

Lachlan Star Limited

(LSA-T: C\$0.91)

Idea of Interest

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NOT RATED

12-month target price: N/R

Chilean CMD Mine Looking Better By The Day

Risk		Speculative	
52-Week Range	A\$ 1.08 -	A\$ 0.60	
Shares Outstanding (MM)		75.4	
Fully Diluted Shares (MM)		79.4	
Market Capitalization (MM)		A\$ 70.8	
Ave. Volume (000 shares/day)		67	
Working Capital (30-Sep-11) - (A\$MM)	\$	6.3	
Value Cash, ST Inv. (30-Sep-11) - (A\$MM)	\$	16.1	
Dundee Assumptions			
	2012E	2013E	Long term
Gold Price (US\$/oz)	1800	2096	1200
FX (US\$/A\$)	0.96	0.94	0.90

Source: See Note 1

A Find Not Many Have Found

It is not very often we come across an operating mine that has both obvious exploration potential and near-term production expansion upside. It is even less often that we find a Company with an operating asset and a market cap of around \$60 million. When we do, we immediately get intrigued and that led us to introduce Lachlan Star (LSA) to a number of investors by way of a Special Warrants private placement that was closed on August 29th. The new issue consisted of 18.4 million units priced at A\$0.82/unit. Each unit included an ordinary share and a half-warrant with a two year term that allows the holder of each whole warrant to purchase an additional share at A\$1.20. Since that time the TSX approved Lachlan Star's application for a listing and the shares began trading on the 31st of October. Pursuant to the terms of the issue LSA has received approval of its Short Form Prospectus and we are now advised that the shares will be released for trading on Thursday, December 1st.

Drilling & Test Work Both Show Promise

On Nov 29th LSA issued two press releases, one presenting the results of the ongoing exploration campaign and the other highlighting the results of metallurgical test work to process dump leach ore. On the exploration front, drilling continues to indicate excellent potential to expand the resource base and increase reserves. Hole RCH-291, returned **130m grading 0.52 g/t gold** from 39 metres down hole beyond the margin of the inferred resource (see Exhibit 1). To the west, RCH-199 cut **80m @ 0.54 g/t** from surface in an area with limited drilling between the Tres Perlas and Churrumata Pit (see Exhibit 2). Here potential exists to combine both pits into a single large pit on the eastern margin of the property.

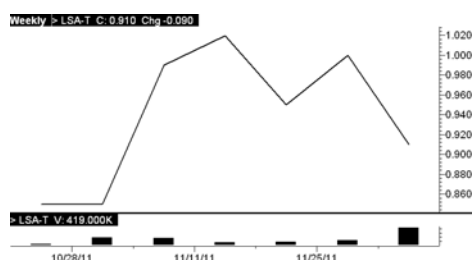
On the western margin of the property in the vicinity of the Toro Pit, hole DDH-172 intersected **15m @ 1.07 g/t** from 120m down hole and hole DDH-197 cut **9m @ 1.98 g/t** from 83 metres down hole. In total LSA reported 22 holes with 59 separate mineralized intervals having a metres weighted average grade of 0.53 g/t gold. This compares to the 461K oz indicated resource (23.4Mt @ 0.6 g/t) and inferred resource of 976K oz (46.3Mt @ 0.7 g/t).

An opportunity exists to lower the cut-off grade below the 0.3 g/t limit by eliminating the third stage crushing. LSA estimate that this stage represents about 60% of the \$8.50/t processing cost. To test this two 7,500 tonne trials are being conducted, the first on two-stage crushed ore and the second on direct dump leach ore delivered from the pit with no crushing. Preliminary test work on 0.2 g/t material is encouraging, indicating the following:

- 2 Stage Crushed Ore: **55% recovery after 45 days**
- Dump Leach Ore: **38% recovery after 38 days**

Both tests are still under leach with additional recovered gold reporting to solution. These results could indicate potential to add considerable low-margin ore to the mine plan thereby reducing the waste to ore strip ratio and increasing metal production. Not bad for a little mine and small company that is not on many investor radars.

LSA-T: Price/Volume Chart



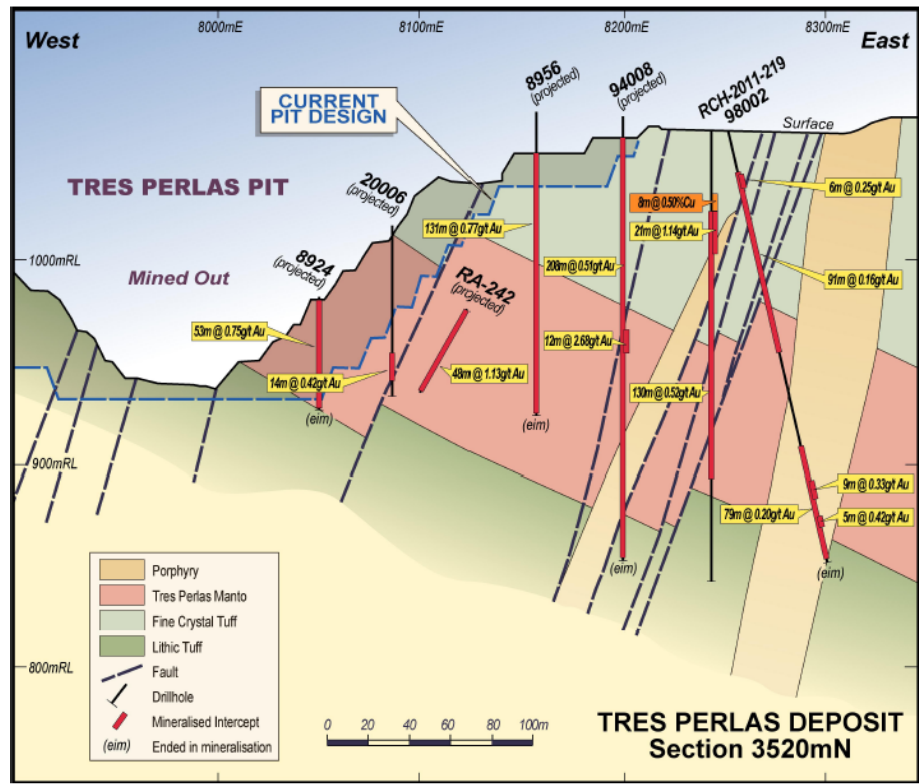
Source: Thomson ONE

Company Description

Lachlan Star Limited is an emerging minerals exploration and development company headquartered in Perth, Western Australia. Lachlan Star's current projects include a 100% investment in CMD, the Bushranger copper and gold project in NSW (which is currently under option to Newmont Mining). It is planned to focus on expanding production capacity at CMD whilst continuing to explore at the Bushranger project.

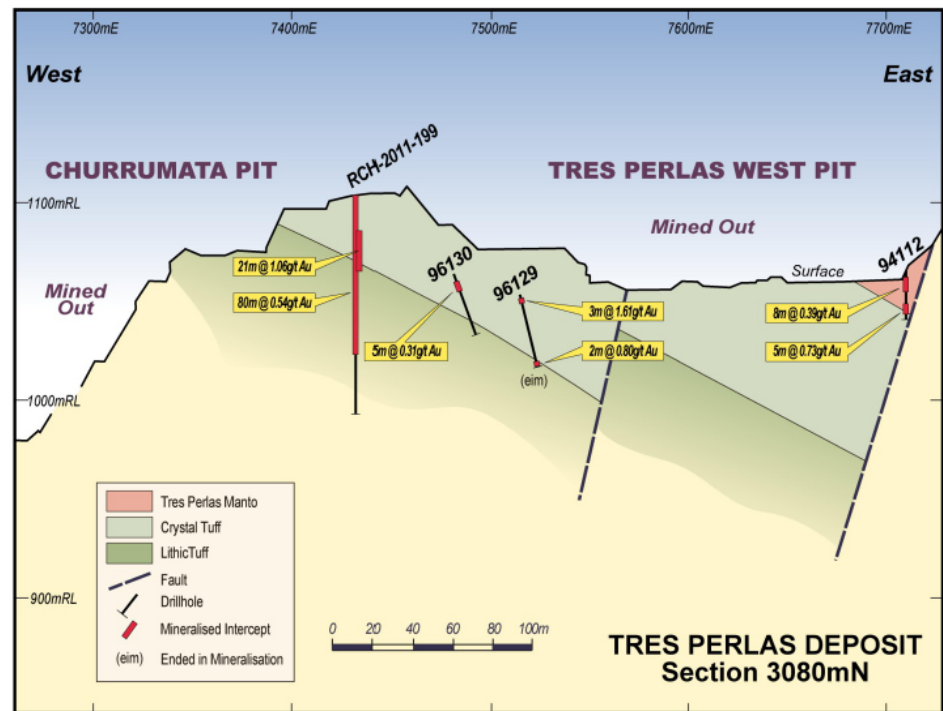
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Exhibit 1: Resource Extension Drilling at Tres Perlas



Source: Company Reports

Exhibit 2: Resource Extension Drilling Between Tres Perlas and Churrumata



Source: Company Reports

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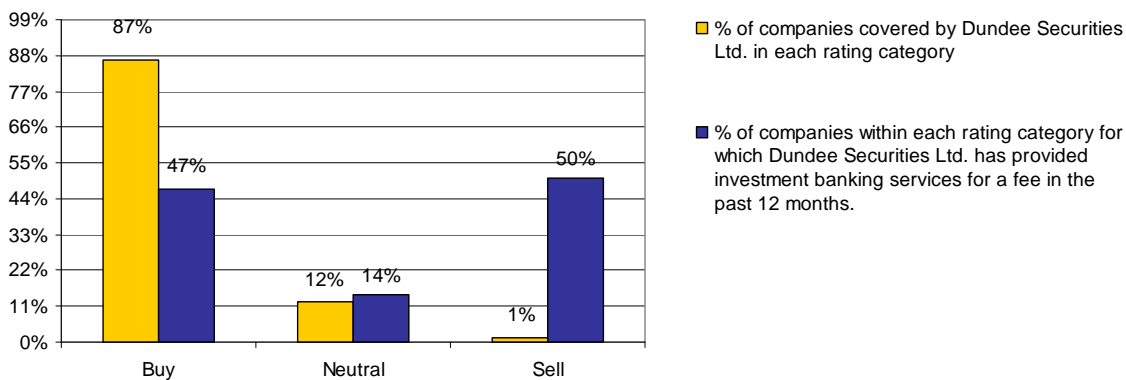
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Dundee Securities Equity Research Ratings



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