

# Unhedged Gold Producer

## World Class Deposits

## Major Exploration Potential

Investor Presentation – May 2011



ASX: LSA

[www.lachlanstar.com.au](http://www.lachlanstar.com.au)

# Disclaimer

## **Ø This Document is not a Prospectus nor an Offer to Subscribe for Shares.**

*Lachlan Star and its subsidiaries ("LSA") makes no representation or warranty (express or implied) as to the accuracy, reliability or completeness of this document. LSA and its respective directors, employees, agents and consultants shall have no liability (including liability to any person by reason of negligence or negligent misstatement) for any statements, opinions, information or matters (expressed or implied) arising out of, or contained in or derived from, or for any omissions from this document, except liability under statute that cannot be excluded. This document contains references to certain forecasts, projections, intentions, expectations and plans of LSA, which may or may not be achieved. They are based on certain assumptions which may not be met or on which views may differ. The performance and operations of LSA may be influenced by a number of factors, uncertainties and contingencies, many of which are outside the control of LSA and its directors. No representation of warranty (expressed or implied) is made by LSA or any of its respective directors, officers, employees, advisors or agents that any forecast, projections, intentions, expectations or plans set out in this document will be achieved. Either totally or partially, or that any particular rate of return will be achieved.*

## **Ø Competent Persons Statement**

*The information in this report that relates to the Mineral Resources of Tres Perlas, Chisperos, Las Loas, El Sauce, Churrumata and Toro/Socorro 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 appears.*

*The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by 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 Reserves at the CMD Gold Mine is based on information compiled by Declan Franzmann, who is a Member of The Australian Institute of Mining and Metallurgy. Mr Franzmann is employed by Citraen Pty Ltd. Mr Franzmann 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 Franzmann consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*<sup>1</sup>For 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 that it is uncertain if further exploration will result in the determination of a Mineral Resource.*

# Corporate Overview

100% interest in a major gold project (CMD) in a politically stable country (Chile)

Existing unhedged production of circa 45,000 ounces of gold per annum

1.4 million ounces in JORC resources

Underutilised 8Mtpa plant with an estimated replacement cost of >\$200m

100% interest in the Bushranger copper project in New South Wales with 185,000 tonnes of contained copper in resources

# Experienced Management Team

## Board of Directors

Chairman	Mick McMullen	Geologist with 18 years experience in identifying, financing, developing, and mining operations in Africa, Australia, Europe, Asia and South America. Has been an Executive Director of publicly listed mining companies for over 13 years and been responsible for the development of 2 mines. Has raised over \$400 million in debt and equity for mining ventures in the past 6 years.
Managing Director	Declan Franzmann	Brisbane based mining engineer with 18 years experience in the development and operation of open pit and underground mines in Africa, Asia and Australia.
Director	Tom Duckworth	Perth and UK based metallurgist with over 50 years experience in the design, construction and operation of processing plants covering gold, base metals and iron ore in Australia, Africa, Asia, Europe and the Americas.
Director	Peter Babin	Denver based lawyer with 30 years experience as a lawyer, including 9 years as General Counsel and later President of Royal Gold, a TSX and NASDAQ listed gold royalty company capitalised at US\$2.7 billion. Since 2004, he has managed his private interests which include the CMD operation and oil and gas ventures in the US.

## Management

Group Company Secretary and CFO	Bob Anderson	Perth based accountant with over 20 years experience in financial management of Australian companies.
General Manager CMD	Gaston di Parodi	Chemical Engineer with 30 years experience in start-up and operation of gold leaching facilities and leaching consulting.
Finance Manager CMD	Rob Pardo	Accounting and Business degree, with 20 years experience in mining in Chile, Canada and Central America in accounting, financing and administration
Operations Manager CMD	Enrique Sepulveda	Mining Engineer with 25 years experience in operations, design and planning of gold and copper open pit and underground mining.
General Manager	Kees Dekker	Johannesburg based geologist/mineral economist with over 30 years experience in the identification and development of mining projects in Africa and South America across most commodity groups.

# Capital Structure - Consolidation

- Ø Aligning Lachlan Star's profile closer to TSX-listed peers with gold producing assets in the Americas
- Ø Widening range of institutions with mandates to invest in quoted companies with < 100m shares on issue and higher share prices
- Ø Increasing acceptability of Lachlan Star to North American Investors
- Ø Reducing share price volatility
- Ø Reducing future administrative and compliance costs associated with handling large number of shares on issue

# Capital Structure

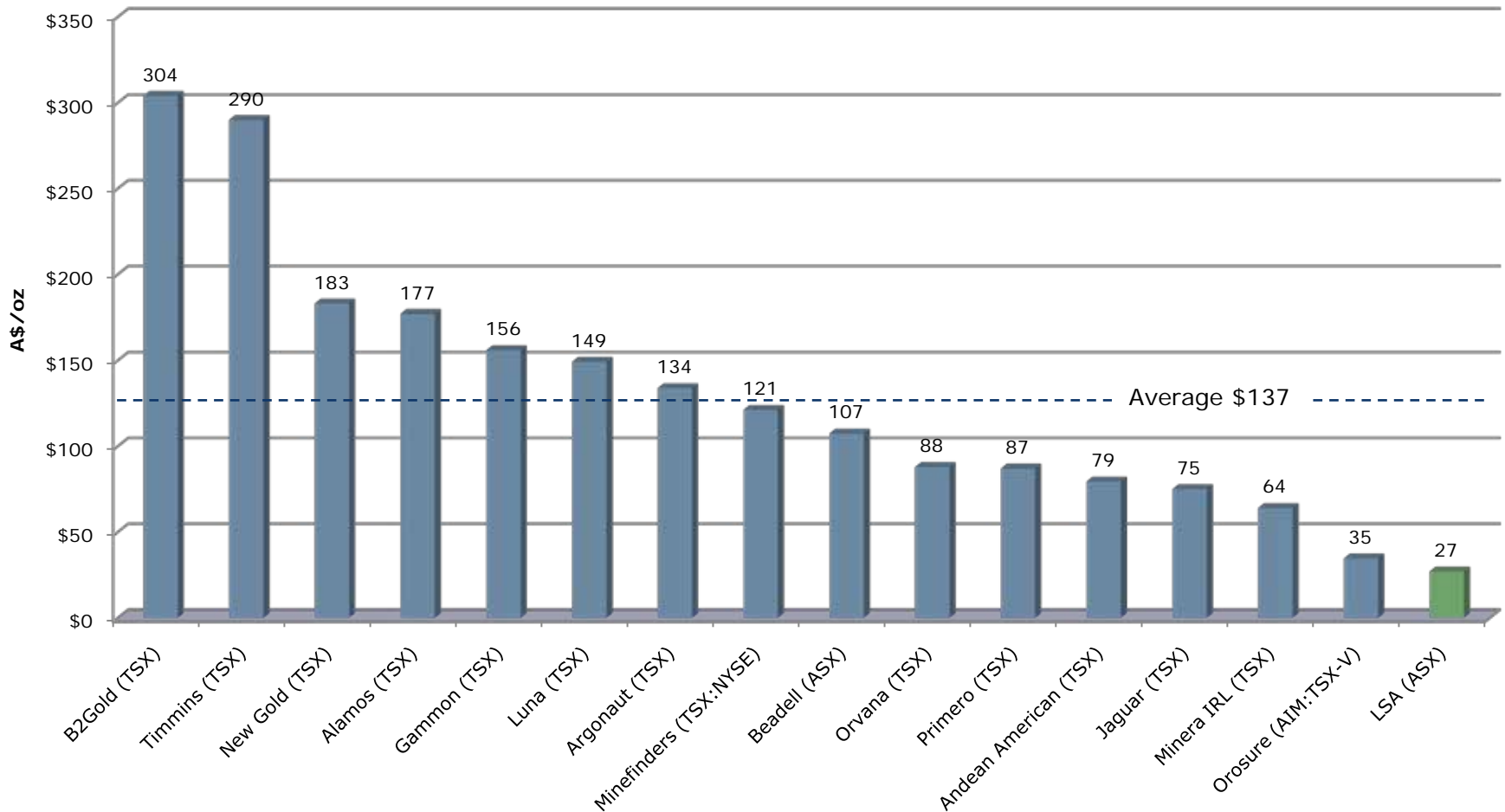
	Now	Post Consolidation (1 for 60)
<b>Shares on Issue</b>	3.214 billion	53.57 million
<b>Options on Issue</b>	75 million (2c, 2.5c)	1.25 million (\$1.20, \$1.50)
<b>Share price</b>	AUD1.3c	AUD78c (implied)
<b>Market Cap</b>	A\$42 million	A\$42 million
<b>Enterprise Value (EV)</b>	A\$38 million	A\$38 million
<b>EV/JORC ounces</b>	\$27/oz	\$27/oz

# March 2011 Quarterly Highlights

- Ø 8,348 ounces of gold produced at a C1 cash cost of US\$840/oz plus 738 ounces in inventory
- Ø Installed new pad liner in January, gold production increasing, cash costs decreasing
- Ø 67% of the ore mined in the March quarter was outside the Reserve (10% of ore from Inferred Resource)
- Ø 2011 production guidance of 45,000 to 50,000 ounces of gold plus minor silver and copper

# LSA = Low Cost Gold Exposure

EV / Resource Ounce



Source: Company Releases.  
Note: Market data as of 12 April 2011

# CMD Operations

- Ø Established mine with long history in highly prospective location
- Ø 8Mtpa crushing, stacking & elution plant currently operating at 2.4 Mtpa –presently mine constrained
- Ø 100tpd ball mill and CIL circuit
- Ø Copper recovery circuit
- Ø Water rights significantly in excess of current requirements
- Ø Tax losses available of US\$65 million plus Capital Repatriation Credit of US\$75 million (exempt from 2<sup>nd</sup> Tier Chilean income tax)

# Share Price Catalysts

Q2 2011

- Resources and Reserves
- Incremental expansion to CIL and agglomeration circuit
- Development plan to increase production

Q3 2011

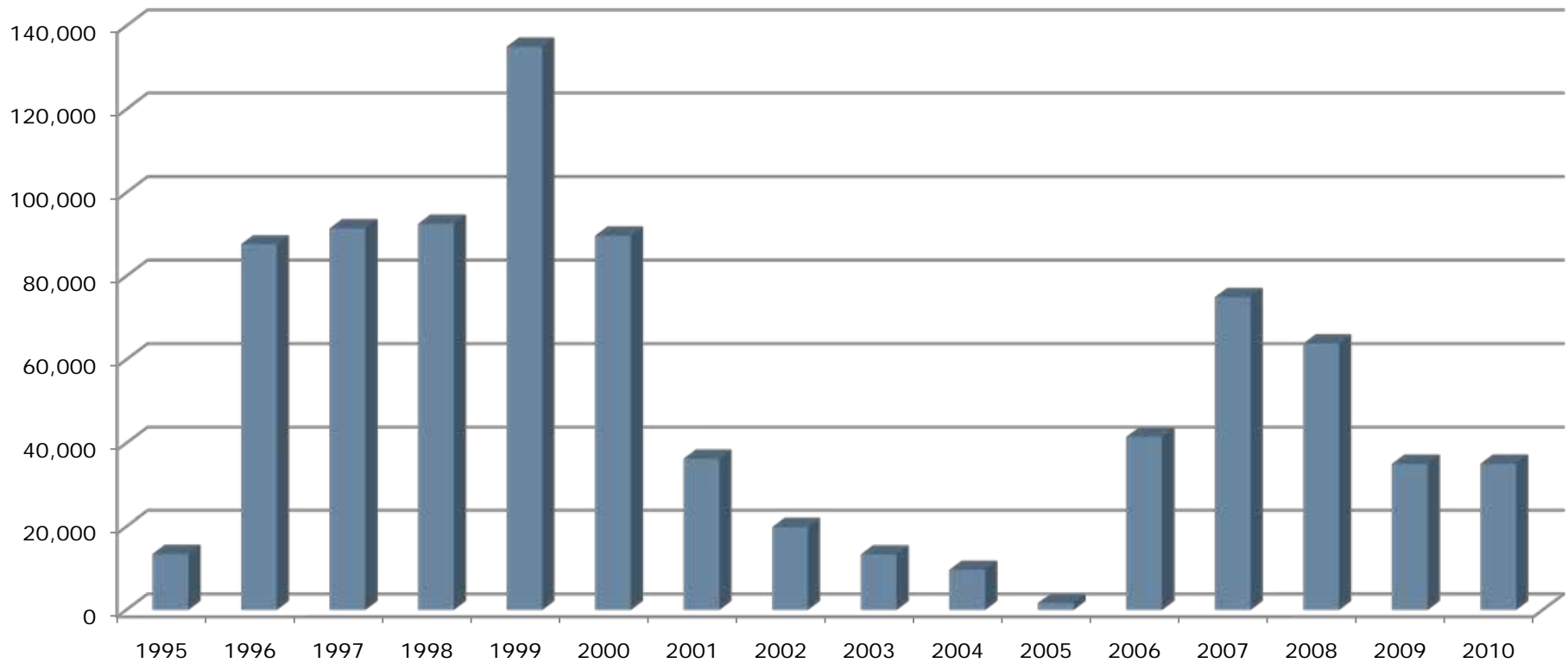
- Q2 production results
- Exploration results
- Resource and Reserve increase
- Dual listing on TSX

Q4 2011

- Q3 production results
- Exploration results
- Resource and Reserve increase
- Development plan to increase production to 100,000 ozpa

# CMD Production History

CMD  
Gold production by year (ozs)



∅ Past production peaked at 135,000 oz

∅ **Objective: return operation to >100,000ozpa producer in 2 to 3 years**

# CMD Mine Plan

- Ø 157,000 ounces in Probable Reserves
- Ø Additional 350,000 ounces of Inferred Resources within pits
- Ø Potential to expand this through exploration
- Ø Trend of mining majority of ore from outside the Reserve continuing –only 23% of ore in March quarter in the Reserve
- Ø Drilling to upgrade Inferred Resources within the pits ongoing
- Ø Near mine exploration program expected to increase the Resources available for Reserve increases
- Ø Targeting 75,000 ounces per annum run rate by 2012

## CMD Reserves May 2011

Deposit	Tonnes (Mt)	Probable Reserve	
		Grade (Au)	Ounces (Kozs)
Las Loas	1.2	0.7	25
Toro/Socorro	2.4	0.8	61
Tres Perlas	1.0	0.8	27
Churramata	0.4	0.9	11
Chisperos	0.9	1.1	33
Total	5.8	0.8	157

## CMD Mineral Resources (April 2010) above 0.3 g/t Au

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
Churramata	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
<b>Total</b>	<b>23.4</b>	<b>0.6</b>	<b>461</b>	<b>46.3</b>	<b>0.7</b>	<b>976</b>	<b>69.5</b>	<b>0.6</b>	<b>1,437</b>

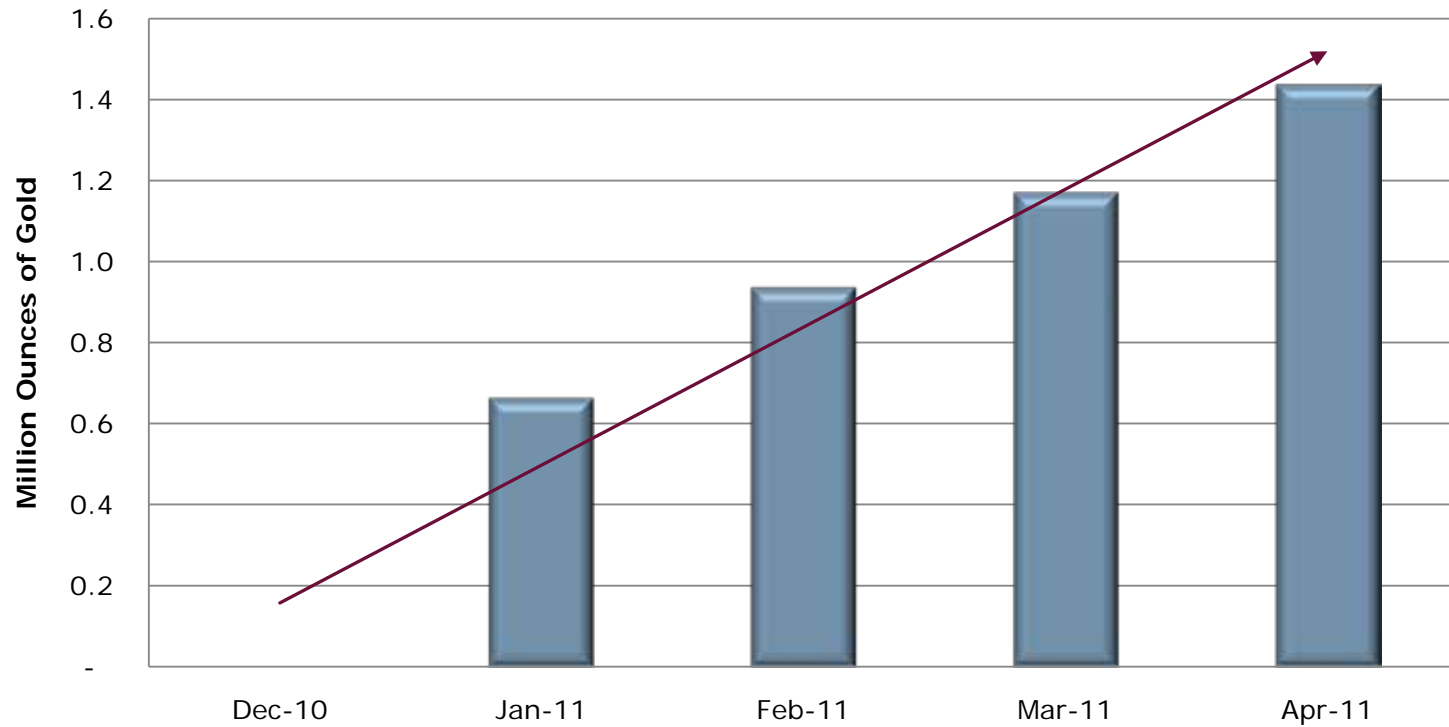
# Exploration Targets at CMD<sup>1</sup>

Project	Potential Quantity (Mt)		Potential Grade (g/t Au)	
	lower	upper	lower	upper
Churramata	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
Total	11.7	22.5	0.66	0.73

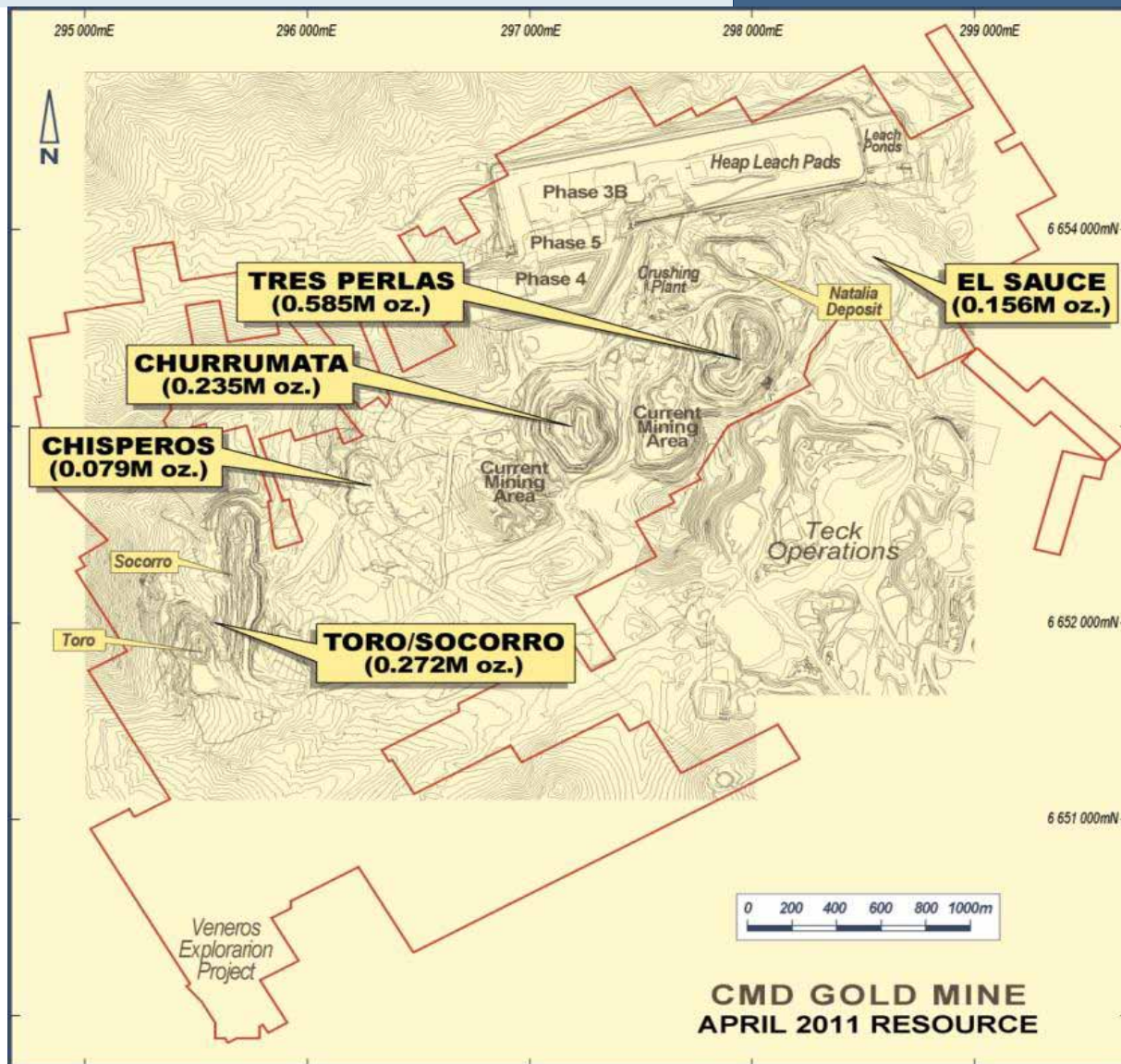
- Ø Exploration target<sup>1</sup> of 0.2 million to 0.5 million ounces of gold
- Ø Numerous other prospects with mineralisation
- Ø Aggressive drill program underway, three drills turning

# JORC Resource Growth

## JORC Resource Ounces



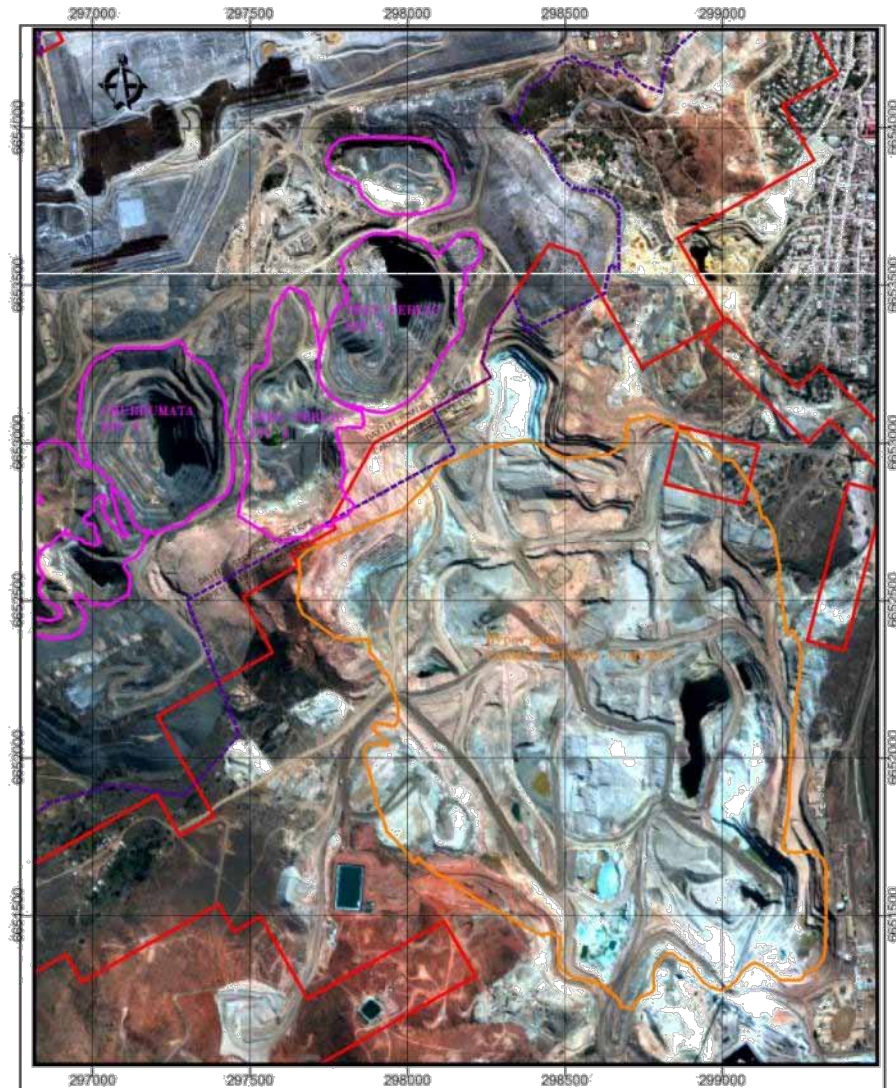
# CMD Resources



# CMD Location

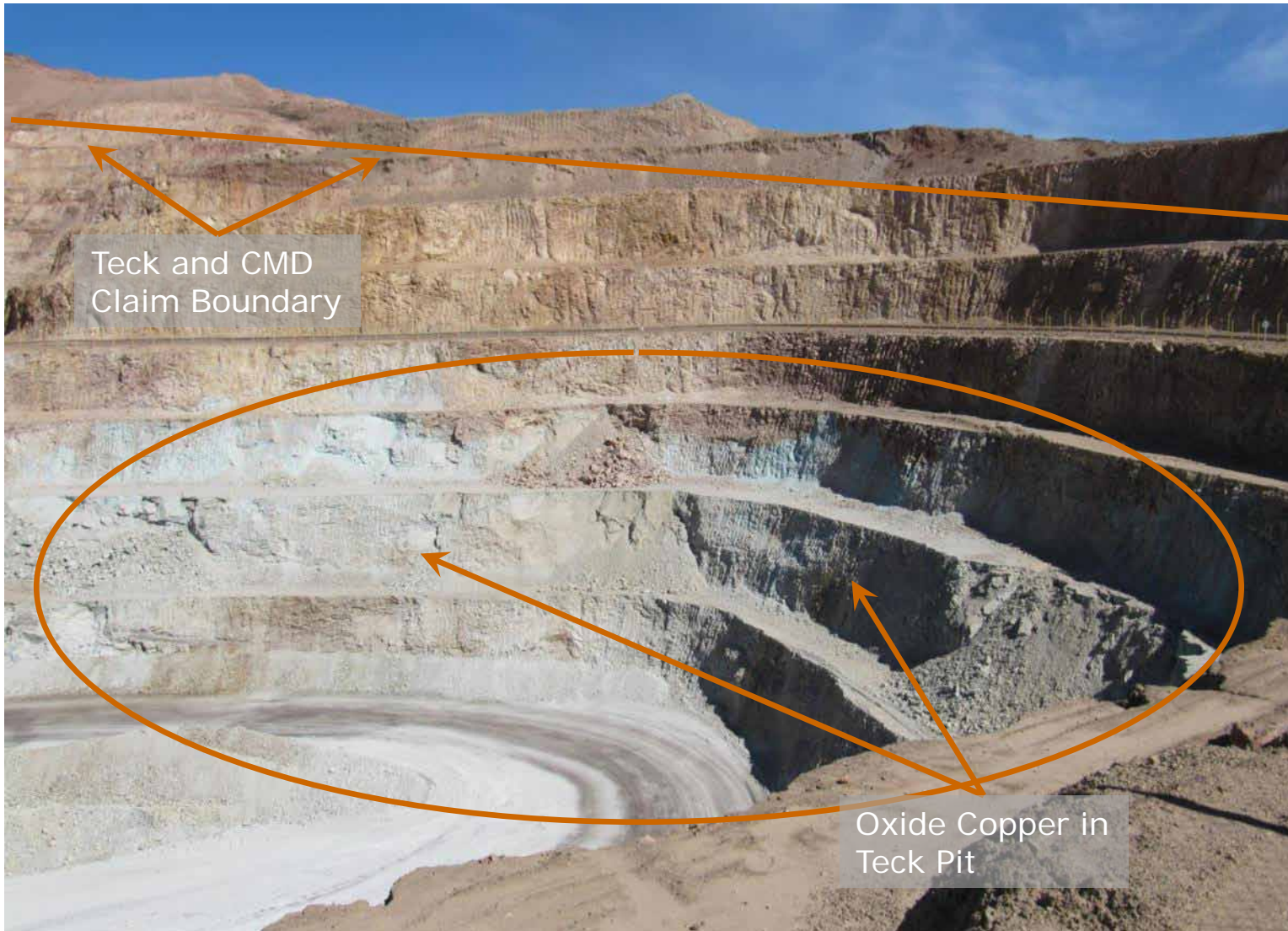


# CMD Copper Potential



- ∅ Located immediately adjacent to Teck Andacollo mine
- ∅ Teck deposit hosts resources of 535 Mt grading 0.37 % Cu and 0.12 g/t Au
- ∅ Teck have recently commissioned their 20Mtpa concentrator and announced a study into doubling production
- ∅ Limited copper exploration on CMD tenements – drilling underway with 2 drill rig

# CMD Copper Potential



# CMD Copper Potential

Oxide copper in CMD pit wall



# CMD Operation



Plant



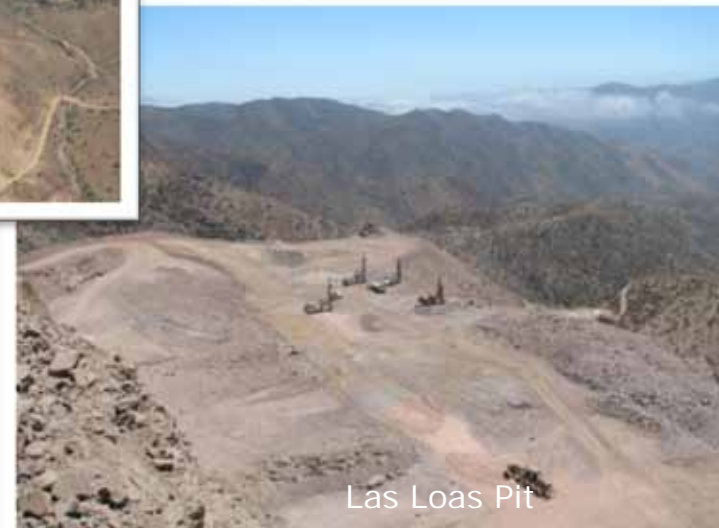
Churrumata Pit



Leach Pad



Tres Perlas Pit



Las Loas Pit

# CMD Operational Improvements

## New leach pad liner installed on Pad 3 b



- Ø Significantly improving leaching rates
- Ø Improvements of leaching rates brings forward cash flow in Q2 & Q3

## Mining of Mariposa Vein where it intersects the Churramata pit



- Ø Higher grade material
- Ø Cash flow effect to be seen in Q2 and Q3

# CMD Operational Improvements

## New pit developed at Toro deposit



∅ Fourth ore source

∅ Will enable production rates to be increased

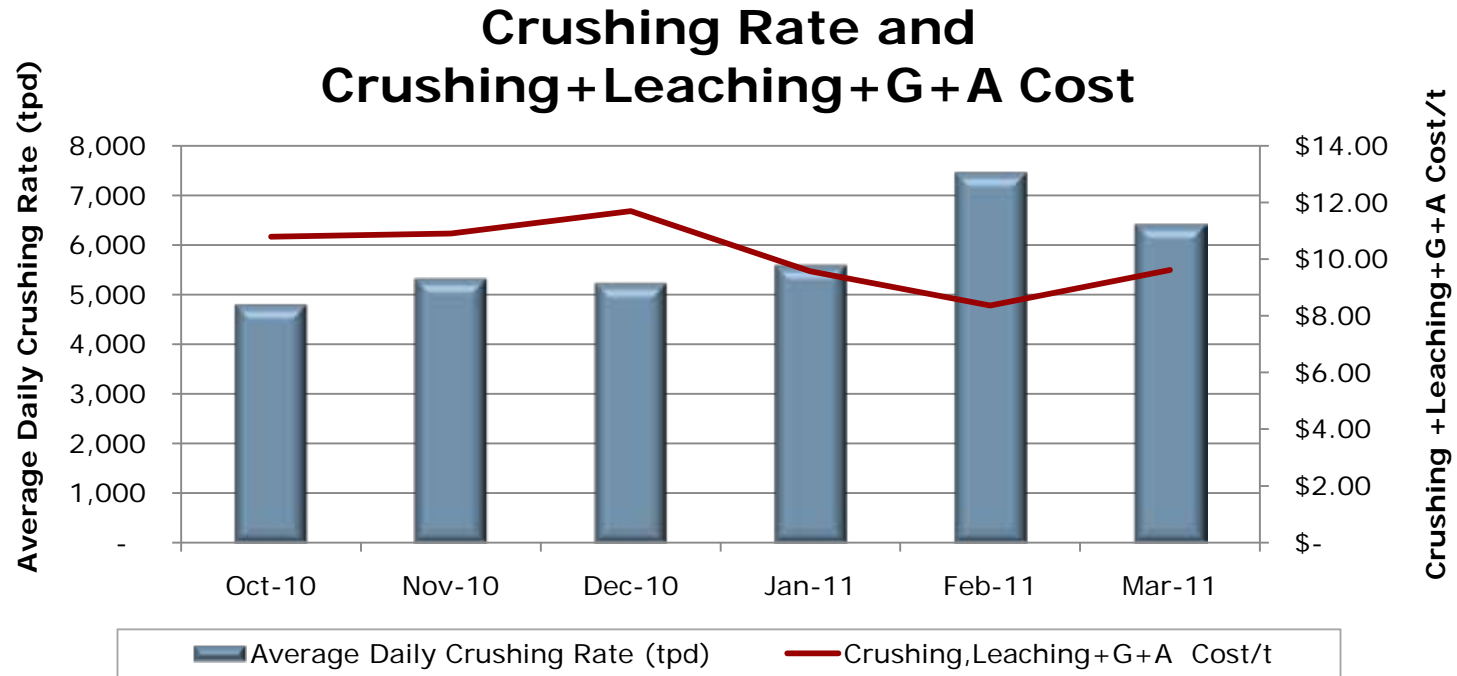
## Purchased and hired additional drill and blast capacity



∅ D+B has been the mine bottleneck

∅ Will enable higher total movement rates

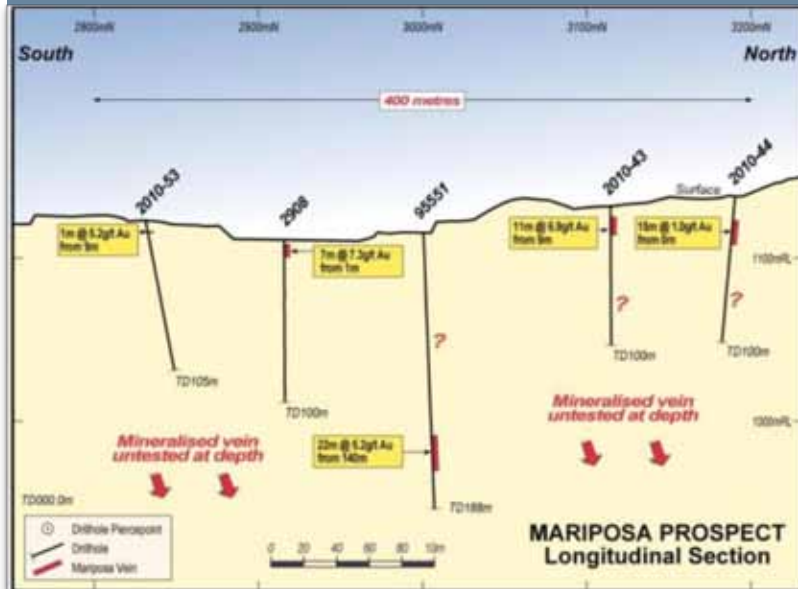
# CMD Operational Improvements



- Ø Cash costs driven by production rates
- Ø Higher crushed tonnages equate to lower costs
- Ø As costs are reduced, so are cut off grades, increases ore tonnages and reduces waste:ore ratios

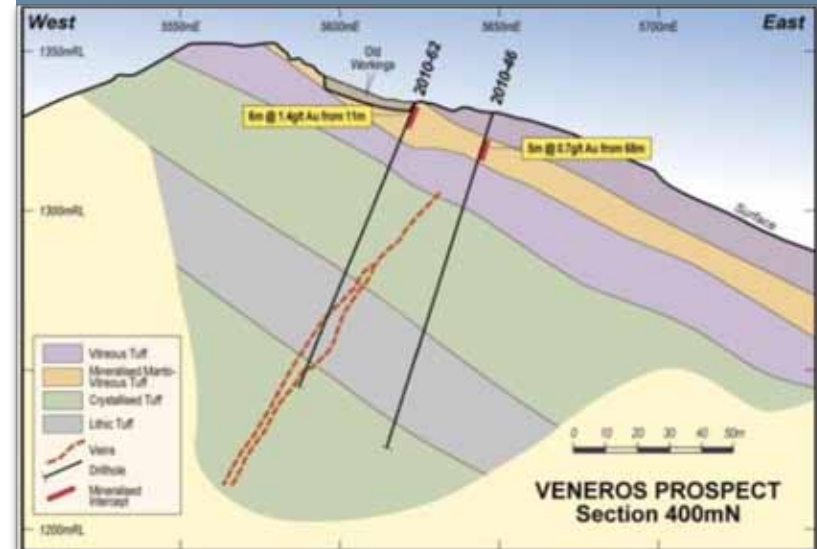
# CMD Exploration

## Mariposa Prospect



- Ø High grade vein drilled over 400m
- Ø Very limited drilling at depth
- Ø 1.5km strike length mapped on surface

## Veneros Prospect



- Ø Typical Manto style mineralisation
- Ø Attractive target due to:
  1. outcropping mineralisation
  2. potential for very low strip ratio when mined

# Lachlan Star's Other Assets

## Bushranger (100%, New South Wales)

- Ø Resource of 185,000 tonnes contained copper
- Ø Scoping Study indicates economic project – refer below for pre capital (A\$98m) results
- Ø Strategic review ongoing

Bushranger Pit Optimisation Results					
Cu Price (US\$/t)	Mineral Inventory (Mt)	Cu Grade (%)	Waste (Mt)	Waste:Ore Ratio	Net Operating Cashflow (A\$M)
7,500	10.6	0.43	28.7	2.7	112
10,000	23.1	0.39	87.8	3.8	344

# Share Price Catalysts

Q2 2011

- Resources and Reserves
- Incremental expansion to CIL and agglomeration circuit
- Development plan to increase production

Q3 2011

- Q2 production results
- Exploration results
- Resource and Reserve increase
- Dual listing on TSX

Q4 2011

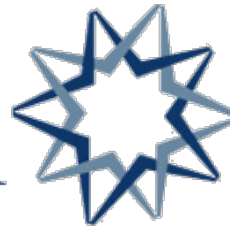
- Q3 production results
- Exploration results
- Resource and Reserve increase
- Development plan to increase production to 100,000 ozpa

Unhedged  
gold  
production

World class  
deposits

Major  
exploration  
potential

LACHLAN  
STAR



### For Further Information

Lachlan Star Limited  
Lower Ground Floor 57 Havelock Street  
West Perth WA 6005  
Tel: +61 8 9481 0051  
Fax: +61 8 9481 0052  
[info@lachlanstar.com.au](mailto:info@lachlanstar.com.au)

[www.lachlanstar.com.au](http://www.lachlanstar.com.au)