

Lachlan Star Limited
(ASX:LSA)
ACN 000 759 535

31 July 2018

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2018

Lachlan Star Limited (**Lachlan** or the **Company**) is pleased to present its quarterly activities report for the June quarter.

HIGHLIGHTS:

- Deed of company arrangement (**DOCA**) effectuated on 23 May 2018, releasing the Company from external administration.
- Successfully reinstated to trading on ASX 29 May 2018, following recapitalisation of the Company having raised \$3,328,933 (before costs) pursuant to a Prospectus.
- The Company is fully funded to undertake exploration at the Princhester Magnesite Project, Queensland, Australia.
- The Company will utilise a portion of funds on hand to review other project acquisition opportunities which will generate shareholder value.

CORPORATE:

DOCA

On 7 August 2015, at a second meeting of creditors of the Company, the creditors of the Company resolved to execute a deed of company arrangement (**DOCA**) recommended by the administrators.

During the June quarter the Company satisfied the various conditions of the DOCA, which included amongst other things, the recapitalisation of the Company, shareholder approval being obtained for a consolidation of the Company's securities, and satisfaction of ASX listing conditions. The DOCA was effectuated on 23 May 2018 which included the payment to the Deed Administrators of the amount of \$675,000 and the Company was successfully reinstated to trading on ASX on 29 May 2018.

Capital Raising

During the quarter the Company announced that it had raised \$3,328,933 (before costs) following completion of the Entitlement Offer, Proponent Offer and Placement Offer (**Offers**) by way of a Prospectus.

Following the Offers, the Capital Structure of the Company is:

Ordinary Shares	753,865,663
Unquoted Options (exercisable at \$0.005 each on or before 31 December 2021)	105,000,000

Cash Position

As at 30 June 2018 the Company had \$2 million cash on hand with nil debt.

OPERATIONS:

The Company has interests in two projects in Queensland, Australia, being the Princhester Magnesite Project and the Bushranger Copper Project.

Princhester Magnesite Project

The Princhester Magnesite Project is located 85km north west of Rockhampton, Queensland and comprises two granted Mining Leases (ML), ML5831 and ML5832. The ML's are close to the Bruce Highway and are within 2 kilometres of the main north coast railway line (**Figure 1**).

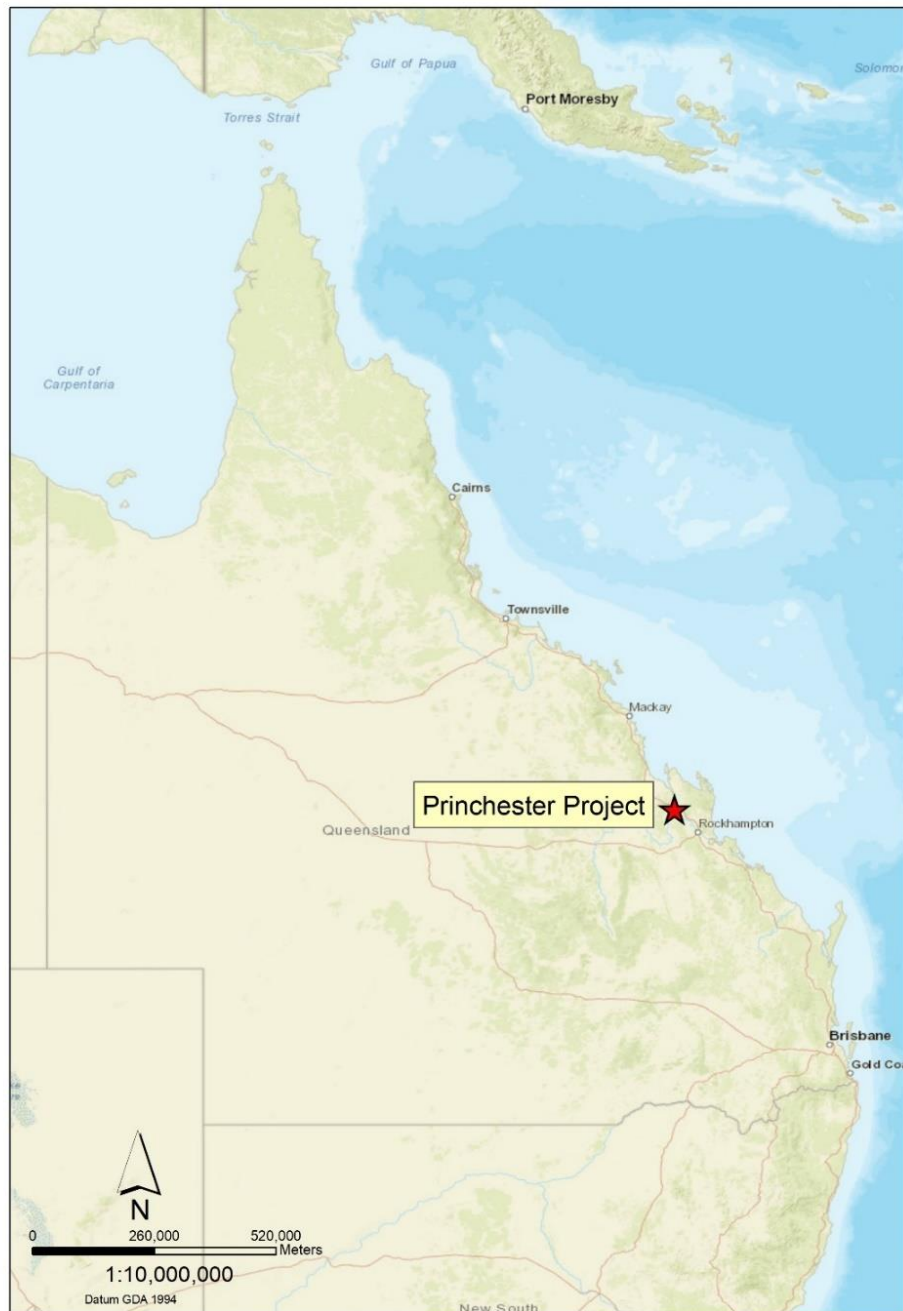


Figure 1: Location of Princhester Project, Queensland

Magnesite

Magnesite is an ore for magnesium production and the source of a range of industrial minerals.

There are two main uses for magnesite. The first is as feedstock in the production of dead-burned magnesia and for refractory brick use in lining furnaces in the steel industry and non-ferrous metal processing units and cement kilns. The second use is for processing to caustic calcined magnesia which is used principally as a food supplement in agribusiness and in fertilisers as well for fillers in paints, paper and plastics. Raw magnesite is used for surface coatings, landscaping, ceramics and as a fire retardant.

Conceptual exploration target

Based on the level of exploration work previously undertaken in respect of the MLs, and the size and mineralised nature of the Princhester Magnesite Project, the Company has generated an exploration target tonnage of between **4.13Mt and 5.44Mt of magnesite** at a grade between **46% to 47% MgO**.

Bushranger Copper Project

The Company holds a 2% Net Smelter Royalty over the Bushranger Copper Project in NSW. Given the early stages of exploration that has been undertaken in respect of the Bushranger Copper Project, the Company does not expect the Royalty to generate any income for the Company until such time as this Project is brought into production stage, which is unlikely to occur in the short term.

Evaluation of new mineral resource opportunities

The Company has allocated part of its working capital budget to the identification and evaluation of new mineral resource opportunities in Australia and overseas. The Company will also consider the acquisition and development of any other investments, both within the mining industry and in market segments unrelated to the mining industry. No decision to invest in any of the projects currently being reviewed has been made at this stage.

Competent Persons Statement

The information in this report that relates to exploration results, including the exploration target, is based on information compiled by Mr Bernard Aylward. Mr Aylward is a Non-Executive Director of the Company. Mr Aylward is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Aylward consents to the inclusion in the announcement of matters based on his information in the form and context it appears.

Cautionary Statement

The potential quantity and grade as stated, is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. The Exploration Target is based on completed exploration drilling and a review of previous attempts to estimate mineralisation. The information relating to estimates of MgO grade are based on historic sample data from drill holes and check samples completed by previous explorers. The grade range is based on a simple arithmetic mean of samples. The tonnage estimate is based on completed exploration drilling and attempts at a coarse block modelling with 100m square blocks defined with drill holes located in each corner. The volume of each block is based on the arithmetic mean of the thickness of magnesite intersections in each drill hole, and a tonnage estimated using an assumed SG of 2.2 for magnesite. The Exploration target provides a range of tonnage that reflects the level of exploration drilling and the broad scale attempt to quantify potential mineralisation, and the grade range reflects the sampling.

Annexure 1: Lachlan Star Limited – tenements held directly by Lachlan Star or subsidiary company

Tenements	Acquired during quarter	Disposed of during quarter	Held at end of quarter	Country
ML5831 (Princhester)	-	-	100%	Australia
ML5832 (Princhester)	-	-	100%	Australia
EL5574 (Bushranger)	-	-	Nil (Company retains a 2% NSR)	Australia