

Quarterly Report for the Period ending 31 March 2011

HIGHLIGHTS

CMD GOLD MINE (100%, CHILE)

- 8,348 ounces of gold produced plus 738 ounces of gold in inventory
- C 1 cash cost of production of US\$840/ounce of gold
- Average price received for gold sold of US\$1,392/ounce
- 10,779 ounces of gold stacked onto the leach pad (0.58 Mt of ore)
- 390,000 tonnes of ore (67% of total) mined from outside the JORC resource during the quarter
- Average daily crushing and stacking rate of 6,458 tpd peaking at 7,500 tpd in February
- Average daily mining rate of 51,000 tpd
- Ore mined from Las Loas, Churumata and Tres Perlas pits during quarter, with a fourth ore source developed at Toro at the end of the quarter
- JORC Resources totaling 1.4 million ounces of gold estimated
- Exploration targets¹ of an additional 0.2 million to 0.5 million ounces of gold identified

BUSHRANGER COPPER GOLD PROJECT (100%, NSW)

- Scoping Study indicates project is economic –resource contains 185,000 tonnes of copper
- Strategic review underway

LUIRI GOLD

- 29.34 million Luri Gold shares sold for net proceeds of \$4.3 million during quarter
- At quarter end, the Company still held 99,081 Luri Gold shares

CMD Gold Mine (100%, Chile)

The CMD Gold Mine is located in Chile, approximately 350km north of Santiago and at an elevation of 1,000m. The mine was developed in 1995 and has produced over 835,000 ounces of gold plus minor copper and silver since then. It is located immediately adjacent to Teck's large Andacollo copper-gold mine that is forecast to produce 80,000 tpa of copper and 60,000 ounces of gold for in excess of 20 years.

Production, Unit Costs and Sales

Production from the CMD Gold Mine for the March quarter is summarised in Table 1 below.

Table 1 –CMD Gold Mine March 2011 Quarter Production

	March 11 Qtr
Ore Mined (t)	583,737
Ore Grade (g/t Au)	0.6
Gold Mined (Ounces)	10,779
Ore Tonnes Crushed	581,254
Average Daily Crushing Rate (tpd)	6,458
Gold produced	8,348
C 1 Cash Cost/ounce	US\$840

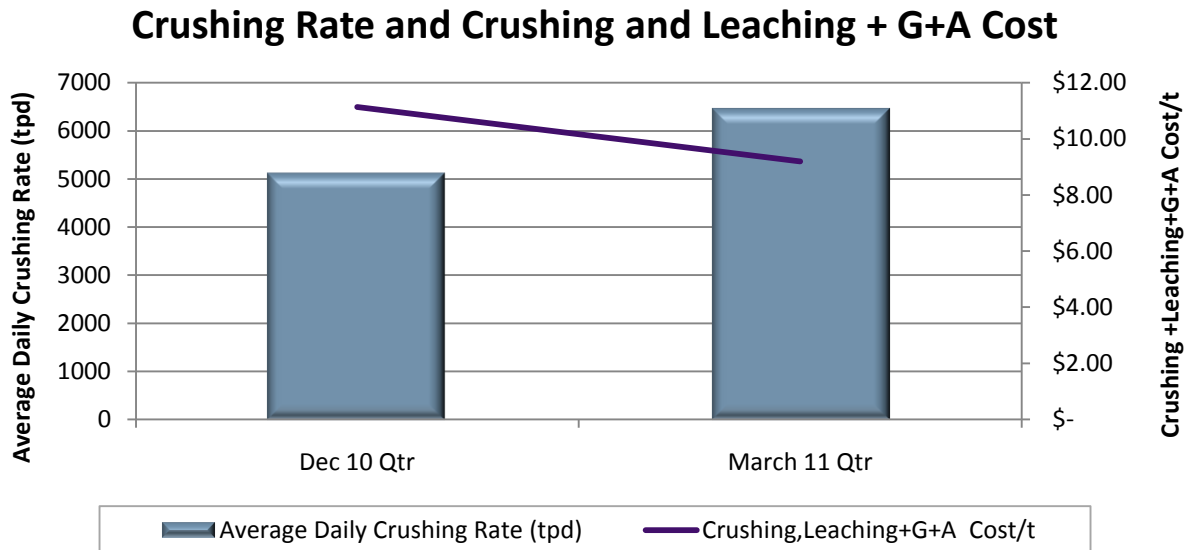
In addition to the 8,348 ounces of gold poured during the quarter, the Company held 738 ounces of gold in inventory at the CMD Gold Mine. Approximately 2,500 ounces of silver were also produced during the quarter.

All production was sold on the spot market at an average price for the quarter of US\$1,392/ounce of gold and US\$33.80/ ounce of silver. The Company remains unhedged and retains 100% upside exposure on the gold and silver prices. The Company also expects to produce minor amounts of copper during the June quarter, which will be sold on the spot market.

The CMD Gold Mine has a high component of fixed costs at historical production levels. Any increases in production rates result in significant reductions in unit costs for the crushing, leaching and G+A costs, which in turn are the main driver of cash costs.

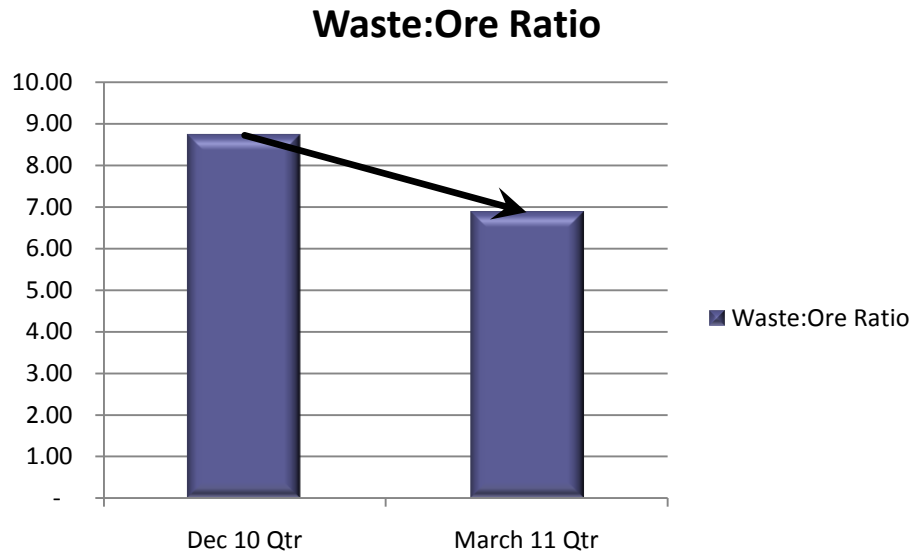
Ore crushing rates are therefore the key performance indicator for monitoring the unit costs of the mine (assuming a constant head grade). As can be seen in Figure 1 below, the crushing and G+A costs have decreased by approximately 17% quarter on quarter which is entirely due to the fixed nature of the costs and the higher tonnage crushed in the March quarter.

Figure 1 –CMD Gold Mine Crushing and G+A Costs



The other key driver of production costs is the waste:ore ratio. As can be seen in Figure 2, the waste:ore ratio has decreased from the previous quarter and is forecast to continue to decrease to a Life of Mine (LOM) average of around 3:1.

Figure 2 –CMD Gold Mine Waste to Ore Ratio



Mining

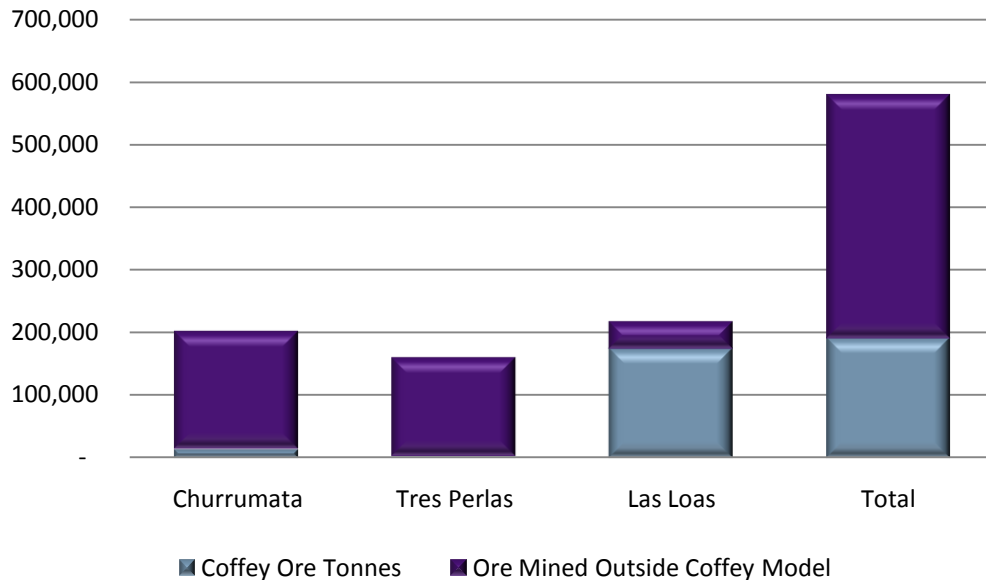
Ore was sourced from the Las Loas, Churrumata and Tres Perlas pits during the quarter. Mining of the Toro pit was commenced at the end of the quarter to provide a fourth ore source for the remainder of 2011.

A total of 4.60Mt of material was mined during the quarter, including 0.58Mt of ore. The ore grade averaged 0.6 g/t Au for the period with a total of 10,779 ounces of gold mined.

Approximately 67% of the ore mined during the March quarter was sourced from outside the Coffey Mining resource as shown in Figure 3.

Figure 3 –CMD Gold Mine Ore Reconciliation

March Quarter Ore Reconciliation



Grades for the Coffey resource models reconcile well against the ore tonnes mined, with mined grades being typically +/- 5% of the Coffey estimated grades. The positive tonnage reconciliation experienced during the March quarter has continued into April.

As the CMD Gold Mine has historically been constrained by ore availability, a major effort has been made since Lachlan Star took ownership to increase mining rates and thus gold production. Mining rates were steadily increased over the quarter from an average of 51,000 tpd in December 2010 to peak total movement rates of 72,000 tpd in March.

The increase in mining rates has been achieved through:

- Purchase of additional drilling capacity. CMD purchased an Atlas Copco DM 30 production drill to augment drilling capacity at the Churrumata, Tres Perlas and Toro pits. Two additional drill rigs have also been contracted along with additional load and haul equipment to increase production from these pits;

Figure 4 –Blast Hole Drilling at Churrumata (background) and mining Mariposa Vein (foreground)



- Improving drill availability. CMD is assisting the Las Loas mining contractor to improve availability of its fleet of 6 production drills and load and haul fleet;
- Additional Mining Areas. Mining at the Toro 3 pit was commenced during the quarter. Whilst not contributing significantly to the quarterly result, this pit will provide an additional working area, increasing operational flexibility.

Figure 5 –Start of Mining at Toro Pit



A prestrip campaign at the Las Loas pit was completed during the period, which will see average waste:ore ratios reduce over the coming months. It will also mean that a larger tonnage of ore will be available for mining for any given total movement rate.

Figure 6 –Las Loas Pit –Pre Strip Completed to Final Pit Limit



As additional pits are opened up, flexibility within the mine planning sequence will enable higher total movement rates to be achieved on a consistent basis and should result in higher tonnages of ore available for crushing and leaching.

Crushing and Leaching

Crushing is presently constrained by ore availability given the plant capacity of 8Mtpa (24,000 tpd). Peak daily crushing rates of just under 11,000 tpd have been achieved in March when sufficient ore was available.

The crusher circuit performed well with limited down time during the quarter. Minor maintenance works on the feeder for the primary crusher limited availability over a two day period but did not impact on overall performance due to the spare capacity available. Similarly, planned maintenance of one of the three tertiary crushers did not impact on performance due to the inherent capacity of the system.

Installation of the new 3B pad liner has been progressively been completed since January. This liner allows faster recovery of gold from ore stacked on the pad which, combined with higher mining rates from February onwards, has increased gold production rates.

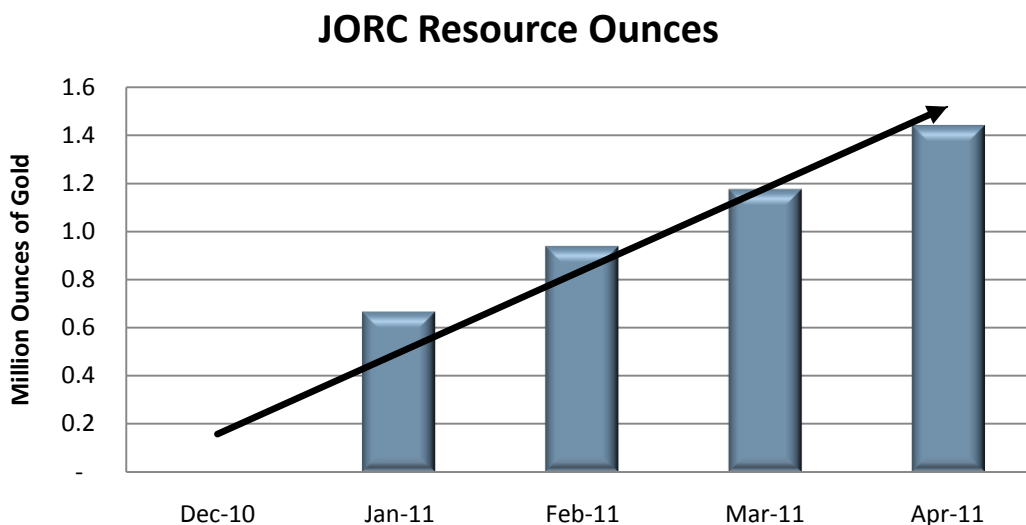
Agglomeration trials were conducted on tailings material to add these to the leach pads, which appear to indicate that additional gold can be recovered from this material at relatively low cost. There are substantial deposits of tailings both on the CMD Gold Mine claims and around the nearby town of Andacollo which would be available for treatment if the agglomeration trials prove successful. The materials handling systems associated with this plant have been upgraded to improve reliability and safe handling of bulk lime for the process. It is anticipated that the trial will continue during next quarter, exploiting tailing material on the CMD leases.

Resources and Exploration

At the time of acquiring the CMD Gold Mine, there were no JORC Resources for the project. Over the past quarter, the Company has engaged Coffey Mining to estimate the JORC Resource which now total 1.4 million ounces of gold (*refer to Table 2 below*).

The resource growth does not include the bulk of the 2011 drill program which will be incorporated into the next round of resource estimates. Figure 7 illustrates the steady growth in the contained ounces in the resource base over the past 4 months.

Figure 7 – JORC Resource Ounce Growth at CMD Gold Mine



In addition to the JORC Resource, the Company has identified Exploration Targets¹ as shown in Table 3 below. The Exploration Targets¹ comprise between 0.2 million and 0.5 million ounces of gold in addition to the JORC Resource and provide a pipeline of potential resources, subject to drilling and exploration success.

Mine planning work on these resources is nearing completion and a revised mine plan is expected to be announced shortly.

Exploration is ramping up at the mine in anticipation of increasing the resource base available for mine planning. Two exploration drills have been utilised during the quarter, and these will be augmented with another RC drill and a diamond drill in the next quarter.

The exploration program is focussed on several areas, including:

- Increasing the strike length of the Toro resource to the north for near term exploitation at a low stripping ratio;
- Drill test the claim boundary area with the adjacent Teck Andacollo copper-gold mine
- Exploration drilling to define the potential extent of a Manto deposit discovered in the base of the Las Loas Pit 2;
- Resource extensions of the Mariposa Vein and other significant high grade structures at Churrumata;
- Upgrading Inferred resources around the Toro and Socorro pits to improve mine planning reliability and increase ore reserves;
- Exploration of the Veneros prospect to follow up on previous encouraging drill results and a large area of outcropping Manto mineralisation; and
- To provide metallurgical samples for test work to provide estimates of gold recovery from deeper pits.

Corporate

Luri Gold

During the quarter, 29.34 million Luri Gold shares were sold for net proceeds of \$4.3 million. At quarter end the Company still held 99,081 Luri Gold shares.

Proceeds from the sale of the Luri Gold shares will be used to advance the CMD Gold Mine in Chile.

Projects

Bushranger Copper Project - EL 5574 (100%)

The Bushranger Copper project is located in New South Wales 25 km south of Oberon and contains 185,000 tonnes of copper in resources (refer to Table 4 below).

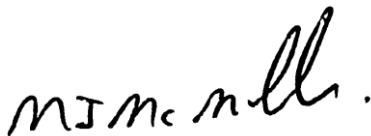
A Scoping Study was completed to an accuracy level of +/- 30% and used costs sourced from an operating copper mine in New South Wales that were amended to reflect the Bushranger mineralisation, metallurgy, infrastructure, proposed throughput rate and location.

The Scoping Study was completed at two copper prices, namely US\$7,500/t and US\$10,000/t, and on all resource categories which resulted in pre-capital operating cash flows of A\$112 million and A\$344 million, respectively (refer to Table 5 below).

Given the preliminary nature of the Scoping Study, all resource categories were used for the pit optimisation. No Reserves have been estimated for the project given the Scoping Study level of accuracy and that Inferred Resources have been included in the pit optimisations.

The resource tonnage and contained copper increases rapidly as the cut-off grade is reduced. The economic cut-off grade derived from the Scoping Study is 0.20% copper and 0.15% copper at copper prices of US\$7,500/t and US\$10,000/t, respectively. The 2Mtpa throughput rate selected provides a mine life of between 5 and 11.5 years for the two price scenarios examined. Given the relatively low grade nature of the mineralisation, and the larger resource base available at lower cut-off grades, there may be merit in examining a higher throughput scenario that would reduce process and overhead costs, thus lowering the cut-off grade required for mineralisation to be economic.

For and on behalf of the Board



Mick McMullen
Chairman

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Table 2 – Resources at CMD Gold Mine

CMD Mineral Resources (April 2011) above 0.3 g/t Au									
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Deposit	Indicated			Inferred			Total		
	Tonnes (Mt)	Grade (Au)	Ounces (Kozs)	Tonnes (Mt)	Grade (Au)	Ounces (Kozs)	Tonnes (Mt)	Grade (Au)	Ounces (Kozs)
Las Loas	2.9	0.8	73	1.5	0.8	37	4.4	0.8	110
El Sauce				7.1	0.7	156	7.1	0.7	156
Toro/Socorro	3.3	0.8	84	8.1	0.7	188	11.4	0.7	272
Tres Perlas	15.6	0.5	252	19	0.5	333	35	0.5	585
Churumata	0.6	0.8	16	8.7	0.8	219	9.3	0.8	235
Chisperos	1.0	1.1	36	1.4	1.0	43	2.4	1.0	79
Total	23.4	0.6	461	46.3	0.7	976	69.5	0.6	1,437

Table 3 – Exploration Targets¹ at CMD Gold Mine

CMD Exploration Targets				
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Project	Potential Quantity (Mt)		Potential Grade (g/t Au)	
	lower	upper	lower	upper
Churumata	2.0	3.0	0.70	0.75
Tres Perlas	5.0	9.0	0.60	0.67
Veneros	2.5	5.0	0.70	0.80
Toro	2.0	5.0	0.70	0.75
Chisperos	0.2	0.5	0.70	0.90
Totals	11.7	22.5	0.66	0.73

Table 4 – Bushranger Resources

Bushranger Resource -0.2% Cu Cut Off								
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Cut Off (%Cu)	Category	Tonnes(Mt)	Cu Grade (%)	Contained Cu(t)	Au Grade (g/t)	Contained Au(oz)	Ag Grade (g/t)	Contained Ag(oz)
0.2	Indicated	24.9	0.4	94,620	0.04	32,022	1.6	1,288,870
	Inferred	27.6	0.3	91,080	0.04	35,494	1.2	1,091,435
	Total	52.5	0.4	185,700	0.04	67,515	1.4	2,380,305

Table 5 – Bushranger Pit

Bushranger Pit Optimisation Inputs		
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Input	Units	Rate
Mining Cost	A\$/t moved	\$1.80
Process Cost	A\$/t milled	\$10.39
G+A Cost	A\$/t milled	\$1.50
Conc. Freight	A\$/dmt	\$91.30
Exchange Rate	AUD:USD	\$1.00
Av Pit Slopes	Degrees	42
Cu Recovery-Oxide	%	75
Cu Recovery-Sulphide	%	92

About Lachlan Star Limited

Lachlan Star Limited is an emerging minerals exploration and development company headquartered in Perth, Western Australia. The Company is focused on acquiring and developing assets within the gold and copper sectors within Australia and Chile. The company has a board of directors and management team with an impressive track record of advancing resource projects through to production.

Lachlan Star's current projects include a 100% interest in the CMD Gold Mine in Chile, the Bushranger copper and gold project in New South Wales and the Princhester magnesite deposit in Queensland.

Competent Persons Statement

The information in this report that relates to the Mineral Resources of Tres Perlas, Chisperos, Toro/Socorro, Churumata , Las Loas and El Sauce is based on information compiled by David Slater, who is a Member of The Australasian Institute of Mining and Metallurgy. David Slater is employed full time by Coffey Mining Pty Ltd. David Slater has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves". David Slater consents to the inclusion in the report of the matters based on his information in the form and context in which it appear.

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled Mr Michael McMullen, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr McMullen is employed by McMullen Geological Services Pty Ltd. Mr McMullen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McMullen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears

The information in this report that relates to the Mineral Resources and Scoping Study of Bushranger is based on information compiled by Mick McMullen, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr McMullen is employed by McMullen Geological Services Pty Ltd. Mr McMullen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McMullen consents to the inclusion in the report of the matters based on his information in the form and context in which it appear

¹For the exploration targets, any statement referring to potential quantity and grade of the target is expressed as ranges. The potential quantity and grade is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource