

LACHLAN STAR LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ABN 88 000 759 535

ANNUAL REPORT

30 JUNE 2016

CORPORATE DIRECTORY

Directors

DT Franzmann (Non-Executive Director)

AJ Cipriano (Non-Executive Director)

Company Secretary

RA Anderson

Auditors

PricewaterhouseCoopers

Brookfield Place, 125 St Georges Terrace

Perth WA 6000

Bankers

Macquarie Bank Limited

235 St Georges Terrace

Perth WA 6000

Registered Office

c/o KPMG

235 St Georges Terrace

Perth WA 6000

Telephone: +61 89263 7171

Facsimile: +61 89263 7129

Share Registries

Computershare Investor Services Pty Limited

Level 2

45 St Georges Terrace

Perth WA 6000

Investor Enquiries: 1300 850 505

(within Australia)

Investor Enquiries: +61 3 9415 4000

(outside Australia)

Facsimile: +61 3 9473 2500

Securities Exchange Listings

Securities of Lachlan Star Limited are listed on ASX Limited, currently suspended from trading

ASX Code: LSA - ordinary shares

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Financial performance

The consolidated entity's loss after tax for the year ended 30 June 2016 was \$263,346 (2015: loss of \$10,743,723) after recognising (i) an impairment loss of \$Nil (2015: loss of \$36,703,972) against the CMD Gold Mine assets (ii) \$Nil (2015: net gain \$32,015,449) on the disposal of the Company's subsidiary DMC Newco Pty Ltd ("DMC") incorporating the CMD Gold Mine (iii) \$Nil (2015: gain of \$3,779,489) on the sale of certain non-core mining properties to Compañía Minera Teck Carmen de Andacollo ("CDA").

Financial position

An analysis of the significant movements in Statement of Financial Position line items is provided below:

Cash and cash equivalents

As at 30 June 2016 the Group had cash reserves of \$74,044, an increase of \$10,268 from 30 June 2015 as set out in the Consolidated Statement of Cash Flows.

Trade and other receivables

Trade and other receivables have decreased by \$14,226 since 30 June 2015.

Total liabilities

Total liabilities have increased by \$259,388 since 30 June 2015.

Contributed equity

The movement in contributed equity since 30 June 2015 is shown below:

	2016	2016
	Number	\$
Ordinary shares		
1 July 2015	165,393,259	225,881,084
Share based payments	-	176,978
30 June 2016	<u>165,393,259</u>	<u>226,058,062</u>

Reserves

Reserves have decreased by \$176,978 since 30 June 2015 as a result of share options expiring.

Corporate

On 12 February 2015 the directors resolved to appoint Administrators and on 13 February 2015 Matthew David Woods and Hayden Leigh White of KPMG were appointed joint and several Administrators of the Company pursuant to section 436A of the Corporations Act 2001 (Cth) ("the Act").

On 7 August 2015 creditors of the Company had resolved that the Company should execute a Deed of Company Arrangement ("DOCA") in accordance with the terms of a DOCA Proposal which had been received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX Limited ("ASX") will agree to the shares in the Company being reinstated to official quotation. On 18 May 2016 the ASX provided in principle approval for the Company's securities to be reinstated to official quotation subject to the satisfaction of a number of conditions precedent (the "ASX Conditions Precedent") which are considered standard conditions for recapitalisations of this nature. The ASX has allowed until 13 February 2018 in order for the Company to comply with the ASX Conditions Precedent.

The above represents a key milestone in the recapitalisation of the Company pursuant to the DOCA. The DOCA Proponent, Ascent Capital Holdings Pty Ltd ("Ascent"), and the Deed Administrators are now progressing towards the satisfaction of the ASX Conditions Precedent, including, but not limited to, the preparation for a meeting of shareholders to seek approval of the Company's recapitalisation proposal.

The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company) and are currently carried at nil value; and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

ASIC have re-extended the due date for lodgement of the Company's outstanding financial statements together with any full year or interim financial account lodgements subsequently falling due within the extension period, from 30 June 2016 to the earlier of 30 November 2017, with a further extension requested to 31 December 2017, or such time as the Company lodges a disclosure document with ASIC in connection with the issue of securities as contemplated by the Deed of Company Arrangement. ASIC have also extended the period within which the Company must hold its AGM to 31 January 2018.

Review of operations

Please refer to the "*Corporate*" section above.

Audit Report

The entity's auditor has included a disclaimer of opinion on the prior corresponding figures, and an emphasis of matter paragraph on material uncertainty regarding continuation as a going concern.

Future operations

Please refer to the "*Corporate*" section above.

Bushranger Copper Project - EL 5574 (<10%)

The company has elected to dilute its interest by not participating in exploration programmes. The Company's current holding is less than 10% and has been converted to a Net Smelter Royalty. This project is carried at a nil value in the Statement of Financial Performance (2015: \$Nil).

Annual Statement of Mineral Resources and Ore Reserves

The Company currently does not have any Mineral Resources or Ore Reserves.

CMD Gold Mine

The Company's effective date of disposal of the CMD Gold Mine was 17 April 2015.

Table 1 below reconciles annual unaudited CMD Gross Operating (Loss) / Profit to consolidated (Loss) Before Income Tax. Prior year CMD operating data presented in this table relates to the nine months ending 31 March 2015. CMD Gross Operating Profit / (Loss) equals revenues and doré in process 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.

Table 1 – Reconciliation of unaudited CMD Gross Operating Profit / (Loss) to consolidated (Loss) Before Income Tax

		Year ended 30 June, 2016	Year ended 30 June, 2015
CMD Gross Operating (Loss) (unaudited)	US\$000	-	(6,025)
A\$ / US average exchange rate for the period		-	0.84
CMD Gross Operating (Loss) (unaudited)	A\$000	-	(7,174)
Inventory adjustment	A\$000	-	2,414
Depreciation and amortization (other than deferred stripping amortization)	A\$000	-	(4,353)
Foreign exchange gain	A\$000	-	2,171
Net gain on disposal of subsidiaries	A\$000	-	32,015
Sale of mining properties	A\$000	-	3,779
Fair value on liabilities carried at fair value	A\$000	-	(960)
Finance expense	A\$000	-	(30)
Other corporate costs	A\$000	(166)	(1,610)
Administrator's fees and expenses	A\$000	(97)	(291)
Impairment loss	A\$000	-	(36,704)
Consolidated (Loss) Before Income Tax	A\$000	(263)	(10,743)

The directors present their report together with the financial report of the consolidated entity, being Lachlan Star Limited ("Company" or "Lachlan") and its subsidiaries ("consolidated entity" or "group"), at the end of and for the year ended 30 June 2016. Lachlan Star Limited is a listed public company incorporated and domiciled in Australia.

Directors

The names and details of the Company's directors in office at any time during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Declan Thomas Franzmann

Age 50. Appointed 26 September 2007.

Mr Franzmann is a mining engineer with more than 24 years mining experience. His previous experience includes operational and technical roles at underground and open pit mines throughout Australia, Asia and Africa. He operates a consulting company providing mine engineering services to a variety of companies and is presently President and Chief Executive Officer of TSX listed African Gold Group Inc.

During the past three years Mr. Franzmann has held the following listed company directorships:

African Gold Group Inc.	From May 2014 to present
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Peter Drobeck

Age 63. Appointed 22 November 2012. Deceased 1 November 2017

Mr Drobeck is a practicing geologist with 36 years of professional experience focused on exploration, development, and near-mine exploration in the Americas, Asia, Europe and Africa. Past positions have included Sr. Vice-President of Exploration at AuRico Gold Inc., an intermediate gold producer with operations in Mexico, and Vice-President of Exploration at Electrum Ltd., a private exploration company dedicated to grass roots gold discovery world-wide. Mr Drobeck led the Newcrest Mining team in the 1990's that discovered the giant Caspiche porphyry gold deposit in Chile, and also led the NGEx Resources (formerly Tenke Mining) team in the 2000's that discovered the Filo del Sol Cu-Au-Ag deposit on the Chile – Argentina border, and related porphyry gold-copper deposits in the region.

Mr Drobeck has not held any listed company directorships in the last three years. Mr Drobeck was a member of the Audit Committee throughout the period under review.

Anthony James Cipriano

Age 51. Appointed 17 February 2014.

Mr Cipriano is a Chartered Accountant with 28 years' accounting and finance experience. Mr Cipriano was formerly a partner at Deloitte and at the time of his retirement in 2013 he was the Deloitte National Tax Leader for Energy & Resources and leader of its Western Australian Tax Practice. Mr Cipriano has significant experience working across tax, accounting, legal and financial aspects of corporate transactions. He is also a graduate of the Australian Institute of Company Directors.

Mr Cipriano was a member of and Chairman of the Audit Committee throughout the period under review. During the past three years Mr. Cipriano has held the following listed company directorships:

Liontown Resources Limited	From July 2014 to present
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Company Secretary

Mr Robert Anderson was appointed Company Secretary on 15 October 2007. Mr Anderson is a Chartered Accountant who has previously held company secretarial positions in both ASX-listed and private companies.

Directors' meetings

There were no directors' meetings during the period under review. The Company was under control of the Administrators.

Principal activities

On 12 February 2015 the directors resolved to appoint Administrators and on 13 February 2015 Matthew David Woods and Hayden Leigh White of KPMG were appointed joint and several Administrators of the Company pursuant to section 436A of the Corporations Act 2001 (Cth) ("the Act").

On 7 August 2015 creditors of the Company resolved that the Company should execute a Deed of Company Arrangement ("DOCA") in accordance with the terms of a DOCA Proposal which had been received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX Limited ("ASX") will agree to the shares in the Company being reinstated to official quotation.

Environmental regulation and performance

The consolidated entity's exploration and mining activities were concentrated in Australia, and in the prior year Australia and Chile. Environmental obligations are regulated under both State and Federal Laws. No environmental breaches have been notified to the Company by government agencies during the year ended 30 June 2016.

Dividends

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the reporting period (2015: Nil).

Audit Committee

Names and qualifications of Audit Committee members

There were no Audit Committee meetings during the period under review. The Company was under the control of the Administrators.

Audit Committee meetings

There were no Audit Committee meetings during the period under review. The Company was under the control of the Administrators.

Identification of independent directors

The Company was placed into Administration on 13 February 2015 from which date the management of the Company fell to the Administrators.

Auditor's independence declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 15 and forms part of the directors' report for the financial year ended 30 June 2016.

Remuneration Committee

The Board considers that the Company is not currently of a size to justify the existence of a Remuneration Committee. The Company was under control of the Administrators.

Non-audit services

The auditors did not provide any non-audit services during either the period under review or the corresponding period.

Events subsequent to reporting date

The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company); and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

ASIC have re-extended the due date for lodgement of the Company's outstanding financial statements together with any full year or interim financial account lodgements subsequently falling due within the extension period, from 30 June 2016 to the earlier of 30 November 2017, with a further extension requested to 31 December 2017, or such time as the Company lodges a disclosure document with ASIC in connection with the issue of securities as contemplated by the Deed of Company Arrangement. ASIC have also extended the period within which the Company must hold its AGM to 31 January 2018.

Other than these no other matter or circumstance has arisen since 30 June 2016 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years (i) the consolidated entity's operations, or (ii) the results of those operations, or (iii) the consolidated entity's state of affairs.

Indemnity of directors and Company Secretary

Deeds of Access and Indemnity have been executed by the parent entity with each of the current directors and Company Secretary. The deeds require the Company to indemnify each director and the Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the director or Company Secretary pursuant to, or arising from or in any way connected with the director or Company Secretary being an Officer of the Company or its subsidiaries.

Significant changes in state of affairs

On 7 August 2015 creditors of the Company resolved that the Company should execute a Deed of Company Arrangement ("DOCA") in accordance with the terms of a DOCA Proposal which had been received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX Limited ("ASX") will agree to the shares in the Company being reinstated to official quotation.

Remuneration report

The Remuneration Report is set out on pages 10 to 14 and forms part of this Directors' Report.

Insurance of directors and officers

During the financial year the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

Likely developments

The DOCA proponent, Ascent, and the Deed Administrators are now progressing towards the satisfaction of the ASX Conditions Precedent, including, but not limited to, the preparation for a meeting of shareholders to seek approval of the Company's recapitalisation proposal. The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company); and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

Operating and financial review

An operating and financial review for the period is set out on pages 3 to 5 and forms part of this Directors' Report.

Directors' interests

At the date of this report, the relevant interests of the directors in securities of the Company are as follows:

Name	Ordinary shares	Options over ordinary shares
DT Franzmann	1,126,820	-
AJ Cipriano	-	-
P Drobeck	-	-

Shares under option

The following unissued ordinary shares of the Company are under warrant / option:

Expiry date	Exercise price	Number 01/07/15	Issued	Expired / cancelled	Number 30/6/16
2/10/15	CDN\$0.30	432,870	-	(432,870)	-
7/11/15	CDN\$0.30	1,097,561	-	(1,097,561)	-
29/11/15	\$0.25	1,050,000	-	(1,050,000)	-
27/11/16	\$0.25	150,000	-	-	150,000
27/11/16	\$0.125	1,900,000	-	-	1,900,000
		4,630,431	-	(2,580,431)	2,050,000

No options have been granted or exercised since the end of the reporting period. During the reporting period there was no forfeiture or vesting of options granted in previous periods.

Proceedings on behalf of the consolidated entity

No person has applied for leave to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Remuneration report

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

Principles used to determine the nature and amount of compensation

The Company was under the control of the Administrators during the period. No director or executive remuneration has been paid during the period under review.

The Company's shares were suspended on ASX as at 30 June 2016.

Use of remuneration consultants

The Company did not engage remuneration consultants during the current or prior financial year.

Voting and comments made at the Company's Annual General Meeting

This Remuneration Report has not been submitted before shareholders at AGM as the Company is currently subject to a Deed of Company Arrangement. The Administrators have been granted an extension from the Australian Securities and Investments Commission to defer the next General Meeting to no later than 31 January 2018.

Service contracts

The Company is subject to a Deed of Company Arrangement and does not have any contracts with key management personnel.

Loans to and other transactions with key management personnel

Current trade and other payables of include \$174,049 (2015: \$125,109) to key management personnel at reporting date in respect of outstanding fees.

The consolidated entity did not have any other loans or transactions with related parties during the current year.

Directors' and other key management personnel remuneration, Company and consolidated entity

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named Company and consolidated entity key management personnel receiving the highest remuneration are set out on the following page.

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DIRECTORS' REPORT

Remuneration report (continued)

Name	Short term salary and fees (\$)	Share based payments - options (\$)	Share based payments - shares (\$)	Short term incentive (cash bonus) (\$)	Termination (\$)	Post- employment (superannuation contributions) (\$)	Total (\$)	Proportion of remuneration performance related (%)	Value of options as a % of remuneration (%)
Directors									
<i>Non-Executive</i>									
Mr SG Perry									
2015 (Resigned 16 October 2014)	44,375	-	-	-	-	-	44,375	-	-
Mr PB Babin									
2015 (appointed 17 October 2014, resigned 18 March 2015)	30,822	-	-	-	-	-	30,822	-	-
Mr P Drobeck									
2016	-	-	-	-	-	-	-	-	-
2015	25,000	-	-	-	-	-	25,000	-	-
Mr AJ Cipriano									
2016	-	-	-	-	-	-	-	-	-
2015	22,831	-	-	-	-	2,169	25,000	-	-
Mr DT Franzmann									
2016	-	-	-	-	-	-	-	-	-
2015	25,000	-	-	-	-	-	25,000	-	-
<i>Executive</i>									
Executive Officers									
Mr U De Oliveira (Chief Executive Officer)									
2015	284,118	-	-	-	-	-	284,118	-	-
Mr RA Anderson (CFO/Company Secretary)									
2016	-	-	-	-	-	-	-	-	-
2015	155,538	-	-	-	-	-	155,538	-	-
Total compensation: key management personnel (Company and consolidated entity)									
2016	-	-	-	-	-	-	-		
2015	587,684	-	-	-	-	2,169	589,853		

Notes

- (1) The 2016 amounts above exclude \$600 per week accruing to Mr Anderson from 28 March 2015 that only become payable subject to funding received by the by the Deed Administrators under the Deed of Company Arrangement
(2) Director and other key management personnel fees are paid to the individual or their related entity

Remuneration report (continued)

Share options

The movement during the reporting period in the number of options in Lachlan Star Limited held, directly, indirectly or beneficially by each key management person are as follows. All share options on issue at 30 June 2016 were vested and exercisable at that date.

Director	Held at 01/07/15	Issued as compensation	Exercised	Cancelled / Expired	Held at 30/06/16
P Drobeck	300,000	-	-	(150,000)	150,000
AJ Cipriano	300,000	-	-	-	300,000
DT Franzmann	300,000	-	-	(150,000)	150,000

Executive Officer

RA Anderson	450,000	-	-	(150,000)	300,000
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No options over unissued ordinary shares of the Company were issued in the current period. The following options over unissued ordinary shares of the Company were granted to key management personnel during the prior period.

2015

Director	Expiry date	Exercise price	Date issued	Vesting date	Number
P Drobeck	27/11/16	\$0.125	27/11/14	27/11/14	150,000
AJ Cipriano	27/11/16	\$0.125	27/11/14	27/11/14	150,000
AJ Cipriano	27/11/16	\$0.25	27/11/14	27/11/14	150,000
DT Franzmann	27/11/16	\$0.125	27/11/14	27/11/14	150,000

Executive Officer	Expiry date	Exercise price	Date issued	Vesting date	Number
U De Oliveira	27/11/16	\$0.125	27/11/14	27/11/14	400,000
RA Anderson	27/11/16	\$0.125	27/11/14	27/11/14	300,000

No options have been granted since the end of the financial year, nor have any options held by key management personnel been exercised during or since the end of the reporting period. During the reporting period there was no forfeiture or vesting of options granted in previous periods. Details of options that expired during the period are set out on page 9 of this report.

The fair value of options is calculated at the date of grant using the Black-Scholes Option Pricing Model. The following factors and assumptions were used in determining the fair value of options issued during the prior period.

2015							
Grant date	Expiry date	Fair value per option	Exercise price at issue date	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
27/11/2014	27/11/2016	\$0.00	\$0.125	\$0.023	51.5%	4%	0%
27/11/2014	27/11/2016	\$0.00	\$0.25	\$0.023	51.5%	4%	0%

Remuneration report (continued)

Share options (continued)

The movement during the current and prior reporting period, by value, of options over ordinary shares for key management personnel and granted as part of their remuneration is detailed below:

2016					
Director	Granted in year (\$)	Exercised in year (\$)	Value of Options Forfeited in year (\$)	Cancelled / expired in year (\$)	Total value in year (\$)
P Drobeck	-	-	-	(11,447)	(11,447)
DT Franzmann	-	-	-	(11,447)	(11,447)
AJ Cipriano	-	-	-	-	-

2015					
Executive Officer	Granted in year (\$)	Exercised in year (\$)	Value of Options Forfeited in year (\$)	Cancelled / expired in year (\$)	Total value in year (\$)
RA Anderson	-	-	-	(11,447)	(11,447)

2015					
Director	Granted in year (\$)	Exercised in year (\$)	Value of Options Forfeited in year (\$)	Cancelled / expired in year (\$)	Total value in year (\$)
P Drobeck	-	-	-	-	-
SG Perry	-	-	-	(11,447)	(11,447)
DT Franzmann	-	-	-	-	-
AJ Cipriano	-	-	-	-	-
PJ Babin	-	-	-	-	-

2015					
Executive Officer	Granted in year (\$)	Exercised in year (\$)	Value of Options Forfeited in year (\$)	Cancelled / expired in year (\$)	Total value in year (\$)
U De Oliveira	-	-	-	(21,417)	(21,417)
RA Anderson	-	-	-	-	-

The value of options granted during the year is the fair value of the options at grant date using the Black-Scholes Option Pricing Model. The value of options exercised during the year is calculated as the market price of shares of the Company on ASX Limited as at close of trading on the date the options were exercised, after deducting the price paid to exercise the options.

Remuneration report (continued)

Shares

The movement during the reporting period in the number of ordinary shares in Lachlan Star Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Director	Held at 01/07/15	Net acquired / (disposed)	Granted as compensation	Held at 30/6/16
DT Franzmann	1,126,820	-	-	1,126,820
P Drobeck	-	-	-	-
AJ Cipriano	-	-	-	-
Executive Officer				
RA Anderson	393,080	-	-	393,080

No ordinary shares were granted to key management personnel during the current period. The following ordinary shares of the Company were granted to key management personnel during the prior period as part of their remuneration for no cash consideration.

2015

Executive Officer	Date issued	Vesting date	Number
U De Oliveira	27/11/14	27/11/14	300,000

Signed in accordance with a resolution of the directors.



Director

Perth, 19 December 2017



Auditor's Independence Declaration

As lead auditor for the audit of Lachlan Star Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lachlan Star Limited and the entities it controlled during the period.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
19 December 2017

PricewaterhouseCoopers, ABN 52 780 433 757

Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue from continuing operations			
Revenue	2	-	55,518,857
Finance income		16	344
		<u>16</u>	<u>55,519,201</u>
Gain on sale of mining properties		-	3,779,489
Foreign exchange gain	4	-	2,171,184
Net gain on disposal of subsidiaries	4	-	32,015,449
Expenses			
Cost of sales	3	-	(63,911,468)
<i>Other expenses from ordinary activities</i>			
Impairment loss	4	-	(36,703,972)
Corporate compliance and management		(151,278)	(1,526,730)
Share based payments expense		-	(30,830)
Occupancy costs		-	(7,279)
Other expenses		(15,179)	(46,477)
Finance expense	4	(110)	(751,234)
Administrator's fees and expenses		(96,795)	(290,609)
Fair value (loss) on liabilities carried at fair value		-	(960,447)
		<u>(263,346)</u>	<u>(10,743,723)</u>
(Loss) before income tax		(263,346)	(10,743,723)
Income tax (expense)	6	-	-
		<u>-</u>	<u>-</u>
(Loss) for the period	22 (c)	(263,346)	(10,743,723)
Other comprehensive (loss) for the period net of income tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on disposal of subsidiaries		-	(6,361,587)
		<u>-</u>	<u>(6,361,587)</u>
Total comprehensive (loss) for the period		<u>(263,346)</u>	<u>(17,105,310)</u>
		Cents	Cents
Basic (loss) per share	5	(0.2)	(6.7)
Diluted (loss) per share	5	(0.2)	(6.7)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	17(b)	74,044	63,776
Trade and other receivables	8	41,253	55,479
Total current assets		<u>115,297</u>	<u>119,255</u>
Total assets		<u>115,297</u>	<u>119,255</u>
Current liabilities			
Trade and other payables	13	1,225,103	965,715
Total current liabilities		<u>1,225,103</u>	<u>965,715</u>
Total liabilities		<u>1,225,103</u>	<u>965,715</u>
Net assets / (liabilities)		<u>(1,109,806)</u>	<u>(846,460)</u>
Equity			
Contributed equity	22(a)	226,058,062	225,881,084
Reserves	22(b)	-	176,978
Accumulated losses	22(c)	(227,167,868)	(226,904,522)
Total equity		<u>(1,109,806)</u>	<u>(846,460)</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed equity \$	Accumulated losses \$	Share based payments reserve \$	Foreign exchange reserve \$	Total \$
Balance at 30 June 2014	224,521,579	(216,160,799)	210,399	6,361,587	14,932,766
(Loss) for the year	-	(10,743,723)	-	(6,361,587)	(17,105,310)
Total comprehensive (loss) for the year	-	(10,743,723)	-	(6,361,587)	(17,105,310)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued for cash	1,308,104	-	-	-	1,308,104
Share issue costs	(12,850)	-	-	-	(12,850)
Share based payments	64,251	-	(33,421)	-	30,830
Balance at 30 June 2015	225,881,084	(226,904,522)	176,978	-	(846,460)
Loss for the year	-	(263,346)	-	-	(263,346)
Total comprehensive loss for the year	-	(263,346)	-	-	(263,346)
<i>Transactions with owners in their capacity as owners:</i>					
Share based payments	176,978	-	(176,978)	-	-
Balance at 30 June 2016	226,058,062	(227,167,868)	-	-	(1,109,806)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers and GST recovered		6,096	56,443,872
Payments to suppliers and employees		(45,734)	(53,263,036)
Interest received		16	-
Interest paid		(110)	(747,016)
Net cash (outflows) / inflows from operating activities	17(a)	<u>(39,732)</u>	<u>2,433,820</u>
Cash flows from investing activities			
Sale of mining properties		-	3,778,762
Payments for acquisition of property, plant and equipment	10	-	(274,456)
Payments for mine development		-	(3,472,563)
Disposal of subsidiaries		-	426,017
Net cash flows generated from investing activities		<u>-</u>	<u>457,760</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares	22	-	1,308,104
Funding from DOCA proponent		50,000	-
Repayment of borrowings		-	(6,196,872)
Payment of share issue costs	22	-	(12,850)
Net cash flows from / (used in) financing activities		<u>50,000</u>	<u>(4,901,618)</u>
Net increase / (decrease) in cash and cash equivalents		10,268	(2,010,038)
Effect of exchange rate fluctuations on cash held		-	142,254
Cash and cash equivalents at the beginning of the year		<u>63,776</u>	<u>1,931,560</u>
Cash and cash equivalents at the end of the year	17(b)	<u>74,044</u>	<u>63,776</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

1. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Lachlan Star Limited and its subsidiaries.

(a) Basis of preparation

These general purpose 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, Urgent Issues Group Interpretations, and the Corporations Act 2001. Lachlan is a for-profit entity for the purposes of preparing the financial statements. Compliance with Australian Accounting Standards ensures that the consolidated financial report of Lachlan Star Limited complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The functional and presentation currency of the Company is Australian dollars. The financial report was authorised for issue by the Deed Administrator on 19 December 2017. Lachlan Star Limited is a company limited by shares, incorporated and domiciled in Australia.

Basis of measurement

The financial report is prepared on a historical cost basis as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

Going concern

The consolidated entity reported a net loss after taxation of \$263,346 for the period and had a net current asset deficiency of \$1,109,806 at balance date. The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe it is appropriate to prepare these accounts on a going concern basis because under the DOCA effectuated on 31 August 2015 the Company will extinguish all liabilities associated with the previous administration of the Company subject to the Conditions Precedents being satisfied and is in the process of undertaking a capital raising of a minimum of A\$1,828,953. However, the company is also in a net liability position as at 30 June 2016 and its ability to continue as a going concern is dependant on being able to raise additional funds to recapitalise the company.

Administration and Deed of Company Arrangement

On 13 February 2015 Matthew David Woods and Hayden Leigh White of KPMG were appointed joint and several Administrators of the Company pursuant to section 436A of the Corporations Act 2001 (Cth) ("the Act") and the Company was delisted from the Toronto Stock Exchange on 25 March 2015. Following a public expressions of interest campaign the Administrators received five proposals from proponents to restructure and recapitalise the Company via a Deed of Company Arrangement ("DOCA"). Following a period of negotiation with each proponent the Administrators selected Ascent Capital Holdings Pty Ltd ("Ascent") as the preferred proponent based on the likely return to creditors as well as an assessment of the relative completion risk.

The Second Meeting of Creditors was held on Friday 7 August 2015. Creditors of the Company resolved that the Company should execute a DOCA in accordance with the terms of a DOCA Proposal which was received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX Limited ("ASX"). The DOCA was executed on 31 August 2015. The DOCA Proposal is conditional on (amongst other things) shareholder approval.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX will agree to the shares in the Company being reinstated to official quotation. On 18 May 2016 the ASX provided in principle approval for the Company's securities to be reinstated to official quotation subject to the satisfaction of a number of conditions precedent (the "ASX Conditions Precedent") which are considered standard conditions for recapitalisations of this nature. The ASX has allowed until 13 February 2018 in order for the Company to comply with the ASX Conditions Precedent.

1. Significant accounting policies

(a) Basis of preparation (continued)

Going concern (continued)

The above represents a key milestone in the recapitalisation of the Company pursuant to the DOCA. The DOCA proponent, Ascent, and the Deed Administrators are now progressing towards the satisfaction of the ASX Conditions Precedent, including, but not limited to, the preparation for a meeting of shareholders to seek approval of the Company's recapitalisation proposal.

The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company); and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

ASIC have re-extended the due date for lodgement of the Company's outstanding financial statements together with any full year or interim financial account lodgements subsequently falling due within the extension period, from 30 June 2016 to the earlier of 30 November 2017, with a further extension requested to 31 December 2017, or such time as the Company lodges a disclosure document with ASIC in connection with the issue of securities as contemplated by the Deed of Company Arrangement. ASIC have also extended the period within which the Company must hold its AGM to 31 January 2018.

Recapitalisation of the company

The DOCA outlines a number of conditions precedent when once achieved, the Deed Administrators will form either a Creditors' Trust or a Creditors and Members' Trust and become its Trustees.

The DOCA contemplates the following:

- Ascent acting as Proponent for a capital raising for the Company which will provide for a cash injection into the Trust of \$675,000;
- The issue and allotment of 20,000,000 ordinary shares at a deemed issue price of 0.5 cents per share for the benefit of Creditors' claims into the Trust;
- The resolution or otherwise assignment of the Related Party Debt and Claims into the Trust;
- The Princhester and Bushranger assets to be retained by the Company to enable the Company to be reinstated on the ASX; and
- A consolidation of the issued capital of the Company on a 5:1 basis.

Preparation of the financial report on a going concern basis

As a result of the matters outlined above, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

1. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgements

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:

(i) Functional currency

Companies in the consolidated entity 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.

In the prior period, for subsidiaries Compania Minera Dayton ("CMD"), Dayton Chile Exploraciones Mineras Limitada ("DCEM"), Minera Andacollo Spa, Minera La Laja Spa, and Minera Rosario Spa 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 US dollar is the functional currency for those companies.

For Lachlan Star Limited and its other subsidiaries management have determined that the Australian dollar is the functional currency for those companies given their recurring revenue and expenditure is mostly in Australian dollars.

(ii) Exploration and evaluation expenditure

Expenditure which does not form part of the cash generating units assessed for impairment has been carried forward in accordance with Note 1(e) 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.

(iii) Income taxes

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement 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.

1. Significant accounting policies (continued)

(b) Recoverable amount of assets and impairment testing

Goodwill and assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired, by estimating their recoverable amount.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such an indicator exists, a formal assessment of recoverable amount is then made. Where this is less than carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs of disposal and value in use. Fair value less cost of disposal is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating fair value less cost of disposal, a post-tax discount rate is used which reflects the market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in profit or loss.

(c) Principles of consolidation

Subsidiaries

The consolidated financial report comprises the financial statements of the Company and its controlled entities. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to effect those returns through its power to direct the activities of the entity. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Where a subsidiary enters or leaves the consolidated entity during the year, its operating results are included or excluded from the date control was obtained or until the date control ceased. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those applied by the parent entity.

(d) Receivables

Trade and other receivables are initially stated at fair value and subsequently measured at amortised cost, less impairment losses. Trade receivables comprise amounts due from customers for metal sales in the ordinary course of business.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised within other expenses in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

1. Significant accounting policies (continued)

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the consolidated entity's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area or by its sale, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 1(b).

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine development properties.

(f) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities. Goodwill represents the excess of the cost of acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative it is recognised immediately in profit or loss.

Goodwill is not amortised and is subsequently measured at cost less accumulated impairment losses as determined in accordance with Note 1(b).

(g) Earnings per share

The consolidated entity presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options granted.

(h) Share based payments

Fair value of shares and share options granted as compensation is recognised as an expense with a corresponding increase in equity. Fair value is measured at grant date and recognised over the period during which the grantees become unconditionally entitled to the shares or share options. Fair value of share grants at grant date is determined by the share price at that time. The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, any vesting and performance criteria, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. Upon the exercise of the option, the balance of the share-based payments reserve relating to the option is transferred to contributed equity. There are no non-market conditions attached to share options granted.

1. Significant accounting policies (continued)

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the consolidated entity. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the consolidated entity recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the consolidated entity's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(j) Income tax

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the profit or loss except where it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is considered probable.

1. Significant accounting policies (continued)

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), or in Chile Value Added Tax ("VAT"), except where the amount of GST (or VAT) incurred is not recoverable from the Australian or Chilean Tax Office. In these circumstances the GST (or VAT) is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST (or VAT). The cash flow statement discloses the GST (or VAT) component of investing and financing activities as operating cash flows.

(l) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits and termination indemnities arising from services rendered by employees to balance date.

(i) Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulated sick leave is recognized in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurement as a result of experience adjustments and changes in actual assumptions are recognized in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation in the form of options is measured using an option pricing model and is expensed or charged to contributed equity over the vesting period of the options with a corresponding credit to the share based payments reserve.

(iv) Termination Benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed or where there is a contractual liability. The liabilities for termination benefits are recognised as provisions. Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, but only where the effect of discounting is material. Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

1. Significant accounting policies (continued)

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

(o) Foreign currency

Functional and presentation currency

The functional currency of each of the consolidated entity'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.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance sheet date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in profit or loss.

Foreign operations

The financial performance and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at statement of financial position date
- 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 consolidated entity'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.

1. Significant accounting policies (continued)

(p) Property, plant and equipment

Recognition and measurement

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial year in which they are incurred.

Impairment

The carrying amount of property, plant and equipment is reviewed whenever there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part. Impairment testing is carried out in accordance with Note 1(b).

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation and impairment

Depreciation on plant and equipment is calculated over the expected useful life to the economic entity commencing from the time the asset is held ready for use. The following useful lives are used in the calculation of depreciation:

Depreciation is calculated on a unit of production basis so as to write off costs in proportion to the depletion of estimated recoverable ounces.

Assets held under a finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in other profit or loss and other comprehensive income.

(q) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost. The amounts are unsecured and usually paid within 90 days of recognition.

(r) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

1. Significant accounting policies (continued)

(s) Borrowing costs

Borrowing costs comprise interest expense on borrowings, bank fees, the unwinding of the discount on deferred consideration and provisions, the fair value adjustment to a financial liability, and exchange gains / (losses) on foreign currency borrowings.

(t) Investments and other financial assets

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Initial fair value is inclusive of transaction costs except for financial assets and liabilities at fair value through profit and loss. Changes in fair value are either taken to the profit and loss or to an equity reserve (refer below). Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment losses. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(iii) Held-to-maturity investments

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Held-to-maturity investments are stated at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not included in any of the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity in an available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in other comprehensive income as gains and losses from investment securities.

1. Significant accounting policies (continued)

(u) Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The consolidated entity does not expect that any adjustments will be necessary as the result of applying the revised standards and interpretations.

(w) Parent entity financial information

The financial information for the parent entity, Lachlan Star Limited, disclosed in Note 18 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Lachlan Star Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation

The Company and its wholly-owned Australian resident controlled entities have formed a tax-consolidated group and are therefore taxed as a single entity. Lachlan Star Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(x) Mine development properties

Mine development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, together with subsequent costs to develop the asset to the production phase. Where the directors decide that specific costs will not be recovered from future development, those costs are charged to profit or loss during the financial period in which the decision is made.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

1. Significant accounting policies (continued)

(z) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases which transfer to a lessee substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. Other lease agreements are treated as operating leases.

Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income except for borrowing costs related to the financing of assets constructed for own use (during the construction period). Capitalised leased assets used in mining operations are depreciated on a unit of production basis so as to write off the costs in proportion to the depletion of estimated recoverable ounces.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(aa) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(ab) Contingencies

Contingent liabilities are defined as possible obligations resulting from past events whose existence depends on future events, obligations that are not recognised because it is not probable that they will lead to an outflow of resources, or obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the statement of financial position other than as part of a business combination, but are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

(ac) Financial liabilities (including borrowings)

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through the profit or loss, borrowings, payables or as derivatives as hedging instruments in an effective hedge, as appropriate. The consolidated entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of borrowings, less directly attributable transaction costs. The subsequent measurement of financial liabilities depend on their classification.

After initial recognition, borrowings and payables are subsequently measured at amortised cost using the effective interest rate method or at fair value. Gains and losses are recognised in other comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm's length market transactions, references to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

2. Revenue

	2016 \$	2015 \$
Sale of gold	-	55,473,155
Sale of silver (net of refining)	-	(69,402)
Sale of copper	-	115,104
	-	55,518,857

3. Cost of sales

Depreciation and amortisation	-	9,606,880
Inventory adjustments	-	(1,437,692)
Mine operational expenses including reagents, utilities, maintenance and personnel expenses	-	54,245,216
Royalties	-	1,497,064
	-	63,911,468

4. Expenses

Loss before income tax includes the following specific expenses:

Impairment loss

Exploration and evaluation	-	2,775,444
Property, plant and equipment	-	18,007,101
Mine development properties	-	15,921,427
	-	36,703,972

Finance costs

Interest and finance charges	110	751,234
	110	751,234

Foreign exchange gain

Net foreign exchange gain shown separately as foreign exchange gain	-	2,171,184
Total foreign exchange gain	-	2,171,184

Net gain on disposal of subsidiary

Net gain on disposal of subsidiary	-	32,015,449
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5. Earnings per share

	2016 Number	2015 Number
<i>Weighted average number of ordinary shares:</i>		
1 July	165,393,259	147,632,273
Weighted number of shares issued	-	12,349,475
30 June (basic)	165,393,259	159,981,748
30 June (diluted)	165,393,259	159,981,748
<i>(Loss) attributable to ordinary shareholders for basic and diluted (loss) per share:</i>		
	(\$263,346)	(\$10,743,723)
<i>Basic and diluted loss per share (cents per share)</i>	(0.2)	(6.7)

All potential ordinary shares, being options to acquire ordinary shares, are not considered dilutive in the calculation of the diluted 2016 and 2015 loss per share as the exercise of the options would not increase the loss per share.

6. Income tax benefit

	2016 \$	2015 \$
<i>Numerical reconciliation of income tax expense / benefit to prima facie tax expense / benefit:</i>		
(Loss) before income tax	(263,346)	(10,743,723)
Prima facie income tax (benefit) on pre-tax loss at the Australian income tax rate of 30% (2015: 30%)	(79,003)	(3,223,117)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Share based payments expense	-	9,367
Net gain on disposal of subsidiaries	-	(9,604,634)
	(79,003)	(12,818,384)
Difference in overseas tax rate	-	3,717,826
Current year tax losses and temporary differences not brought to account	79,003	9,100,558
Income tax expense	-	-
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax	-	-
	-	-

7. Auditors' remuneration

PricewaterhouseCoopers Australia		
Statutory audit and review:	6,750	6,750
	6,750	6,750

8. Trade and other receivables

	2016 \$	2015 \$
<i>Current</i>		
Other receivables and prepayments - third parties	41,253	55,479
	<u>41,253</u>	<u>55,479</u>

9. Mine development properties

<i>Cost</i>		
Balance at beginning of period	-	66,354,933
Effect of movements in exchange rates	-	17,966,386
Capitalised during the year	-	3,473,705
Disposal of subsidiaries	-	(87,795,024)
Balance at end of period	<u>-</u>	<u>-</u>
<i>Accumulated amortization</i>		
Balance at beginning of period	-	51,387,566
Amortisation	-	8,298,925
Impairment loss	-	15,921,427
Effect of movements in exchange rates	-	12,187,106
Disposal of subsidiaries	-	(87,795,024)
Balance at end of period	<u>-</u>	<u>-</u>
Carrying amount at beginning of period	<u>-</u>	<u>14,967,367</u>
Carrying amount at the end of period	<u>-</u>	<u>-</u>

10. Property plant and equipment

	Fixture and fittings \$	Vehicles \$	Land and buildings \$	Mine plant \$	Total \$
2016					
<i>Cost:</i>					
Balance at beginning of period	-	-	-	-	-
Balance at end of period	-	-	-	-	-
<i>Accumulated depreciation:</i>					
Balance at beginning of period	-	-	-	-	-
Balance at end of period	-	-	-	-	-
Carrying amount at beginning of period	-	-	-	-	-
Carrying amount at end of period	-	-	-	-	-
2015					
<i>Cost:</i>					
Balance at beginning of period	569,798	47,946	83,152	48,697,940	49,398,836
Effect of movements in exchange rates	117,622	11,194	19,400	11,362,362	11,510,578
Additions	-	-	-	274,456	274,456
Disposal of subsidiaries	(687,420)	(59,140)	(102,552)	(60,334,758)	(61,183,870)
Balance at end of period	-	-	-	-	-
<i>Accumulated depreciation:</i>					
Balance at beginning of period	178,496	47,946	-	31,334,168	31,560,610
Depreciation charge for period	12,298	-	-	1,732,045	1,744,343
Impairment loss	465,792	-	-	17,541,309	18,007,101
Effect of movements in exchange rates	31,496	11,194	-	9,829,126	9,871,816
Disposal of subsidiaries	(688,082)	(59,140)	-	(60,436,648)	(61,183,870)
Balance at end of period	-	-	-	-	-
Carrying amount at beginning of period	391,102	-	83,152	17,363,772	17,838,026
Carrying amount at end of period	-	-	-	-	-

11. Exploration and evaluation

	2016 \$	2015 \$
Cost at beginning of period	7,990,484	7,990,484
Cost at end of financial period	7,990,484	7,990,484
Impairment provision	(7,990,484)	(7,990,484)
Carrying amount at end of period	-	-
Carrying amount at beginning of period	-	2,775,444

12. Deferred tax

A reconciliation of the movement in the net deferred tax asset is as follows:

	Tax losses \$	Site restoration \$	Property plant and equipment \$	Mine properties \$	Inventories \$	Total \$
2016						
Opening	-	-	-	-	-	-
Closing	-	-	-	-	-	-
2015						
Opening	4,348,454	775,741	(2,113,527)	(1,087,462)	(1,923,206)	-
Disposal of subsidiaries	(4,348,454)	(775,741)	2,113,527	1,087,462	1,923,206	-
Closing	-	-	-	-	-	-

13. Trade and other payables

	2016 \$	2015 \$
<i>Current</i>		
Trade payables – third parties	205,802	317,734
Non-trade payables and accrued expenses – third parties	845,252	522,872
Non-trade payables and accrued expenses – related parties	174,049	125,109
	<u>1,225,103</u>	<u>965,715</u>

These amounts will be verified to Proof's of Debt submitted by the creditors which are adjudicated by the Creditors' Trustee prior to making any distribution of funds.

14. Provisions

Non-current

Site restoration:

Balance at beginning of the period	-	5,041,715
Effect of movements in exchange rates	-	1,145,956
Disposal of subsidiaries	-	(6,187,671)
Balance at end of the period	-	-

Termination:

Balance at beginning of the period	-	748,234
Effect of movements in exchange rates	-	164,523
Disposal of subsidiaries	-	(912,757)
Balance at end of the period	-	-

Carrying value

-	-
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15. Related party disclosures

Lachlan Star Limited is the ultimate parent entity.

During the period the Company had the following related party transactions (i) a retainer payable to the Company Secretary of \$600 per week is accruing from 28 March 2015, payable subject to funding obtained by the Deed Administrator.

In the corresponding period the consolidated entity had the following related party transactions (i) remuneration to directors and other key management personnel, as disclosed in the Remuneration Report as set out on pages 10 to 14 (ii) the October 2014 share placement to Hamilton, a party associated with the former director Mr Peter Babin (iii) a retainer payable to the Company Secretary of \$600 per week accruing from 28 March 2015, payable subject to funding obtained by the Deed Administrator.

Lachlan Star Limited is the ultimate parent entity.

Amounts due to related parties are set out in Note 13. Amounts due to related parties are due in the normal course of business and have no interest terms attaching to them. These amounts will be verified to Proof's of Debt submitted by the creditors which are adjudicated by the Creditors' Trustee prior to making any distribution of funds.

16. Capital commitments

There were no capital commitments at 30 June 2016 or 30 June 2015.

17. Reconciliation of (loss) after income tax to net cash flows used in operating activities

(a) *Cash flows generated from / (used in) operating activities*

	2016 \$	2015 \$
(Loss) for the period after tax	(263,346)	(10,743,723)
<i>Adjustment for non-cash items</i>		
Net gain on disposal of subsidiaries	-	(32,015,449)
Impairment loss	-	36,703,972
Fair value loss / (gain) on liabilities carried at fair value	-	960,447
Depreciation and amortization	-	10,043,268
Share based payments expense	-	30,830
Sale of mining properties	-	(3,779,489)
<i>Changes in assets and liabilities:</i>		
Decrease in receivables	14,226	1,977,600
Increase in payables	209,388	936,517
(Decrease) in provisions	-	(69,231)
(Increase) in inventories	-	(1,610,922)
Net cash (outflows) / inflows from operating activities	<u>(39,732)</u>	<u>2,433,820</u>

(b) *Reconciliation of cash and cash equivalents*

Cash at bank and at call	<u>74,044</u>	<u>63,776</u>
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(c) *Non cash financing and investing activities*

The consolidated entity's exposure to interest rate risk is discussed in Note 26. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

18. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2016 \$	2015 \$
<i>Statement of financial position</i>		
Current assets	115,330	99,386
Total assets	115,330	99,386
Current liabilities	1,225,104	966,457
Total liabilities	1,225,104	966,457
<i>Equity</i>		
Contributed equity	226,058,062	225,881,084
Share based payments reserve	-	176,978
Accumulated losses	(227,167,836)	(226,925,133)
Net (liabilities)	(1,109,774)	(867,071)
(Loss) for the year	(263,346)	(17,125,921)
Total comprehensive loss for the year	(263,346)	(5,097,487)

The parent entity did not have any contingent liabilities or capital commitments as at 30 June 2016 or 30 June 2015.

The Company and its wholly-owned Australian resident controlled entities have formed a tax-consolidated group and are therefore taxed as a single entity. Lachlan Star Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

19. Consolidated entities

Name	Country of incorporation	Ownership interest	
		2016	2015
<i>Legal parent</i>			
Lachlan Star Limited	Australia		
<i>Legal subsidiaries</i>			
Ord Investments Pty Ltd	Australia	100%	100%
Toodyay Uranium Pty Ltd	Australia	100%	100%

20. Segment information

(a) Description of segments

The consolidated entity reports one segment, being gold mining, exploration and evaluation, and corporate to the chief operating decision maker, being the board of Lachlan Star Limited, in assessing performance and determining the allocation of resources. In determining operating segments, the consolidated entity has had regard to the information and reports the chief operating decision maker uses to make strategic decisions regarding resources.

(b) Segment information provided to the board of directors

The Board of Directors assesses the performance of the segment based on financial performance indicators. Financial information for the segment is contained within the Operating and Financial Review as set out on pages 3 to 5. The geographic location of 100% non-current assets in both the current and prior period was Australia. In the prior period the consolidated entity derived 100% of its revenue from the sale of metals to one customer in one geographic region, Chile.

21. Events subsequent to reporting date

The second meeting of creditors was held on Friday 7 August 2015. Creditors of the Company resolved that the Company should execute a DOCA in accordance with the terms of a DOCA Proposal which had been received by the Administrators providing for the recapitalisation of the Company with the objective of having its shares re-quoted on the ASX.

The DOCA Proposal is conditional on a number of Conditions Precedent (the "DOCA Conditions Precedent") including, but not limited to, the granting of appropriate waivers by the ASX Limited ("ASX") with respect to the issuance of placement shares as contemplated by the DOCA, and the granting of a letter setting out the conditions upon which ASX will agree to the shares in the Company being reinstated to official quotation. On 18 May 2016 the ASX provided in principle approval for the Company's securities to be reinstated to official quotation subject to the satisfaction of a number of conditions precedent (the "ASX Conditions Precedent") which are considered standard conditions for recapitalisations of this nature. The ASX has allowed until 13 February 2018 in order for the Company to comply with the ASX Conditions Precedent.

The above represents a key milestone in the recapitalisation of the Company pursuant to the DOCA. The DOCA proponent, Ascent, and the Deed Administrators are now progressing towards the satisfaction of the ASX Conditions Precedent, including, but not limited to, the preparation for a meeting of shareholders to seek approval of the Company's recapitalisation proposal.

The Deed Administrators and Ascent are continuing to do all things possible to satisfy the remaining DOCA Conditions Precedent. Activities undertaken by the Parties in this respect include the following:

- Provision of available Company records by the Deed Administrators to Ascent, and facilitation of access to Company personnel for the purposes of Ascent's development of relevant submissions to the ASX in connection with the Conditions Precedent;
- The lodgement by Ascent of relevant submissions to the ASX in connection with the Conditions Precedent;
- Numerous discussions between Ascent and the ASX with respect to the Conditions Precedent, and the recapitalisation proposal contemplated by the DOCA generally;
- The engaging by Ascent of a qualified geologist to assist in the development a business case with respect to the Company's Princhester Mining Leases (which represent key assets of the Company); and
- General meetings and correspondence as required between the Deed Administrators and Ascent.

ASIC have re-extended the due date for lodgement of the Company's outstanding financial statements together with any full year or interim financial account lodgements subsequently falling due within the extension period, from 30 June 2016 to the earlier of 30 November 2017, with a further extension requested to 31 December 2017, or such time as the Company lodges a disclosure document with ASIC in connection with the issue of securities as contemplated by the Deed of Company Arrangement. ASIC have also extended the period within which the Company must hold its AGM to 31 January 2018.

Other than these no other matter or circumstance has arisen since 30 June 2016 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years (i) the consolidated entity's operations, or (ii) the results of those operations, or (iii) the consolidated entity's state of affairs.

22. Capital and reserves

(a) Contributed equity:

	2016 Number	2016 \$	2015 Number	2015 \$
<i>Ordinary shares</i>				
1 July	165,393,259	225,881,084	147,632,273	224,521,579
Issue of shares for cash	-	-	16,403,486	1,308,104
Costs of issue of shares	-	-	-	(12,850)
Share based payments	-	176,978	1,357,500	64,251
30 June	165,393,259	226,058,062	165,393,259	225,881,084

Ordinary shares have the right to one vote per share at meetings of the Company, to receive dividends as declared and, in the event of a winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held. Ordinary shares have been fully paid, have no par value, and the Company does not have a limited amount of authorised capital.

(b) Share based payments reserve

Movements in the share based payments reserve are set out in the statement of changes in equity on page 18. This reserve represents the fair value at grant of share options issued. The fair value is recognised as an expense over the vesting period. The reserve is reversed to contributed equity when shares are issued on exercise of the options or when the options are cancelled or expire.

(c) Accumulated losses

	2016 \$	2015 \$
1 July	(226,904,522)	(216,160,799)
(Loss) for the period	(263,346)	(10,743,723)
30 June	(227,167,868)	(226,904,522)

23. Key management personnel disclosures

(a) Key management personnel compensation

	2016 \$	2015 \$
Short term benefits	-	587,684
Post-employment benefits	-	2,169
	-	589,853

The above amounts include accrued amounts that may only become payable subject to funding received by the by the Deed Administrators under the Deed of Company Arrangement.

Detailed remuneration disclosures are provided in the Remuneration Report as set out on pages 10 to 14.

(b) Transactions with other related parties

Current trade and other payables of \$174,049 (2015: \$125,109) were payable to key management personnel at reporting date in respect of outstanding fees and expenses.

24. Contingent assets and liabilities

There were no contingent assets or contingent liabilities at 30 June 2016.

25. Share based payments

The number and weighted average exercise price of share options is as follows:

	2016			2015		
	Weighted average exercise price	Number of options	Expiry date	Weighted average exercise price	Number of options	Expiry date
Outstanding 1 July	\$0.22	4,630,431		\$0.43	2,955,431	
Expired / cancelled during the period	\$0.28	2,580,431		\$0.75	775,000	
Issued during the period	-	-		\$0.13	2,450,000	
Outstanding 30 June	\$0.13	2,050,000		\$0.22	4,630,431	
Outstanding at 30 June	\$0.13	2,050,000		\$0.22	4,630,431	
Outstanding 30 June	\$0.25	1,900,000	27/11/16	CDN\$0.30	432,870	2/10/15
	\$0.125	150,000	27/11/16	CDN\$0.30	1,097,561	7/11/15
				\$0.25	1,050,000	29/11/15
				\$0.25	1,900,000	27/11/16
				\$0.125	150,000	27/11/16

The fair value of services received in return for options for the consolidated entity is measured by reference to the fair value of share options granted using the Black-Scholes model, as set out below.

Fair value of share options and related assumptions

	2016	2015
Fair value at measurement date	-	\$Nil
Share price at date of issue	-	\$0.023
Exercise price	-	\$0.125 to \$0.25
Expected volatility	-	51.5%
Actual option life	-	24 months
Expected dividends	-	Nil
Risk-free interest rate	-	4%
Share-based cost recognised	-	\$Nil

The prior year volatility represents the Company's historic volatility over the twelve months to the time of issue and was intended to reflect the movement of the Company's share price volatility towards its peers as its assets mature. Further details of options issued to directors and executives are set out in the Remuneration Report on pages 10 to 14.

26. Financial risk management

The consolidated entity's activities expose it to credit risk, market risk (including interest rate risk, foreign exchange risk and price risk), and liquidity risk. This note presents qualitative and quantitative information about the consolidated entity's exposure to each of the above risks, its 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 consolidated entity'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 consolidated entity. The consolidated entity does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in interest rates and exchange rates, however these risks are currently negligible. The consolidated entity 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.

There are no formal targets set for return on capital. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated entity. 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 consolidated entity's financial assets represents the maximum credit exposure.

None of the receivables as at 30 June 2016 are past due or impaired.

The consolidated entity's maximum exposure to credit risk at the reporting date was:

	2016 \$	2015 \$
<i>Carrying amount:</i>		
Cash and cash equivalents	74,044	63,776
Trade and other receivables	41,253	55,479
	<u>115,297</u>	<u>119,255</u>

26. Financial risk management (continued)

(b) Market risk

(i) Cash flow and fair value interest rate risk

The significance and management of the risks to the consolidated entity is dependent on a number of factors including (i) interest rates (current and forward) and the currencies that are held; (ii) level of cash and liquid investments and borrowings; (iii) maturity dates of investments and loans; and (iv) proportion of investments and borrowings with fixed rate or floating rates.

The risk is managed by the consolidated entity maintaining an appropriate mix between fixed and floating rate investments. The consolidated entity's exposure to interest rate risk is considered minimal. The effective interest rates of financial assets and financial liabilities with interest obligations at the reporting date are as follows.

	Variable rate instruments at call 2016 (\$)	Fixed rate instruments 2016 (\$)	Weighted average interest rate 2016	Variable rate instruments at call 2015 (\$)	Fixed rate instruments 2015 (\$)	Weighted average interest rate 2015
<i>Financial assets</i>						
Cash and cash equivalents	74,044	-	-	63,776	-	-

The values above were the carrying amount of the consolidated entity's interest bearing financial instruments at 30 June 2016 and 30 June 2015.

(ii) Foreign exchange risk

Up until the disposal of the CMD Gold Mine the consolidated entity was 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\$. The consolidated entity did not hedge this risk, however it monitored these exchange rates so that this currency exposure was maintained at an acceptable level. There was a natural hedge in place to the extent US\$ costs are covered by US\$ revenues.

The major exchange rates relevant to the consolidated entity were as follows. Prior year rates are shown at 31 March 2015 as that approximates the effective date of the disposal of the CMD Gold Mine for which these foreign exchange rates are most relevant.

	Average 12 months ended 30 June 2016	As at 30 June 2016	Average 9 months ended 31 March 2015	As at 31 March 2015
A\$ / US\$	N/A	N/A	0.853	0.769
A\$ / CDN\$	N/A	N/A	0.971	0.985
US\$ / Peso	N/A	N/A	600	627
A\$ / Peso	N/A	N/A	512	479

The consolidated entity's exposure to foreign exchange risk at statement of financial position date was as follows, based on carrying amounts in A\$:

	2016 A\$	2016 CDN\$	2016 Totals A\$	2015 A\$	2015 CDN\$	2015 Totals A\$
Cash and cash equivalents	74,044	-	74,044	63,776	-	63,776
Trade and other receivables	41,253	-	41,253	55,479	-	55,479
Trade and other payables	(1,202,599)	(22,504)	(1,225,103)	(943,211)	(22,504)	(965,715)
	(1,087,302)	(22,504)	(1,109,806)	(823,956)	(22,504)	(846,460)

26. Financial risk management (continued)

(b) Market risk (continued)

(iii) Price risk

There was no price risk in the current period. In the prior period commodity price risk was the risk of financial loss resulting from movements in the price of the consolidated entity's commodity output, being mainly gold, which is denominated in US\$. This risk was not hedged.

The consolidated entity is not exposed to equity securities price risk at 30 June 2016 or 30 June 2015.

(c) Liquidity risk

On 12 February 2015 the directors resolved to appoint Administrators and on 13 February 2015 Matthew David Woods and Hayden Leigh White of KPMG were appointed joint and several Administrators of the Company pursuant to section 436A of the Corporations Act 2001 (Cth) ("the Act").

The following are the contractual maturities of consolidated financial liabilities:

	2016 \$	2015 \$
<i>Trade and other payables:</i>		
Carrying amounts	1,225,103	965,715
Contractual cashflows	1,225,103	965,715
Payable 6 months or less	1,225,103	965,715

(d) Fair values

The carrying amounts of consolidated financial assets and financial liabilities shown in the statement of financial position approximate their fair values. The basis for determining fair values is disclosed in Note 1(t). AASB 13 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(d) Fair values (continued)

There were no financial assets and liabilities measured and recognised at fair value at 30 June 2016 or 30 June 2015. The following table presents the change in value of financial liabilities measured at fair value instruments:

2016	Contingent consideration \$	Gold loan \$	Total \$
Opening balance	-	-	-
Closing balance	-	-	-
2015			
Opening balance	46,222	3,985,782	4,032,004
Fair value (gain) / loss	(10,000)	166,725	156,725
Repayment of borrowings	(24,447)	(1,176,089)	(1,200,536)
Foreign exchange	-	803,702	803,702
Liability settled on disposal of subsidiary	(11,775)	(3,780,120)	(3,791,895)
Closing balance	-	-	-

LACHLAN STAR LIMITED
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DIRECTORS' DECLARATION

(1) In the opinion of the directors of Lachlan Star Limited:

- (a) the financial statements and notes set out on pages 16 to 44 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) subject to Note 1(a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001*.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors.



Director

Perth, 19 December 2017



Independent auditor's report to the members of Lachlan Star Limited

Report on the financial report

We have audited the accompanying financial report of Lachlan Star Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Lachlan Star Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the current period's figures for the year ended 30 June 2016 included in the financial report.

Because of the matters described in the *Basis for disclaimer of opinion on the prior period corresponding figures* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the prior period corresponding figures included in the financial report in relation to the year ended 30 June 2015.

PricewaterhouseCoopers, ABN 52 780 433 757

Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Basis for disclaimer of opinion on the prior period corresponding figures

On 17 April 2015, in settlement of a secured debt, the company transferred to its creditor, its interest in DMC Newco Pty Ltd (DMC) which was the beneficial owner of the CMD Gold Mine. The entire consolidated revenue of \$55,518,857 and over 90% of the consolidated comprehensive loss of the consolidated entity of \$17,105,310 for the year relates to DMC. We were not granted access to management and the auditors of DMC, including DMC's auditors' audit documentation. As a result, we were unable to determine whether any adjustments were necessary in respect of DMC's income and expenses for the year and its elements making up the statement of changes in equity and consolidated statement of cash flows. Consequently, the financial statements for the year ended 30 June 2015 contained a disclaimer opinion. The corresponding amounts included in this financial report are therefore unaudited.

Auditor's opinion

In our opinion, except for the possible effects of the matter described in the *Basis for disclaimer of opinion on the prior period corresponding figures* paragraph:

- (a) the financial report of Lachlan Star Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1(a), which indicates that the consolidated entity incurred a net loss after tax of \$263,346 during the year ended 30 June 2016, and, as of that date, had a net current asset deficiency of \$1,109,806. As a result, the consolidated entity is dependent on successfully raising additional funding. These conditions, along with other matters set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 14 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and



presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, except for the matter described in the *Basis for disclaimer of opinion on prior period corresponding figures* paragraph, the remuneration report of Lachlan Star Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
19 December 2017

The Company was placed into Administration on 13 February 2015 from which date the management of the Company fell to the Administrators.

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ANNUAL REPORT 30 JUNE 2016
ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the ASX Limited ("ASX") Listing Rules and not disclosed elsewhere in this report is set out below.

a) Shareholdings as at 13 November 2017

Substantial shareholders

The following shareholders have lodged substantial shareholder notices with ASX:

Name of Shareholder	Number of shares	% held
Sentry Investments Inc., Sentry Capital Corp, Sean Driscoll	26,430,382	16.0%
Sprott Asset Management LP	21,777,733	13.1%
Baker Steel Capital Managers LLP	17,393,457	10.5%
Hamilton Place Associates LLC	16,403,486	10.0%
James W Stuckert	8,820,850	5.3%

Voting Rights

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

Twenty Largest Shareholders

		Number of shares	% held
1.	Canadian Register Control	128,473,199	77.68
2.	National Nominees Limited	11,316,310	6.84
3.	HSBC Custody Nominees (Australia) Limited	6,875,980	4.16
4.	J P Morgan Nominees Australia Limited	3,540,259	2.14
5.	BNP Paribas Noms Pty Ltd <DRP>	1,892,167	1.14
6.	HSBC Custody Nominees (Australia) Limited - A/C 3	600,000	0.36
7.	Citicorp Nominees Pty Limited	580,589	0.35
8.	Ubirata De Oliveira	450,000	0.27
9.	Zero Nominees Pty Ltd	367,712	0.22
10.	Mr Hamish Bohannon + Ms Julie Bohannon <Putborough Super Fund A/C>	347,348	0.21
11.	Hyndford Holdings Pty Ltd	297,846	0.18
12.	Ms Chongchit Cooper <Cooper Fund A/C>	274,735	0.17
13.	Markyle Pty Ltd <SG Butler Family A/C>	253,930	0.15
14.	Guido Osvaldo Rojas Fuenzalida	250,000	0.15
15.	Merrill Lynch (Australia) Nominees Pty Limited	228,818	0.14
16.	Mr Thomas Ernest Duckworth + Mrs Jennifer Audrey Duckworth <Superannuation A/C>	220,989	0.13
17.	Object ID Design Pty Ltd <Armageddon Super Fund A/C>	208,334	0.13
18.	Monex Boom Securities (HK) Ltd <Clients Account>	203,266	0.12
19.	Mr Robert Andueza + Mrs Cindy Andueza <Andueza S/F A/C>	200,000	0.12
20.	Mr Gabriel Urrea Castillo	195,000	0.12
	Total	156,776,482	94.79

a) Shareholdings as at 13 November 2017 (continued)

Distribution of equity security holders

Size of Holding			Number of shareholders	Number of fully paid shares
1	to	1,000	803	175,593
1,001	to	5,000	339	877,983
5,001	to	10,000	78	577,694
10,001	to	100,000	119	4,249,603
100,001	and over		40	159,512,386
			1,379	165,393,259

The Company is currently under Administration and its shares suspended from trading on ASX, therefore no shareholders are considered to have a marketable parcel of ordinary shares at this time.

b) Unlisted option holdings as at 13 November 2017

Nil

c) On-market buyback

There is no current on-market buyback.

d) Interest in mining and exploration permits

Exploration / Mining Lease	Location	% interest
ML 5831	Princhester, Queensland	100%
ML 5832	Princhester, Queensland	100%
EL 5574	Bushranger, New South Wales	Net Smelter Royalty