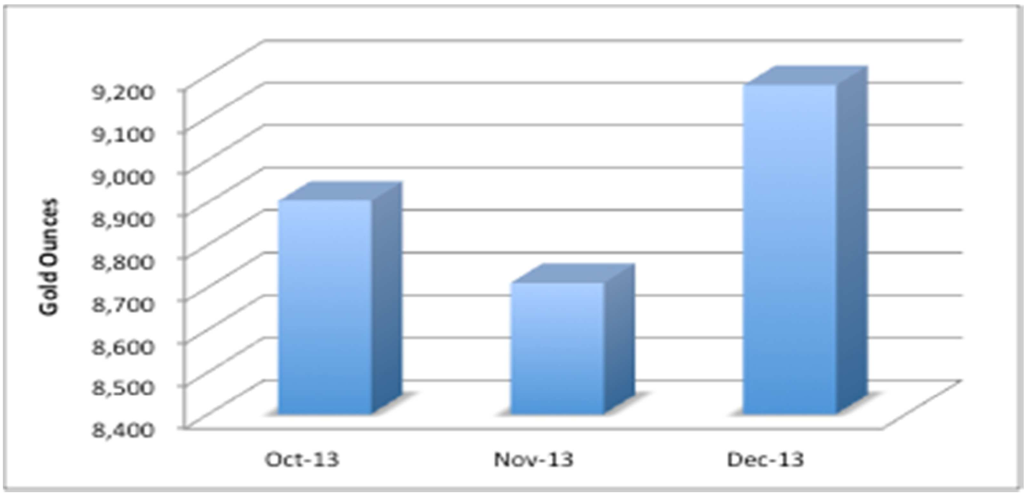
Mining at Tres Perlas has the ability to deliver more tonnage than can currently be processed through the plant, and the pit is shutdown whenever stockpiles exceed 100,000 tonnes of ore in front of the plant.

Figure 4 – Ore Mined by Pit and Quarter



The ounces mined during the December quarter increased 10% over the prior quarter. As mining of the Tres Perlas pit continues to the north and in the deeper parts of the pit, the grade continues to increase as expected, which in turn has had a positive impact on ounces mined.

Figure 5 – December Quarter Ounces Mined



Average mined grades improved considerably from 0.56 g/t to 0.60 g/t Au, an increase of 8% quarter on quarter. Grades from the Chisperos pit were slightly lower than budget in the month of December, which was compensated by the increased contribution of the thirty party ore purchases –one of the main contributors to the slight increase in mined grade.

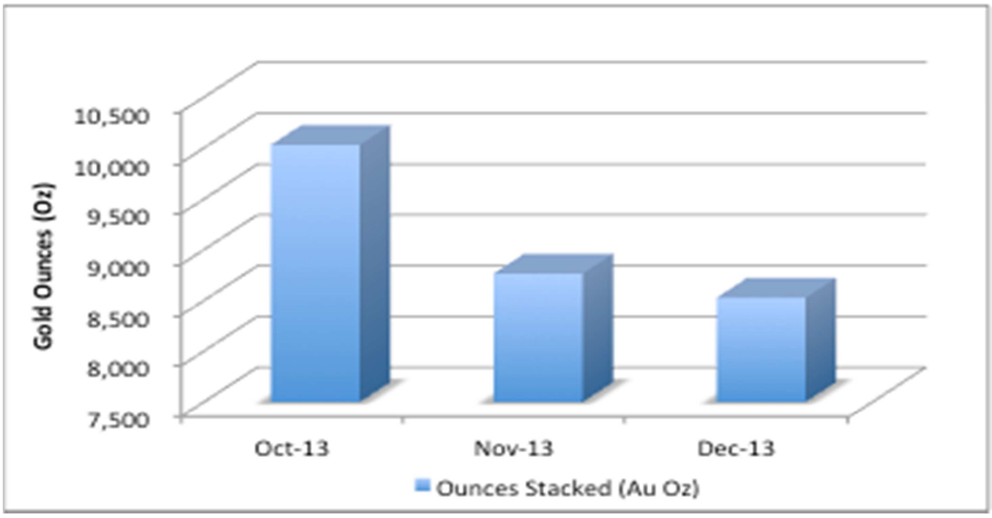
The Company continues to develop its relationships with small miners in the area and has continued its ore purchasing program. This program provides a net positive effect to employment and economic sustainability within the community, and allows the Company to prolong the ultimate life of the operation. The Company has also realised value in mixing on-site old tailings with new ore, resulting in decreased mining costs.

Processing

Ore tonnage stacked was up 10% quarter on quarter to a new consecutive quarterly record under the Company's ownership.

Gold ounces stacked were also up 22% to another consecutive record under the company's ownership, as seen in Figure 6. The increased ounces stacked were the result of higher plant throughput as increased availabilities were achieved.

Figure 6 – December Quarter Ounces Stacked



Even though ounces stacked in the quarter displayed a trend down, the total ounces stacked quarter on quarter showed a 22% increase as compared to the previous quarter. The trend down during this last quarter is attributable to lower average stacked grades, since tonnes stacked showed a 10% increase over the previous quarter.

Gold recovery has increased over the past two quarters to be in excess of 77%, up from 73% historically. This has been achieved through the addition of a pre-cyanidation circuit, improved ADR efficiencies and a more favourable ore blend.

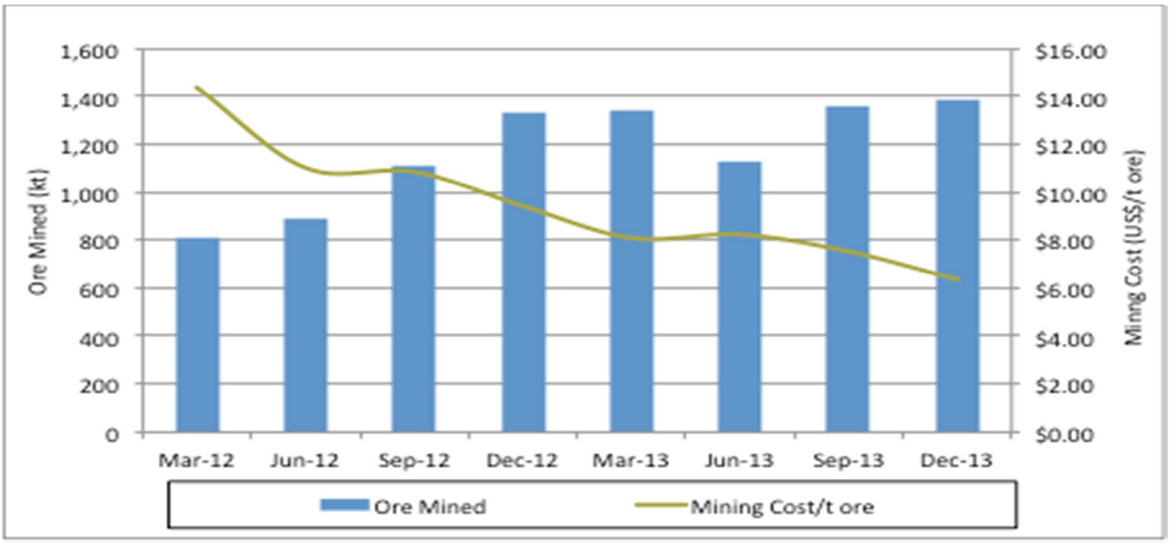
PROJECT COSTS

Mining

Unit mining costs increased to US$2.82 per tonne moved (from US$2.32 per tonne the previous quarter), due to the impact of higher tariffs paid for ore purchases associated with their higher grades, however the mining cost per tonne of ore was reduced by 16% to US$6.36 as a result of the reduced waste to ore ratio. The unit mining rate includes the cost of buying third party ore that has no waste to ore ratio associated with it.

Figure 7 illustrates the quarterly history of mining costs per ore tonne over the last 8 quarters.

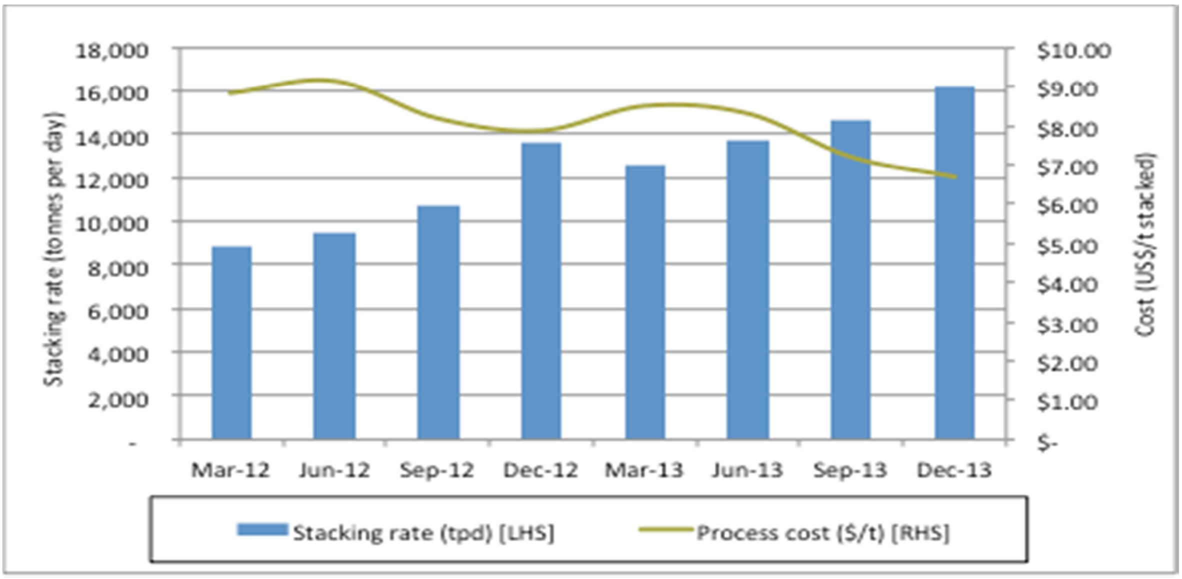
Figure 7 – Ore mined and mining cost per tonne of ore



Ore Processing

Process costs decreased to US$6.69 per tonne which was a 7% decrease quarter on quarter (Refer Figure 8). Reduced cyanide consumption, increased throughput and reduced maintenance costs were the main drivers for the lower process costs.

Figure 8– Process cost per tonne stacked



General and Administration (G&A)

G&A costs increased by 1% quarter on quarter to US$1.22 per tonne of ore, due to year-end regulatory salary benefits in spite of the higher tonnage stacked.

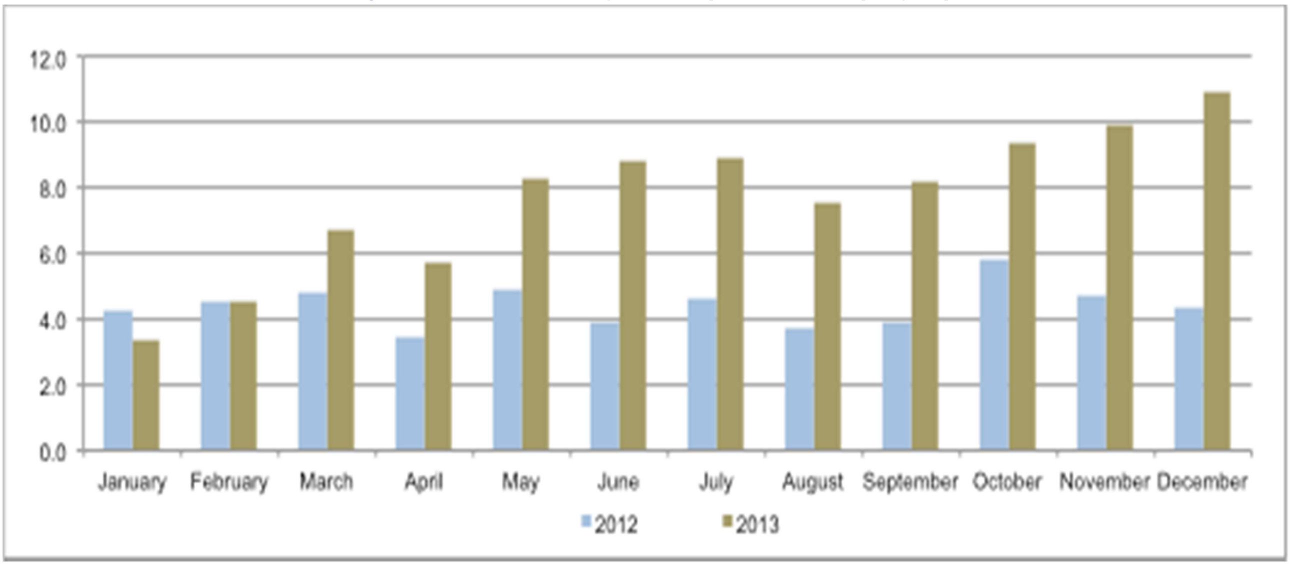
Exploration

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

Cost Review

The cost review exercise has delivered significant savings over the past two quarters, as evidenced by the fall in the C1 cash costs to US$784 per ounce and the material reductions in unit operating costs. The CMD Gold Mine operations have become more efficient with Figure 9 displaying how the ounces produced per employee have more than doubled over the past year.

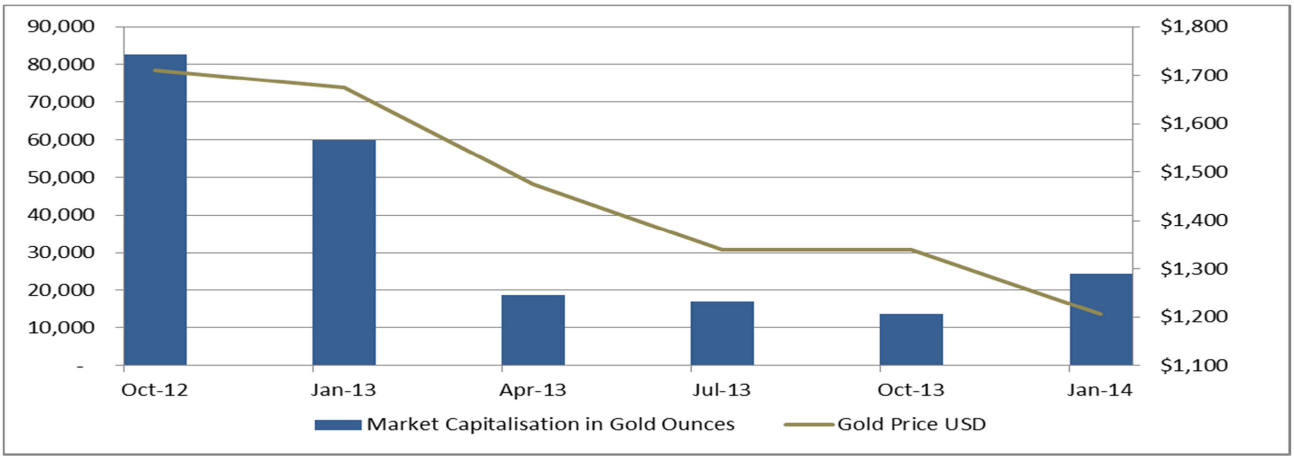
Figure 9– Productivity Index (Ounces/Employee)



CMD Gold Mine Operations Summary

Despite the improved operating performance of the CMD Gold Mine the Company's share price has fallen substantially over the past 15 months, as has happened with much of the gold mining industry, from A$1.55 to A$0.20 at the end of the Quarter. Over the same period the gold price has fallen from US$1,711 per ounce to US$1,205 per ounce, seriously affecting the Company's and the gold industry's margins. The market capitalisation of the Company expressed in gold ounces has fallen from 82,000 ounces a year ago to 24,500 ounces at 31 December 2013.

Figure 10 – Market Capitalisation in Gold Ounces and Gold Price



BUSHRANGER (100%, Newmont earning 51%)

No material work completed by Newmont during the quarter. Under a Deed of Novation between Newmont, Ord Investments Pty Ltd and Anglo American Exploration (Australia) Pty Ltd ("Anglo") dated 10 January 2014 Newmont's interest has been assigned to Anglo.

CORPORATE

Placement

During the prior quarter the Company entered into binding subscription agreements with North America accredited investors to subscribe for C$8 million at an issue price of C$0.20 a share from the issuance of 40,000,000 ordinary shares.

The private placement was non-brokered and split into two Tranches. Tranche 1 comprised 14,985,598 ordinary shares that were issued within the Company's existing capacity under the ASX Listing Rules. Tranche 1 raised gross proceeds of approximately C$3.0 million of which A$0.19 million had been received by the end of the prior quarter end and the balance in early October 2013. Finder's fees totalling 3% cash and 432,870 warrants were payable on Tranche 1.

Tranche 2 comprised 25,014,402 ordinary shares that were issued subsequent to shareholder approval obtained at a shareholder meeting held on 4 November 2013. Tranche 2 raised gross proceeds of approximately C$5 million. Finder's fees totalling 3% cash and 722,561 warrants were payable on Tranche 2.

In addition, the Company completed a placement of 7,500,000 shares raising gross proceeds of C$1.5 million at C$0.20 per share with finder's fee totalling 5% cash and 375,000 warrants.

Debt Facility

The Company agreed to amend the terms of its credit facility with Sprott Resource Lending Partnership such that it prepaid C$0.5 million from the proceeds of the Tranche 1 placement against the outstanding facility balance of C$5 million. This payment was made on 9 October and the credit facility balance has been reduced to C$4.5 million.

Option Expiry and Option / Share Issuance

During the quarter a total of 1,208,338 options expired or were cancelled.

Subsequent to shareholder approval received on 29 November 2013 the Company issued an aggregate of 950,000 unlisted options ("**Employee Options**") and 600,000 unlisted options ("**Director Options**") to subscribe for fully paid Ordinary Shares exercisable at A$0.25 per share on or before 29 November 2015, vesting immediately, and an aggregate of 725,000 fully paid Ordinary Shares ("**Employee Shares**") to certain employees of or consultants to the Company at no cost and as part of their remuneration arrangements. The Employee Options expire 30 days after the allottee ceases to be an employee of the Company. The A$0.25 option exercise price represented a premium of approximately 50% above the closing price on the ASX for the Company's shares at the time of award.

Director Resignations

On 29 November 2013 Lachlan announced the resignation of Mr Peter Babin as a Non-Executive Director.

On 4 December 2013 Lachlan announced the retirement of Mr Mick McMullen as Executive Chairman effective 6 January 2014 to pursue other interests and the appointment of Mr Scott Perry as Non-Executive Chairman, with the intention that Mr McMullen will remain as a non-executive director until April 2014 when he will step down from the Board. A search is currently underway to find a suitable additional Non-Executive director for the Company.

COMMENTS

Bira De Oliveira, Chief Executive Officer, commented on the quarterly report "the performance delivered during this quarter continues the upward trend in performance experienced over the last year, and, importantly, our cash costs continue to decrease and ounces stacked continue to increase, which provides a positive leading indicator for gold production over the coming two quarters."

For and on behalf of the Board.

Bira De Oliveira
Chief Executive Officer

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Caution Regarding Forward Looking Information:

This report contains forward-looking information, which is based on assumptions and judgments of management regarding future events and results. Such forward-looking information includes but is not limited to information with respect to future exploration and drilling, procurement of financing and procurement of necessary regulatory approvals.

Forward-looking information involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or 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 actual market price of gold, the actual results of current exploration, the actual results of future exploration, changes in project parameters as plans continue to be evaluated, as well as those factors 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, the Company's ability to carry on its exploration and development activities, the timely receipt of required approvals, the price of gold, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers should not place undue reliance on forward-looking information. Lachlan Star does not undertake to update any forward-looking information, except in accordance with applicable securities laws.